

FRIENDS FOR LIFE
FINANCIAL STATEMENTS
FOR THE YEARS ENDED
AUGUST 31, 2022 AND 2021
(WITH INDEPENDENT AUDITOR'S REPORT THEREON)

FRIENDS FOR LIFE

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AUGUST 31, 2022 AND 2021

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INDEPENDENT AUDITOR’S REPORT

To the Board of Directors
Friends for Life
Waco, Texas

Opinion

We have audited the financial statements of Friends for Life, which comprise the statements of financial position as of August 31, 2022, and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Friends for Life as of August 31, 2022, and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Friends for Life and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Friend for Life’s ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

OFFICE LOCATIONS

TEXAS | Waco | Temple | Hillsboro | Houston
NEW MEXICO | Albuquerque

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Friends for Life's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Friends for Life's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Waco, Texas

, 2023

FINANCIAL STATEMENTS

FRIENDS FOR LIFE
STATEMENTS OF FINANCIAL POSITION
AUGUST 31, 2022 AND 2021

ASSETS	2022	2021
Current assets:		
Cash and cash equivalents	\$ 470,397	\$ 62,438
Pledges receivable, net of allowance of \$1,000 and \$1,000, respectively	1,850	1,850
Accounts receivable, net of allowance of \$5,995 and \$5,955, respectively	134,227	143,334
Other current assets	3,192	3,466
Total current assets	609,666	211,088
Non-current assets:		
Deposit	5,323	5,323
Property, building and equipment, net of accumulated depreciation	1,848,870	1,900,605
Total non-current assets	1,854,193	1,905,928
Total assets	\$ 2,463,859	\$ 2,117,016
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 17,856	\$ 19,013
Accrued liabilities	210,554	241,833
Current portion of long-term notes payable	89,775	94,569
Total current liabilities	318,185	355,415
Noncurrent liabilities:		
Long-term notes payable, net of current maturities	1,234,321	816,647
Total liabilities	1,552,506	1,172,062
Net assets:		
Without donor restrictions	908,228	944,954
With donor restrictions	3,125	-
Total net assets	911,353	944,954
Total liabilities and net assets	\$ 2,463,859	\$ 2,117,016

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

FRIENDS FOR LIFE
STATEMENTS OF ACTIVITIES
AUGUST 31, 2022 AND 2021

	Without Donor Restrictions	With Donor Restrictions	2022 Total
PUBLIC SUPPORT AND REVENUES			
Cash contributions	\$ 217,546	\$ 3,125	\$ 220,671
Gifts in kind	220,893	-	220,893
Grants and contracts	597,500	-	597,500
Program revenues	2,196,721	-	2,196,721
Non-program revenues	52,083	-	52,083
Gain on extinguishment of debt	-	-	-
Special events	5,844	-	5,844
Total support and revenues	<u>3,290,587</u>	<u>3,125</u>	<u>3,293,712</u>
EXPENSES			
Program services:			
Registered professional guardianship	1,496,487	-	1,496,487
Money management	357,200	-	357,200
Independent living programs	131,813	-	131,813
Adult day care	733,905	-	733,905
Life skills training	300,666	-	300,666
Tool shop	43,255	-	43,255
Total program services	<u>3,063,326</u>	<u>-</u>	<u>3,063,326</u>
Supporting services:			
Management and general	222,830	-	222,830
Fund raising	41,157	-	41,157
Total supporting services	<u>263,987</u>	<u>-</u>	<u>263,987</u>
Total expenses	<u>3,327,313</u>	<u>-</u>	<u>3,327,313</u>
CHANGE IN NET ASSETS	(36,726)	3,125	(33,601)
NET ASSETS, BEGINNING OF YEAR	<u>944,954</u>	<u>-</u>	<u>944,954</u>
NET ASSETS, END OF YEAR	<u>\$ 908,228</u>	<u>\$ 3,125</u>	<u>\$ 911,353</u>

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

<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2021 Total</u>
\$ 183,733	\$ -	\$ 183,733
221,473	-	221,473
162,200	-	162,200
1,806,083	-	1,806,083
32,882	-	32,882
908,800	-	908,800
-	-	-
3,315,171		3,315,171
1,320,320	-	1,320,320
217,996	-	217,996
121,243	-	121,243
648,530	-	648,530
147,098	-	147,098
168,500	-	168,500
2,623,687	-	2,623,687
272,931	-	272,931
-	-	-
272,931		272,931
2,896,618	-	2,896,618
418,553	-	418,553
526,401	-	526,401
\$ 944,954	\$ -	\$ 944,954

FRIENDS FOR LIFE

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2022

	Program Expenses				
	Registered	Money	Independent	Adult	Life Skills
	Professional		Living		
Guardianship	Management	Programs			
Salaries	\$ 1,075,827	\$ 313,254	\$ 105,429	\$ 414,799	\$ 274,339
Employee benefits	<u>47,481</u>	<u>6,046</u>	<u>4,604</u>	<u>29,215</u>	<u>9,397</u>
Total personnel	1,123,308	319,300	110,033	444,014	283,736
Specific assistance to individuals	7,310	-	49	87,202	-
Accounting fees	3,678	525	525	3,678	1,051
Legal fees	2,969	-	-	224	103
Supplies	6,255	6,034	2,268	13,474	1,335
Gifts in kind-supplies	-	-	6,052	6,060	2,103
Telephone	13,043	255	-	255	-
Postage and shipping	339	4,272	370	-	-
Occupancy	39,512	9,336	2,517	58,757	1,917
Gifts in kind-occupancy	156,413	-	-	-	-
Equipment rental and maintenance	4,082	817	952	6,667	408
Printing and publications	-	-	-	-	-
Conferences, conventions, etc.	4,004	-	-	35	220
Interest	8,745	3,682	2,301	28,075	920
Insurance	7,910	6,149	715	18,327	1,173
Depreciation	30,308	-	3,368	39,569	5,051
Automobile expense	54,286	4,022	245	377	1,318
Utilities	18,344	2,808	2,418	27,191	1,331
Travel	<u>15,981</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total non-personnel expenses	373,179	37,900	21,780	289,891	16,930
Total expenses	\$ <u>1,496,487</u>	\$ <u>357,200</u>	\$ <u>131,813</u>	\$ <u>733,905</u>	\$ <u>300,666</u>

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

Program Expenses		Supporting Service Expenses			2022
Tool Shop	Total Program Expenses	General and Administrative	Fund Raising	Total Supporting Service Expenses	Total Expenses
\$ -	\$ 2,183,648	\$ 169,824	\$ 29,740	\$ 199,564	\$ 2,383,212
-	<u>96,743</u>	<u>1,266</u>	<u>14</u>	<u>1,280</u>	<u>98,023</u>
-	2,280,391	171,090	29,754	200,844	2,481,235
-	94,561	-	-	-	94,561
-	9,457	526	525	1,051	10,508
-	3,296	-	-	-	3,296
-	29,366	3,366	36	3,402	32,768
43,255	57,470	7,010	-	7,010	64,480
-	13,553	2,681	-	2,681	16,234
-	4,981	1,764	-	1,764	6,745
-	112,039	10,656	2,213	12,869	124,908
-	156,413	-	-	-	156,413
-	12,926	680	-	680	13,606
-	-	-	2,817	2,817	2,817
-	4,259	700	-	700	4,959
-	43,723	1,932	920	2,852	46,575
-	34,274	6,006	514	6,520	40,794
-	78,296	5,893	-	5,893	84,189
-	60,248	138	-	138	60,386
-	52,092	10,098	4,378	14,476	66,568
-	<u>15,981</u>	<u>290</u>	<u>-</u>	<u>290</u>	<u>16,271</u>
43,255	782,935	51,740	11,403	63,143	846,078
\$ <u>43,255</u>	\$ <u>3,063,326</u>	\$ <u>222,830</u>	\$ <u>41,157</u>	\$ <u>263,987</u>	\$ <u>3,327,313</u>

FRIENDS FOR LIFE

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2021

	Program Expenses				
	Registered Professional Guardianship	Money Management	Independent Living Programs	Adult Day Care	Life Skills Training
Salaries	\$ 1,051,895	\$ 199,520	\$ 87,327	\$ 402,340	\$ 132,604
Employee benefits	<u>55,255</u>	<u>1,146</u>	<u>2,955</u>	<u>34,022</u>	<u>5,157</u>
Total personnel	1,107,150	200,666	90,282	436,362	137,761
Specific assistance to individuals	7,699	-	-	60,241	-
Accounting fees	-	-	-	-	-
Legal fees	2,681	-	-	1,136	-
Supplies	4,758	663	667	8,836	120
Gifts in kind-supplies	-	-	14,617	17,168	-
Telephone	14,701	36	428	277	-
Postage and shipping	810	3,300	501	-	-
Occupancy	48,428	2,721	5,096	23,708	698
Gifts in kind-occupancy	55,973	-	-	-	-
Equipment rental and maintenance	1,130	1,300	797	10,905	315
Conferences, conventions, etc.	2,402	-	-	-	-
Interest	5,393	3,099	899	26,818	947
Insurance	4,555	6,211	878	21,030	1,346
Depreciation	30,195	-	3,355	39,420	5,032
Automobile expense	34,445	-	3,723	2,521	879
Loss on disposal of assets	-	-	-	-	-
Miscellaneous	<u>-</u>	<u>-</u>	<u>-</u>	<u>108</u>	<u>-</u>
Total non-personnel expenses	213,170	17,330	30,961	212,168	9,337
Total expenses	<u>\$ 1,320,320</u>	<u>\$ 217,996</u>	<u>\$ 121,243</u>	<u>\$ 648,530</u>	<u>\$ 147,098</u>

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

Program Expenses		Supporting Service Expenses		2021 Total Expenses
Tool Shop	Total Program Expenses	General and Administrative	Total Supporting Service Expenses	
\$ 29,546	\$ 1,903,232	\$ 184,869	\$ 184,869	\$ 2,088,101
-	98,535	1,938	1,938	100,473
<u>29,546</u>	<u>2,001,767</u>	<u>186,807</u>	<u>186,807</u>	<u>2,188,574</u>
-	67,940	220	220	68,160
-	-	8,050	8,050	8,050
-	3,817	-	-	3,817
-	15,044	4,556	4,556	19,600
30,700	62,485	2,575	2,575	65,060
-	15,442	1,073	1,073	16,515
-	4,611	1,607	1,607	6,218
6,642	87,293	16,502	16,502	103,795
100,440	156,413	-	-	156,413
1,151	15,598	15,098	15,098	30,696
-	2,402	1,005	1,005	3,407
-	37,156	10,430	10,430	47,586
21	34,041	6,081	6,081	40,122
-	78,002	5,338	5,338	83,340
-	41,568	-	-	41,568
-	-	1,911	1,911	1,911
-	108	11,678	11,678	11,786
<u>138,954</u>	<u>621,920</u>	<u>86,124</u>	<u>86,124</u>	<u>708,044</u>
<u>\$ 168,500</u>	<u>\$ 2,623,687</u>	<u>\$ 272,931</u>	<u>\$ 272,931</u>	<u>\$ 2,896,618</u>

FRIENDS FOR LIFE

AUGUST 31, 2022 AND 2021

FOR THE YEARS ENDED AUGUST 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$(33,601)	\$ 418,553
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	84,189	83,340
Loss on disposal of assets	-	1,911
Gain on extinguishment of debt	-	(908,800)
Change in operating assets and liabilities:		
(Increase) decrease in accounts receivable	9,381	(16,490)
Increase (decrease) in accounts payable	(1,157)	10,479
Increase (decrease) in accrued liabilities	(31,279)	(24,622)
Net cash provided (used) by operating activities	<u>27,533</u>	<u>(435,629)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	<u>(32,454)</u>	<u>(28,942)</u>
Net cash used by investing activities	(32,454)	(28,942)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in line of credit	-	(2,166)
Payment of borrowings	(87,120)	(101,527)
Proceeds from long-term borrowings	<u>500,000</u>	<u>458,500</u>
Net cash provided by financing activities	412,880	354,807
NET INCREASE (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	407,959	(109,764)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>62,438</u>	<u>172,202</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 470,397</u>	<u>\$ 62,438</u>
SUPPLEMENTAL DISCLOSURE:		
Interest paid	<u>\$ 46,575</u>	<u>\$ 47,586</u>

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

FRIENDS FOR LIFE

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2022 and 2021

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 approximately 501 people through its guardianship program last year.

Money Management – In multiple 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 served approximately 623 people through the money management program last year.

Independent Living Programs – For over twenty-nine 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. Friends for Life served approximately 1442 people through the Independent Living Program last year.

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 approximately 111 people through its Adult Day Care program.

Life Skills Training – In 2020, Friends for Life started a Life Skills Program. It is a one-on-one program in which staff work individually with clients who have developmental disabilities, teaching them skills to help them be more independent within the facility setting and possible assisting with their move back into the community. Approximately 95 individuals were served in this program.

Tool Shop – The tool shop is a place where donors can donate tools that are sold at a reduced cost. This program provides opportunities for the disabled and retirees to learn and interact with other people with volunteer assistance.

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.

Adoption of New Accounting Standard

On May 28, 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09 to Accounting Standards Codification (ASC) 606, Revenue from Contracts with Customers. The ASU and all subsequently issued clarifying ASUs replaced most existing revenue recognition guidance in accounting principles general accepted in the United States of America ("U.S. GAAP"). The ASU also required expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Organization adopted the new standard effective September 1, 2020, the first day of the Organization's fiscal year, using the modified retrospective approach.

Adoption of ASC 606 had no impact to the recognition of revenue in the Organization's financial statements. The Organization recognized no cumulative effect adjustment upon adoption. Adoption of the standard resulted in enhanced revenue-related disclosures that provide information with respect to the Organization's analysis of certain contracts.

Although ASC 606 is not expected to have a material impact to the Organization's ongoing net income, the Organization implemented changes to its processes and procedures related to revenue recognition and the control activities within them.

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 Organization's 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, 2022, and 2021, there were no net assets designated by the Board of Directors.

Use of Accounting Estimates

The preparation of financial statements in conformity with U.S. GAAP 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 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 cash equivalents. As of August 31, 2022, and 2021, the Organization 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, 2022, and 2021, the Organization had pledge allowances of \$1,000 and \$1,000, respectively.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivables 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, 2022, and 2021, the Organization had allowances of \$5,955 and \$5,955, 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 their 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 a large 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 limit 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.

Revenue from Exchange Transactions

The Organization has multiple revenue streams that are accounted for as exchange transactions including grants and contracts, and program revenue.

Because the Organization's performance obligations relate to contracts with a duration of less than one year, the Organization has elected to apply the optional exemption provided in FASB ASC 606-10-50-14(a), Revenue from Contracts with Customers, and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period.

All revenue streams for the Organization discussed above are within the scope of and accounted for under ASC 606. ASC 606 requires revenue to be recognized when the Organization satisfies the related performance obligations by transferring to the customer a good or service through a 5-step process:

- 1) Identify the contract with the customer,
- 2) Identify the associated performance obligations,
- 3) Determine the transaction price,
- 4) Allocate the transaction price to the performance obligations, and
- 5) Recognize revenue when the performance obligations have been satisfied and the good or service has been transferred.

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>2022</u>	<u>2021</u>
Buildings	\$ 1,571,589	\$ 1,571,589
Building improvements	1,020,495	1,006,480
Office furniture and equipment	472,976	458,238
Computers	88,801	85,100
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	 3,631,725	 3,599,271
 Less accumulated depreciation	 <u>(1,782,855)</u>	 <u>(1,698,666)</u>
 Net property, buildings and equipment	 <u>\$ 1,848,870</u>	 <u>\$ 1,900,605</u>

Depreciation charged as an expense for the years ended August 31, 2022 and 2021, was \$84,189 and \$83,340, respectively.

4. NOTES PAYABLE

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

	<u>2022</u>	<u>2021</u>
Installment note payable to American Bank; original amount \$1,600,000; monthly payment is \$9,383; interest rate, 4.5%; matures in April 2031; secured by real estate	\$ 796,262	\$ 864,367
Installment note payable to American Bank; original amount \$125,000; monthly payment is \$1,037; interest rate 5.75%; matures in January 2025; secured by all tangible personal property of the Organization	27,834	38,357
Installment note payable to American Bank; original amount \$100,000; the note is payable monthly and matures in November 2021; interest rate 5.00%; secured by all tangible personal property of the Organization	-	8,492
Installment note payable to SBA; original amount \$500,000; the note is payable monthly and matures in November 2051; interest rate 2.75%; secured by all tangible personal property of the Organization	<u>500,000</u>	<u>-</u>
Total notes payable	<u>1,324,096</u>	<u>911,216</u>
Current notes payable	<u>89,775</u>	<u>94,569</u>
Total long-term notes payable	<u>\$ 1,234,321</u>	<u>\$ 816,647</u>

The debt is scheduled to mature as follows at August 31, 2022:

<u>Years Ending August 31,</u>	
2023	\$ 89,775
2024	102,148
2025	102,919
2026	101,381
2027	105,832
Thereafter	<u>822,041</u>
	<u>\$ 1,324,096</u>

Interest expense for the years ended August 31, 2022 and 2021, was \$46,575 and \$47,586, respectively.

5. ACCRUED COMPENSATED BALANCE AND LEAVE

Employees earn vacation time throughout the year. The accrual for compensated absences is included in accrued liabilities on the statements of financial position in the amount of \$51,767 and \$95,387 for 2022 and 2021, respectively.

6. LIQUIDITY AND AVAILABILITY OF RESOURCES

The following reflects the Organization's financial assets as of August 31, 2022 and 2021, 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.

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 470,397	\$ 62,438
Pledge receivable, net	1,850	1,850
Accounts receivable, net	<u>134,227</u>	<u>143,334</u>
Financial assets, at year-end	606,474	207,622
Less:		
Assets with donor restrictions	<u>3,215</u>	<u>-</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 603,259</u>	<u>\$ 207,622</u>

As of August 31, 2022, the Organization had \$3,125 in donor-imposed restrictions and did not have any board designations to satisfy.

7. 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, 2022, there were 779 volunteers who provided 8,407 hours in volunteer services throughout the year. Using the rate established by the Independent Sector of \$28.14 per volunteer hour, the estimated value of these services is \$236,573.

During the year ended August 31, 2021, there were 489 volunteers who provided 11,777 hours in volunteer services throughout the year. Using the rate established by the Independent Sector of \$28.14 per volunteer hour, the estimated value of these services is \$331,405.

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, 2022, and 2021, the Organization received gifts-in-kind of supplies totaling \$64,480 and \$65,060, respectively. For the years ended August 31, 2022 and 2021, the Organization also received donated office space, including rent and utilities, valued at \$156,413 and \$156,413, respectively, for their offices in Abilene, Temple and Tyler as well as the tool shop building.

8. 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, 2021, all of the Organization's cash balances were insured. As of August 31, 2022, the Organization maintained cash balances at financial institutions in excess of federally insured limits. Given the economic environment and risks in the bank industry, there is risk that these deposits may not be readily available or covered by insurance, however no losses have occurred.

Concentration of Funding Source

During the year ended August 31, 2022, the Organization received approximately 42% of its total support from the Guardianship Program. A loss of these services could negatively impact operations.

During the year ended August 31, 2021, the Organization received approximately 53% of its total support from the Guardianship Program. A loss of this services could negatively impact operations.

As of August 31, 2022, and 2021, revenue from programs amounted to approximately 67% and 54% of total revenues, respectively. The percentage for 2021 is lower than the typical year due to the additional revenue recognized for the gain on extinguishment of debt.

9. COMMITMENTS AND CONTINGENCIES

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

The future minimum lease payments are as follows:

Years Ending August 31,	
2023	\$ 13,212
2024	9,816
2025	864
2026	648
2027	<u>-</u>
	<u>\$ 24,540</u>

Total rent expense, paid for by the Organization for the years ended August 31, 2022 and 2021, was \$16,876 and \$18,170, respectively.

10. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events from the balance sheet date through [REDACTED], 2023, the date the financial statements were available to be issued and noted the following non-recognized events for disclosure.