

FRIENDS FOR LIFE

FINANCIAL STATEMENTS

**FOR THE YEARS ENDED
AUGUST 31, 2018 AND 2017**

(WITH INDEPENDENT AUDITOR'S REPORT THEREON)

FRIENDS FOR LIFE
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FOR THE YEARS ENDED
AUGUST 31, 2018 AND 2017

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Friends for Life
Waco, Texas

We have audited the accompanying financial statements of Friends for Life, (the "Organization") (a nonprofit organization), which comprise the statements of financial position as of August 31, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

OFFICE LOCATIONS

TEXAS | Waco | Temple | Hillsboro | Houston

NEW MEXICO | Albuquerque

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Friends for Life as of August 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
September 17, 2019

FINANCIAL STATEMENTS

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FRIENDS FOR LIFE
STATEMENTS OF FINANCIAL POSITION
AUGUST 31, 2018 AND 2017

ASSETS

	2018	2017
Current assets:		
Cash	\$ 22,420	\$ 51,064
Pledges receivable, net of allowance of \$1,000 and \$1,000, respectively	1,850	7,850
Accounts receivable, net of allowance of \$5,955 and \$0, respectively	122,641	200,326
Prepaid Insurance	9,060	-
Other current assets	3,627	3,022
Total current assets	159,598	262,262
Non-current assets:		
Deposit	5,323	5,297
Other non-current assets	-	8,913
Property, building and equipment, net of accumulated depreciation	2,097,829	2,172,899
Total non-current assets	2,103,152	2,187,109
Total assets	\$ 2,262,750	\$ 2,449,371

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable	\$ 43,643	\$ 23,776
Accrued liabilities	116,923	73,018
Line of credit to bank	34,469	34,788
Current portion of long-term notes payable	146,289	182,549
Total current liabilities	341,324	314,131
Noncurrent liabilities:		
Long-term notes payable, net of current maturities	1,099,214	1,153,749
Total liabilities	1,440,538	1,467,880
Net assets:		
Without donor restrictions	822,212	981,491
With donor restrictions	-	-
Total net assets	822,212	981,491
Total liabilities and net assets	\$ 2,262,750	\$ 2,449,371

The accompanying notes are an integral part of these financial statements.

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FRIENDS FOR LIFE
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED AUGUST 31, 2018 AND 2017

	Without Donor Restrictions	With Donor Restrictions	2018 Total	Without Donor Restrictions	With Donor Restrictions	2017 Total
PUBLIC SUPPORT AND REVENUES						
Cash contributions	\$ 218,719	\$ -	\$ 218,719	\$ 189,228	\$ -	\$ 189,228
Grants and contracts	164,000	-	164,000	192,500	-	192,500
Program revenues	1,925,458	-	1,925,458	1,856,852	-	1,856,852
Non-program revenues	9,424	-	9,424	18,091	-	18,091
Special events	<u>(1,451)</u>	<u>-</u>	<u>(1,451)</u>	<u>25,762</u>	<u>-</u>	<u>25,762</u>
Total support and revenues	2,316,150	-	2,316,150	2,282,433	-	2,282,433
EXPENSES						
Program services:						
Registered professional guardianship	1,033,586	-	1,033,586	896,425	-	896,425
Money management	102,483	-	102,483	89,684	-	89,684
Independent living programs	137,055	-	137,055	118,857	-	118,857
Adult day care	<u>947,091</u>	<u>-</u>	<u>947,091</u>	<u>844,439</u>	<u>-</u>	<u>844,439</u>
Total program services	2,220,215	-	2,220,215	1,949,405	-	1,949,405
Supporting services:						
Management and general	126,574	-	126,574	108,033	-	108,033
Fund raising	<u>128,640</u>	<u>-</u>	<u>128,640</u>	<u>107,636</u>	<u>-</u>	<u>107,636</u>
Total supporting services	255,214	-	255,214	215,669	-	215,669
Total expenses	<u>2,475,429</u>	<u>-</u>	<u>2,475,429</u>	<u>2,165,074</u>	<u>-</u>	<u>2,165,074</u>
INCREASE (DECREASE) IN NET ASSETS	(159,279)	-	(159,279)	117,359	-	117,359
NET ASSETS, BEGINNING OF YEAR	<u>981,491</u>	<u>-</u>	<u>981,491</u>	<u>864,132</u>	<u>-</u>	<u>864,132</u>
NET ASSETS, END OF YEAR	<u>\$ 822,212</u>	<u>\$ -</u>	<u>\$ 822,212</u>	<u>\$ 981,491</u>	<u>\$ -</u>	<u>\$ 981,491</u>

The accompanying notes are an integral part of these financial statements.

FRIENDS FOR LIFE
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2018

	Program Expenses				Total Program Expenses
	Registered Professional Guardianship	Money Management	Independent Living Programs	Adult Day Care	
Salaries	\$ 850,120	\$ 77,943	\$ 116,008	\$ 569,163	\$ 1,613,234
Employee benefits	<u>26,138</u>	<u>-</u>	<u>-</u>	<u>29,772</u>	<u>55,910</u>
Total personnel	876,258	77,943	116,008	598,935	1,669,144
Specific assistance to individuals	4,411	-	-	123,071	127,482
Accounting fees	2,039	255	255	2,039	4,588
Legal fees	2,819	-	-	1,022	3,841
Supplies	4,838	584	480	12,240	18,142
Telephone	7,166	406	433	553	8,558
Postage and shipping	1,967	1,055	326	104	3,452
Occupancy	30,496	7,745	3,872	48,406	90,519
Equipment rental and maintenance	-	-	-	10,341	10,341
Printing and publications	-	-	-	-	-
Conferences, conventions, etc.	374	-	1	59	434
Interest	16,181	3,399	4,507	45,809	69,896
Insurance	14,375	2,875	2,760	29,324	49,334
Depreciation	25,238	4,206	8,413	39,539	77,396
Automobile expense	43,541	3,690	-	25,092	72,323
Miscellaneous	<u>3,883</u>	<u>325</u>	<u>-</u>	<u>10,557</u>	<u>14,765</u>
Total expenses before depreciation	157,328	24,540	21,047	348,156	551,071
Total expenses	<u>\$ 1,033,586</u>	<u>\$ 102,483</u>	<u>\$ 137,055</u>	<u>\$ 947,091</u>	<u>\$ 2,220,215</u>

The accompanying notes are an integral part of these financial statements.

Supporting Service Expenses

<u>General and Administrative</u>	<u>Fund Raising</u>	<u>Total Supporting Service Expenses</u>	<u>2018 Total Expenses</u>
\$ 97,882	\$ 101,507	\$ 199,389	\$ 1,812,623
10,362	11,058	21,420	77,330
108,244	112,565	220,809	1,889,953
-	-	-	127,482
251	255	506	5,094
-	-	-	3,841
1,251	1,460	2,711	20,853
664	-	664	9,222
239	651	890	4,342
3,388	2,904	6,292	96,811
-	-	-	10,341
-	2,964	2,964	2,964
8	8	16	450
2,512	1,478	3,990	73,886
5,175	2,990	8,165	57,499
3,365	3,365	6,730	84,126
1,477	-	1,477	73,800
-	-	-	14,765
18,330	16,075	34,405	585,476
\$ 126,574	\$ 128,640	\$ 255,214	\$ 2,475,429

FRIENDS FOR LIFE
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2017

	Program Expenses				Total Program Expenses
	Registered Professional Guardianship	Money Management	Independent Living Programs	Adult Day Care	
Salaries	\$ 725,864	\$ 66,550	\$ 99,052	\$ 485,973	\$ 1,377,439
Employee benefits	20,829	-	-	23,725	44,554
Total personnel	<u>746,693</u>	<u>66,550</u>	<u>99,052</u>	<u>509,698</u>	<u>1,421,993</u>
Specific assistance to individuals	4,167	-	-	116,259	120,426
Accounting fees	3,993	499	499	3,993	8,984
Legal fees	2,249	-	-	815	3,064
Supplies	4,270	515	423	10,804	16,012
Telephone	908	51	55	70	1,084
Postage and shipping	2,003	1,074	332	106	3,515
Occupancy	26,566	6,747	3,373	42,168	78,854
Equipment rental and maintenance	-	-	-	11,319	11,319
Printing and publications	-	-	-	-	-
Conferences, conventions, etc.	282	-	1	45	328
Interest	15,891	3,338	4,426	44,989	68,644
Insurance	10,441	2,088	2,005	21,299	35,833
Depreciation	26,073	4,346	8,691	40,848	79,958
Automobile expense	47,500	4,025	-	27,373	78,898
Miscellaneous	<u>5,389</u>	<u>451</u>	<u>-</u>	<u>14,653</u>	<u>20,493</u>
Bad debt expense	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenses before depreciation	<u>149,732</u>	<u>23,134</u>	<u>19,805</u>	<u>334,741</u>	<u>527,412</u>
Total expenses	<u>\$ 896,425</u>	<u>\$ 89,684</u>	<u>\$ 118,857</u>	<u>\$ 844,439</u>	<u>\$ 1,949,405</u>

The accompanying notes are an integral part of these financial statements.

Supporting Service Expenses

<u>General and Administrative</u>	<u>Fund Raising</u>	<u>Total Supporting Service Expenses</u>	<u>2017 Total Expenses</u>
\$ 83,575	\$ 86,670	\$ 170,245	\$ 1,547,684
<u>8,257</u>	<u>8,812</u>	<u>17,069</u>	<u>61,623</u>
91,832	95,482	187,314	1,609,307
-	-	-	120,426
499	499	998	9,982
-	-	-	3,064
1,104	1,288	2,392	18,404
84	-	84	1,168
243	663	906	4,421
2,951	2,530	5,481	84,335
-	-	-	11,319
-	69	69	69
6	6	12	340
2,468	1,451	3,919	72,563
3,759	2,172	5,931	41,764
3,476	3,476	6,952	86,910
1,611	-	1,611	80,509
<u>-</u>	<u>-</u>	<u>-</u>	<u>20,493</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
16,201	12,154	28,355	555,767
<u>\$ 108,033</u>	<u>\$ 107,636</u>	<u>\$ 215,669</u>	<u>\$ 2,165,074</u>

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FRIENDS FOR LIFE
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED AUGUST 31, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$(159,279)	\$ 117,359
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Bad debt expense	(12,653)	(17,730)
Depreciation	84,126	86,834
Prior period adjustment	-	-
Change in operating assets and liabilities:		
(Increase) decrease in accounts receivable	89,733	(21,194)
(Increase) decrease in unconditional promises to give	6,000	1,000
(Increase) decrease in prepaid insurance	(9,060)	40,971
(Increase) decrease in inventory	8,913	(4,137)
(Increase) decrease in deposits	(26)	-
Increase (decrease) in accounts payable	19,867	(39,580)
Increase (decrease) in accrued liabilities	<u>43,905</u>	<u>(56,026)</u>
Net cash provided by operating activities	71,526	107,497
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	<u>(9,056)</u>	<u>-</u>
Net cash used by investing activities	(9,056)	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in line of credit	(319)	9,800
Payment of borrowings	<u>(90,795)</u>	<u>(97,050)</u>
Net cash provided (used) by financing activities	(91,114)	(87,250)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(28,644)	20,247
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>51,064</u>	<u>30,817</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ <u>22,420</u>	\$ <u>51,064</u>
SUPPLEMENTAL DISCLOSURE:		
Interest paid	\$ <u>73,886</u>	\$ <u>72,563</u>

The accompanying notes are an integral part of these financial statements.

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FRIENDS FOR LIFE

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2018 and 2017

1. NATURE OF OPERATIONS

Organization

Friends for Life (the "Organization") is a Texas private nonprofit organization chartered in September 1989. The Organization is dedicated to helping the elderly and people with disabilities live independently as long as possible and providing care for those who are unable to care for themselves. The Organization accomplishes these goals by providing the following programs: registered professional guardianship, money management, independent living programs, adult day care, and intergenerational programs.

Program Services and Activities

The following program and supporting services are included in the accompanying financial statements:

Registered Professional Guardianship – Friends for Life offers guardianship service in 82 Texas counties. The Organization serves as guardian when the judge determines a person lacks capacity and there is no family member qualified and willing to serve as a guardian. Friends for Life served almost 500 people through its guardianship program last year.

Money Management – In 12 counties, Friends for Life staff intercedes with creditors, helps with budgets, assists with accessing benefits, balances checkbooks, reconciles bank statements and pays bills. Friends for Life also helps people access benefits and connect with resources in the community. Friends for Life serves over 600 people through its Money Management program.

Independent Living Programs – For over twenty-seven years, Friends for Life has been recruiting, training and organizing volunteers to help the elderly live independently as long as possible and to improve their quality of life. The Organization helps the elderly continue to live in their own homes.

Adult Day Care – In June 2000, Friends for Life took over an adult day care program in Waco, Texas that was scheduled to close. The center is open from 7:30am to 6pm, Monday through Friday and provides nursing care, meals, transportation, activities, social interaction, exercise programs and more. Friends for Life serves over 110 people through its Adult Day Care program.

Intergenerational/Quality of Life Programs – Over the years, Friends for Life has created dozens of Intergenerational Programs where adults and children come together to learn from each other and love one another. Each year, Friends for Life organizes hundreds of volunteers who work to improve quality of life for the elderly and adults with disabilities in hospitals, nursing homes, and in their own homes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

Change in Accounting Principle

On August 18, 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has implemented ASU 2016-14 and has adjusted the presentation in the financial statements accordingly.

Basis of Presentation

Net assets, revenues, gains and losses are classified on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and the changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. Such net assets are available for any purpose consistent with the Organizations mission. Designations of net assets by the governing board do not have the same legal requirements as do restrictions of funds and are included in this category.

Net Assets With Donor Restrictions – Net assets subject to specific, donor-imposed restrictions that must be met by actions of the Organization and/or passage of time. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Designation of Net Assets Without Donor Restrictions

It is the policy of the Board of Directors of the Organization to review its plans for future improvements and acquisitions from time to time and to designate appropriate sums of net assets without donor restrictions to assure adequate financing of such improvements and acquisitions. As of August 31, 2018, and 2017, there were no designated net assets by the Board of Directors.

Use of Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. The Organization's most significant estimates include useful lives of property, plant and equipment and the allowance for uncollectible accounts and pledges.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be a cash equivalent. As of August 31, 2018 and 2017, the Company did not have any cash equivalents.

Contributions and Pledges

The Organization records unconditional promises to give (pledges) as receivables and contributions within the appropriate net asset category based on the existence or absence of donor-imposed restrictions. The Organization recognizes conditional promises to give when the conditions stipulated by the donor are substantially met. A conditional promise to give is considered unconditional if the possibility that the condition will not be met is remote.

The Organization uses the allowance method to determine the collectability of pledges receivable. The allowance is based on prior years' experience and management's analysis of specific promises made. As of August 31, 2018, and 2017, the Organization had pledge allowances of \$1,000 and \$1,000, respectively.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are stated at the amount management expects to collect or be reimbursed from granting agencies as part of providing program services. Management reviews grants receivable on a periodic basis and records a provision for doubtful accounts based on the review of outstanding receivables, historical collection information, and existing economic conditions. As of August 31, 2018, and 2017, the Organization had allowances of \$5,955 and \$0, respectively.

Property, Plant and Equipment

The Organization capitalizes property and equipment over \$500. Lesser amounts are expensed. Purchased assets are capitalized at cost. Donations of noncash assets are recorded at the fair market value.

Property, plant and equipment are recorded at cost less accumulated depreciation. Depreciation is calculated using the straight-line method over their following estimated useful lives:

Buildings	15-40 years
Furniture & Equipment	5-10 years
Vehicles	5-7 years

Maintenance and minor repairs are charged to operations when incurred. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in current operations.

Public Support and Revenue

The Organization has contracts with Texas Department of Aging and Disability Services to provide guardianship services for incapacitated people in several regions in Texas and to provide adult day care services for the elderly and people with disabilities in Waco. The Organization also receives reimbursement for services from several counties and from individuals. Fees for services are becoming a greater part of the revenues of the Organization.

Grants and other contributions of cash and other assets are recorded as support with or without donor restrictions, depending on the existence and/or nature of any donor restrictions. Contributions of cash and other assets are reported as support with donor restrictions if they are received with donor stipulations that limits the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restriction and reported in the statement of activities as net assets released from restrictions. Contributions received with donor-imposed restrictions that are met in the same year in which the contributions are received are classified as contributions without donor restrictions. The Organization recognizes grant revenue after it has fulfilled all specific requirements as listed out in the grant contracts which signify the Organization has become eligible for reimbursement.

Contributions of donated noncash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

Expenses are recognized as incurred.

Expense Allocation

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of periodic time and expense studies. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Income Taxes

The Organization was granted tax-exempt status under Section 501(c) (3) of the Internal Revenue Code. Therefore, no provision for income taxes has been made in these financial statements. The Organization has been classified as a publicly supported organization, which is not a private foundation under Section 509(a) (1) and 170(b) (1) (A) (VI) of the code.

The Organization's tax returns are generally no longer subject to examination by the Internal Revenue Service for three years after filing.

3. PROPERTY, BUILDINGS AND EQUIPMENT

Property, buildings and equipment consist of the following:

	<u>2018</u>	<u>2017</u>
Buildings	\$ 1,571,589	\$ 1,571,589
Building improvements	977,851	975,651
Office furniture and equipment	448,021	442,245
Computers	72,609	71,529
Software	25,713	25,713
Vehicles	160,043	160,043
Land	286,588	286,588
Land Improvements	11,998	11,998
Medical Equipment	<u>19,235</u>	<u>19,235</u>
Total property, buildings and equipment	3,573,647	3,564,591
Less accumulated depreciation	<u>(1,475,818)</u>	<u>(1,391,692)</u>
Net property, buildings and equipment	<u>\$ 2,097,829</u>	<u>\$ 2,172,899</u>

Depreciation charged as an expense for the years ended August 31, 2018 and 2017, was \$84,126 and \$86,834, respectively.

4. NOTES PAYABLE

The Organization's short-term and long-term debt consists of the following:

	<u>2018</u>	<u>2017</u>
Installment note payable to American Bank; original amount \$1,600,000; monthly payment is \$9,383; interest rate, 5.25%; matures on 4/10/2031; secured by real estate	\$ 1,043,538	\$ 1,093,706
Installment note payable to American Bank; original amount \$125,000; monthly payment is \$1,037; interest rate, 5.75%; matures on 1/25/2025; secured by all tangible personal property of the Organization	61,965	74,916
Installment note payable to American Bank; original amount \$100,000; principal due in one lump-sum payment in November 2018; interest rate, 4.25%; secured by all tangible personal property of the Organization	100,000	100,000
Installment note payable to American Bank; original amount \$75,000; monthly payment is \$2,251; interest rate, 5.00%; matures in April 2018 secured by all tangible personal property of the Organization	-	17,676
0.00% interest promissory note; original amount \$30,000; principle amount due and payable in one payment as soon as the funds are available	20,000	20,000
0.00% interest promissory note; original amount \$20,000; principle amount due and payable in one payment as soon as the funds are available	20,000	20,000
0.00% interest promissory note; original amount \$10,000; principle amount due and payable in one payment as soon as the funds are available	<u>-</u>	<u>10,000</u>
Total notes payable	<u>1,245,503</u>	<u>1,336,298</u>
Current notes payable	<u>146,289</u>	<u>182,549</u>
Total long-term notes payable	<u>\$ 1,099,214</u>	<u>\$ 1,153,749</u>

<u>August 31,</u>		
2019		\$ 146,289
2020		94,298
2021		76,088
2022		80,232
2023		84,602
thereafter		<u>763,994</u>
Total		<u>\$ 1,245,503</u>

Interest expense for the years ended August 31, 2018 and 2017, was \$73,886 and \$72,563, respectively.

5. LINE OF CREDIT

The Organization has a line of credit of \$35,000 with a local financial institution. The terms of the line include a variable interest rate based on a Prime plus 2%, with a floor of 8%. Interest payments are due on the 25th day of each month. The note is secured by equipment. The amount outstanding as of August 31, 2018 and 2017 was \$34,469 and \$34,788, respectively.

6. ACCRUED COMPENSATED BALANCE AND LEAVE

Compensation has been accrued but no accrual for leave or sick pay has been made because it is not a requirement of the Organization to pay these amounts. Leave is only paid if the employee is still employed.

7. LIQUIDITY AND AVAILABILITY OF RESOURCES

The following reflects the Organization's financial assets as of August 31, 2018, reduced by amounts not available for general use because of contractual, donor-imposed restrictions or board-imposed restrictions within one year of the balance sheet date. Amounts not available could include amounts set aside for long-term investing in quasi-endowments that could be drawn upon if the governing board approves that action or amounts that have been set aside to satisfy imposed restrictions by either the donor or the board.

Cash and cash equivalents	\$	22,420
Pledge receivable		1,850
Accounts receivable		<u>122,641</u>
Financial assets, at year-end		146,911
Less:		
Assets with donor restrictions		-
Assets with board designations		<u>-</u>
Financial assets available to meet cash needs for general expenditures within one year	\$	<u>146,911</u>

As of August 31, 2018, the Organization did not have any donor-imposed restrictions or board designations to satisfy.

8. CONTRIBUTED SERVICES AND GIFTS-IN-KIND

Contributed Services

The Organization generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization at the residents' facilities, but these services do not meet the criteria for recognition as contributed services.

During the year ended August 31, 2018, there were 1,470 volunteers who provided 38,804 hours in volunteer services throughout the year. Using the rate established by the Independent Sector of \$25.10 per volunteer hour, the estimated value of these services is \$973,980

During the year ended August 31, 2017, there were 1,317 volunteers who provided 37,436 hours in volunteer services throughout the year. Using the rate established by the Independent Sector of \$24.64 per volunteer hour, the estimated value of these services is \$922,423.

Because these services were not performed by persons specialized in their field, the value of these services was not recognized as revenue.

Gifts-in-kind

As of August 31, 2018, and 2017, the Organization received gifts-in-kind totaling \$33,900 and \$64,967, respectively. For the years ended August 31, 2018 and 2017, the Organization also received donated office space, including rent and utilities, valued at \$55,973 and \$55,973, respectively, for their offices in Abilene, Temple and Tyler.

9. CONCENTRATIONS

Concentration of Credit Risk

All accounts, interest bearing and noninterest bearing, are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000 per depositor at each separately charter FDIC-insured depository institution. As of August 31, 2018, and 2017, all of the Organization's cash balances were insured.

Concentration of Funding Source

During the year ended August 31, 2018, the Organization received approximately 47% of its total support from the Guardianship Program. A loss of these services could negatively impact operations.

During the year ended August 31, 2017, the Organization received approximately 46% of its total support from the Guardianship Program. A loss of this services could negatively impact operations.

As of August 31, 2018, and 2017, revenue from programs amounted to approximately 84% and 82% of total revenues, respectively.

10. COMMITMENTS AND CONTINGENCIES

The Organization leases office space in San Antonio, Corpus Christi, and Texas City.

The future minimum lease payments are as follows:

<u>Years Ending August 31,</u>	
2019	\$ 9,660
2020	9,660
2021	9,660
2022	9,660
Thereafter	<u>-</u>
	<u>\$ 38,640</u>

The San Antonio lease is a 12 month lease and has required payments of \$100 each month. This lease expense has been paid for since inception and continues to be, by a donor. Therefore, Friends for Life has not incurred any expense for the San Antonio office. Total rent expense, paid for by the Organization for the years ended August 31, 2018 and 2017, was \$10,649 and \$9,703, respectively.

11. SUBSEQUENT EVENTS

Subsequent events have been evaluated through September 17, 2019, the issuance date of this report.

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