

FRIENDS FOR LIFE
FINANCIAL STATEMENTS
FOR THE YEARS ENDED
AUGUST 31, 2023 AND 2022
(WITH INDEPENDENT AUDITOR'S REPORT THEREON)

FRIENDS FOR LIFE

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AUGUST 31, 2023 AND 2022

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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, 2023, and 2022, 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, 2023, and 2022, 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.

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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.

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

Waco, Texas
July 19, 2024

FINANCIAL STATEMENTS

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FRIENDS FOR LIFE
STATEMENTS OF FINANCIAL POSITION
AUGUST 31, 2023 AND 2022

	2023	2022
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 622,942	\$ 470,397
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	199,813	134,227
Other current assets	3,442	3,192
Total current assets	828,047	609,666
Non-current assets:		
Deposits	5,297	5,323
Property, building and equipment, net of accumulated depreciation	1,824,176	1,850,678
Total non-current assets	1,829,473	1,856,001
Total assets	\$ 2,657,520	\$ 2,465,667
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 8,581	\$ 17,856
Accrued liabilities	225,025	210,554
Current portion of long-term notes payable	89,867	89,775
Total current liabilities	323,473	318,185
Noncurrent liabilities:		
Long-term notes payable, net of current maturities	1,139,130	1,234,321
Total liabilities	1,462,603	1,552,506
Net assets:		
Without donor restrictions	1,191,792	910,036
With donor restrictions	3,125	3,125
Total net assets	1,194,917	913,161
Total liabilities and net assets	\$ 2,657,520	\$ 2,465,667

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

FRIENDS FOR LIFE
STATEMENTS OF ACTIVITIES
AUGUST 31, 2023 AND 2022

	Without Donor Restrictions	With Donor Restrictions	2023 Total
PUBLIC SUPPORT AND REVENUES			
Cash contributions	\$ 215,385	\$ -	\$ 215,385
Gifts in kind	234,378	-	234,378
Grants and contracts	391,920	-	391,920
Program revenues	2,564,833	-	2,564,833
Non-program revenues	507,872	-	507,872
Special events	-	-	-
Total support and revenues	<u>3,914,388</u>	<u>-</u>	<u>3,914,388</u>
EXPENSES			
Program services:			
Registered professional guardianship	1,446,252	-	1,446,252
Money management	379,052	-	379,052
Independent living programs	118,864	-	118,864
Adult day care	825,650	-	825,650
Life skills training	473,660	-	473,660
Lifelines	38,646	-	38,646
Learning lab	16,385	-	16,385
Tool shop	57,771	-	57,771
Total program services	<u>3,356,280</u>	<u>-</u>	<u>3,356,280</u>
Supporting services:			
Management and general	276,352	-	276,352
Fund raising	-	-	-
Total supporting services	<u>276,352</u>	<u>-</u>	<u>276,352</u>
Total expenses	<u>3,632,632</u>	<u>-</u>	<u>3,632,632</u>
CHANGE IN NET ASSETS	281,756	-	281,756
NET ASSETS, BEGINNING OF YEAR	<u>910,036</u>	<u>3,125</u>	<u>913,161</u>
NET ASSETS, END OF YEAR	<u>\$ 1,191,792</u>	<u>\$ 3,125</u>	<u>\$ 1,194,917</u>

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

Without Donor Restrictions	With Donor Restrictions	2022 Total
\$ 217,546	\$ 3,125	\$ 220,671
220,893	-	220,893
597,500	-	597,500
2,196,721	-	2,196,721
52,083	-	52,083
<u>5,844</u>	<u>-</u>	<u>5,844</u>
<u>3,290,587</u>	<u>3,125</u>	<u>3,293,712</u>
1,495,836	-	1,495,836
357,200	-	357,200
131,741	-	131,741
733,055	-	733,055
300,558	-	300,558
-	-	-
-	-	-
<u>43,255</u>	<u>-</u>	<u>43,255</u>
<u>3,061,645</u>	<u>-</u>	<u>3,061,645</u>
222,703	-	222,703
<u>41,157</u>	<u>-</u>	<u>41,157</u>
263,860	-	263,860
<u>3,325,505</u>	<u>-</u>	<u>3,325,505</u>
(34,918)	3,125	(31,793)
<u>944,954</u>	<u>-</u>	<u>944,954</u>
<u>\$ 910,036</u>	<u>\$ 3,125</u>	<u>\$ 913,161</u>

FRIENDS FOR LIFE

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED AUGUST 31, 2023

	Program Expenses				
	Registered	Money	Independent	Adult	Life Skills
	Professional Guardianship		Living Programs		
Salaries	\$ 1,035,449	\$ 324,408	\$ 85,051	\$ 516,100	\$ 431,142
Employee benefits	<u>42,143</u>	<u>4,429</u>	<u>2,461</u>	<u>25,252</u>	<u>9,287</u>
Total personnel	1,077,592	328,837	87,512	541,352	440,429
Specific assistance to individuals	9,057	-	-	86,934	-
Accounting fees	4,032	806	941	6,586	403
Legal fees	2,061	229	-	355	-
Supplies	5,338	12,709	2,752	17,069	715
Gifts in kind-supplies	-	-	15,658	15,658	15,657
Telephone	14,800	275	97	635	460
Postage and shipping	985	5,092	180	14	-
Occupancy	33,821	12,389	3,848	13,669	2,744
Gifts in kind-occupancy	156,413	-	-	-	-
Equipment rental and maintenance	10,590	2,159	1,704	28,360	1,003
Printing and publications	-	-	-	-	-
Conferences, conventions, etc.	6,325	-	-	1,032	-
Interest	-	-	-	23,842	-
Insurance	7,821	7,897	595	16,727	2,460
Depreciation	30,616	-	3,402	39,971	5,103
Automobile expense	53,226	5,011	-	5,321	3,076
Utilities	18,616	2,870	2,175	27,169	906
Travel	14,959	778	-	956	704
Miscellaneous	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total non-personnel expenses	368,660	50,215	31,352	284,298	33,231
Total expenses	<u>\$ 1,446,252</u>	<u>\$ 379,052</u>	<u>\$ 118,864</u>	<u>\$ 825,650</u>	<u>\$ 473,660</u>

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

Program Expenses			Supporting Service Expenses				2023 Total Expenses
Lifelines	Learning Lab	Tool Shop	Total Program Expenses	General and Administrative	Fund Raising	Total Supporting Service Expenses	
\$ 37,539	\$ 7,016	\$ 21,667	\$ 2,458,372	\$ 194,780	\$ -	\$ 194,780	\$ 2,653,152
<u>295</u>	<u>-</u>	<u>8</u>	<u>83,875</u>	<u>4,857</u>	<u>-</u>	<u>4,857</u>	<u>88,732</u>
37,834	7,016	21,675	2,542,247	199,637	-	199,637	2,741,884
-	-	-	95,991	5	-	5	95,996
-	-	-	12,768	672	-	672	13,440
-	-	-	2,645	142	-	142	2,787
812	29	238	39,662	8,806	-	8,806	48,468
-	-	30,992	77,965	-	-	-	77,965
-	-	-	16,267	539	-	539	16,806
-	-	-	6,271	3,389	-	3,389	9,660
-	8,760	-	75,231	12,879	-	12,879	88,110
-	-	-	156,413	-	-	-	156,413
-	-	587	44,403	2,076	-	2,076	46,479
-	-	-	-	2,375	-	2,375	2,375
-	580	-	7,937	1,198	-	1,198	9,135
-	-	-	23,842	22,557	-	22,557	46,399
-	-	-	35,500	4,839	-	4,839	40,339
-	-	-	79,092	5,953	-	5,953	85,045
-	-	143	66,777	72	-	72	66,849
-	-	4,106	55,842	10,542	-	10,542	66,384
-	-	-	17,397	561	-	561	17,958
-	-	<u>30</u>	<u>30</u>	<u>110</u>	<u>-</u>	<u>110</u>	<u>140</u>
812	9,369	36,096	814,033	76,715	-	76,715	890,748
<u>\$ 38,646</u>	<u>\$ 16,385</u>	<u>\$ 57,771</u>	<u>\$ 3,356,280</u>	<u>\$ 276,352</u>	<u>\$ -</u>	<u>\$ 276,352</u>	<u>\$ 3,632,632</u>

FRIENDS FOR LIFE

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED AUGUST 31, 2022

	Program Expenses				
	Registered Professional Guardianship	Money Management	Independent Living Programs	Adult Day Care	Life Skills Training
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	29,657	-	3,296	38,719	4,943
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	372,528	37,900	21,708	289,041	16,822
Total expenses	<u>\$ 1,495,836</u>	<u>\$ 357,200</u>	<u>\$ 131,741</u>	<u>\$ 733,055</u>	<u>\$ 300,558</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
-	76,615	5,766	-	5,766	82,381
-	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	781,254	51,613	11,403	63,016	844,270
<u>\$ 43,255</u>	<u>\$ 3,061,645</u>	<u>\$ 222,703</u>	<u>\$ 41,157</u>	<u>\$ 263,860</u>	<u>\$ 3,325,505</u>

FRIENDS FOR LIFE

STATEMENTS OF CASH FLOW

AUGUST 31, 2023 AND 2022

FOR THE YEARS ENDED AUGUST 31, 2023 AND 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 281,756	\$(31,793)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	85,045	82,381
Change in operating assets and liabilities:		
(Increase) decrease in accounts receivable	(65,836)	9,381
Increase (decrease) in accounts payable	(9,275)	(1,157)
Increase (decrease) in accrued liabilities	<u>14,471</u>	<u>(31,279)</u>
Net cash provided (used) by operating activities	306,187	27,533
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	<u>(58,543)</u>	<u>(32,454)</u>
Net cash used by investing activities	(58,543)	(32,454)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of borrowings	(95,099)	(87,120)
Proceeds from long-term borrowings	<u>-</u>	<u>500,000</u>
Net cash provided by financing activities	(95,099)	412,880
NET INCREASE (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	152,545	407,959
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>470,397</u>	<u>62,438</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 622,942</u>	<u>\$ 470,397</u>
SUPPLEMENTAL DISCLOSURE:		
Interest paid	<u>\$ 46,399</u>	<u>\$ 46,575</u>

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

FRIENDS FOR LIFE

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2023 and 2022

1. NATURE OF OPERATIONS

Organization

Friends for Life (the "Organization") is a Texas private nonprofit organization chartered in September 1989. The Organization provides support systems and services that empower seniors and people with disabilities to live their best lives as independently as possible. The Organization accomplishes these goals by providing the following programs: registered professional guardianship, money management services, quality of life programs, adult day care, life skills training and care coordination.

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 506 people through its guardianship program last year.

Money Management – In multiple counties across Texas, 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 349 people through the money management program last year.

Independent Living & Quality of Life Programs – For thirty-four years, Friends for Life has been recruiting, training and organizing volunteers to help seniors and adults with disabilities live independently as long as safely possible and to improve their quality of their lives. The Organization served 2605 people through these programs 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 5:30pm Monday through Friday and provides opportunities for social skills development, on site and community activities, volunteering, meals and transportation. Friends for Life served approximately 118 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 110 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 people with disabilities and seniors to learn new skills and interact with other people with assistance from staff and volunteers.

Lifelines – The Lifeline program provides care coordination for clients connecting people in need with resources within Friends for Life and other organizations that can meet individual needs.

Learning Lab – The Learning Lab program offers labs that help helps Friends for Life clients learn to read.

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.

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, 2023, and 2022, 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, 2023, and 2022, 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, 2023, and 2022, 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, 2023, and 2022, the Organization had allowances of \$6,955 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>2023</u>	<u>2022</u>
Buildings	\$ 1,571,589	\$ 1,571,589
Building improvements	1,063,084	1,025,233
Office furniture and equipment	468,238	468,238
Computers	100,494	88,801
Vehicles	160,043	160,043
Land	286,588	286,588
Land Improvements	20,998	11,998
Medical Equipment	<u>19,235</u>	<u>19,235</u>
Total property, buildings and equipment	3,690,269	3,631,725
Less accumulated depreciation	<u>(1,866,093)</u>	<u>(1,781,047)</u>
Net property, buildings and equipment	<u>\$ 1,824,176</u>	<u>\$ 1,850,678</u>

Depreciation charged as an expense for the years ended August 31, 2023 and 2022, was \$85,045 and \$82,381, respectively.

4. NOTES PAYABLE

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

	<u>2023</u>	<u>2022</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	\$ 728,997	\$ 796,262
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
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>500,000</u>
Total notes payable	<u>1,228,997</u>	<u>1,324,096</u>
Current notes payable	<u>89,867</u>	<u>89,775</u>
Total long-term notes payable	<u>\$ 1,139,130</u>	<u>\$ 1,234,321</u>

The debt is scheduled to mature as follows at August 31, 2023:

<u>Years Ending August 31,</u>	
2024	\$ 89,867
2025	97,492
2026	100,813
2027	105,238
2028	109,859
Thereafter	<u>725,728</u>
	<u>\$ 1,228,997</u>

Interest expense for the years ended August 31, 2023 and 2022, was \$46,400 and \$46,575, 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 \$64,759 and \$51,767 for 2023 and 2022, respectively.

6. LIQUIDITY AND AVAILABILITY OF RESOURCES

The following reflects the Organization's financial assets as of August 31, 2023 and 2022, 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>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 622,942	\$ 470,397
Pledge receivable, net	1,850	1,850
Accounts receivable, net	<u>199,813</u>	<u>134,227</u>
Financial assets, at year-end	824,605	606,474
Less:		
Assets with donor restrictions	<u>3,125</u>	<u>3,125</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ <u>821,480</u>	\$ <u>603,349</u>

As of August 31, 2023, 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, 2023, there were 732 volunteers who provided 41,966 hours in volunteer services throughout the year. Using the rate established by the Independent Sector of \$31.94 per volunteer hour, the estimated value of these services is \$1,340,404.

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.

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, 2023, and 2022, the Organization received gifts-in-kind of supplies totaling \$77,965 and \$64,480, respectively. For the years ended August 31, 2023 and 2022, 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, 2023 and 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, 2023, the Organization received approximately 39% of its total support from the Guardianship Program. A loss of these services could negatively impact operations.

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

As of August 31, 2023, and 2022, revenue from programs amounted to approximately 66% and 67% of total revenues, respectively.

9. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events from the balance sheet date through July 19, 2024, the date the financial statements were available to be issued and noted the following non-recognized events for disclosure.

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