FRIENDS FOR LIFE

FINANCIAL STATEMENTS

FOR THE YEARS ENDED
AUGUST 31, 2025 AND 2024

(WITH INDEPENDENT AUDITOR'S REPORT THEREON)

FRIENDS FOR LIFE

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FOR THE YEARS ENDED
AUGUST 31, 2025 AND 2024

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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, 2025, and 2024, 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, 2025, and 2024, 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 (U.S. GAAP).

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.

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
May 15, 2026

FINANCIAL STATEMENTS

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FRIENDS FOR LIFE

STATEMENTS OF FINANCIAL POSITION

AUGUST 31, 2025 AND 2024

ASSETS

	2025	2024
Current assets:		
Cash and cash equivalents	$ 170,368	$ 669,027
Pledges receivable, net of allowance of $0 and $0, respectively	99,000	-
Accounts receivable, net of allowance of $6,995 and $6,955, respectively	477,958	256,190
Other current assets	3,918	10,029
Total current assets	751,244	935,246
Non-current assets:		
Deposits	5,297	5,297
Right of use asset	5,684	-
Property, building and equipment, net of accumulated depreciation	2,922,383	2,588,493
Total non-current assets	2,933,364	2,593,790
Total assets	$ 3,684,608	$ 3,529,036

LIABILITIES AND NET ASSETS

	2025	2024
Current liabilities:		
Accounts payable	$ 29,823	$ 34,125
Accrued liabilities	295,903	273,264
Right of use liability - current	2,842	-
Current portion of long-term notes payable	87,657	68,344
Total current liabilities	416,225	375,733
Noncurrent liabilities:		
Right of use liability - long term	2,842	-
Long-term notes payable, net of current maturities	1,010,887	1,098,074
Total liabilities	1,429,954	1,473,807
Net assets:		
Without donor restrictions	2,155,654	2,055,229
With donor restrictions	99,000	-
Total net assets	2,254,654	2,055,229
Total liabilities and net assets	$ 3,684,608	$ 3,529,036

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

FRIENDS FOR LIFE

STATEMENTS OF ACTIVITIES

AUGUST 31, 2025 AND 2024

	Without Donor Restrictions	With Donor Restrictions	2025 Total
PUBLIC SUPPORT AND REVENUES			
Cash contributions	$ 455,046	$ 60,000	$ 515,046
Gifts in kind	136,358	-	136,358
Grants and contracts	608,220	260,000	868,220
Program revenues	3,197,994	-	3,197,994
Non-program revenues	26,323	-	26,323
Special events	21,559	-	21,559
Release from restriction	221,000	(221,000)	-
Total support and revenues	4,666,500	99,000	4,765,500
EXPENSES			
Program services:			
Registered professional guardianship	1,589,588	-	1,589,588
Money management	343,397	-	343,397
Independent living programs	258,507	-	258,507
Adult day care	984,455	-	984,455
Life skills training	579,792	-	579,792
Lifelines	57,937	-	57,937
Learning lab	59,360	-	59,360
Tool shop	69,545	-	69,545
Children & youth services	157,670	-	157,670
Total program services	4,100,251	-	4,100,251
Supporting services:			
Management and general	365,731	-	365,731
Fund raising	100,093	-	100,093
Total supporting services	465,824	-	465,824
Total expenses	4,566,075	-	4,566,075
CHANGE IN NET ASSETS	100,425	99,000	199,425
NET ASSETS, BEGINNING OF YEAR	2,055,229	-	2,055,229
NET ASSETS, END OF YEAR	$ 2,155,654	$ 99,000	$ 2,254,654

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

Without Donor Restrictions	With Donor Restrictions	2024 Total
$ 1,000,263	$ -	$ 1,000,263
97,868	-	97,868
834,610	-	834,610
2,848,483	-	2,848,483
35,900	-	35,900
14,116	-	14,116
3,125	(3,125)	-
4,834,365	(3,125)	4,831,240
1,514,572	-	1,514,572
291,954	-	291,954
203,261	-	203,261
979,005	-	979,005
496,665	-	496,665
47,078	-	47,078
82,413	-	82,413
30,632	-	30,632
-	-	-
3,645,580	-	3,645,580
315,516	-	315,516
9,832	-	9,832
325,348		325,348
3,970,928	-	3,970,928
863,437	(3,125)	860,312
1,191,792	3,125	1,194,917
$ 2,055,229	$ -	$ 2,055,229

FRIENDS FOR LIFE

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED AUGUST 31, 2025

	Program Expenses					
	Registered Professional Guardianship	Money Management	Independent Living Programs	Adult Day Care	Life Skills Training	Lifelines
Salaries	$ 1,264,223	$ 295,422	$ 136,068	$ 693,255	$ 533,630	$ 55,133
Employee benefits	60,019	11,773	7,031	32,134	12,378	1,014
Total personnel	1,324,242	307,195	143,099	725,389	546,008	56,147
Specific assistance to individuals	13,701	5,804	75	107,118	-	-
Accounting fees	1,000	1,000	500	1,000	500	-
Legal fees	2,873	-	-	297	7,788	-
Supplies	5,442	1,715	6,415	11,252	672	910
Gifts in kind-supplies	-	-	92,898	6,947	-	-
Telephone	14,641	1,720	1,057	841	250	587
Postage and shipping	4,728	2,858	-	13	-	-
Occupancy	35,728	8,465	4,737	6,290	2,362	-
Gifts in kind-occupancy	28,425	-	-	-	-	-
Equipment rental and maintenance	4,844	1,889	969	15,959	883	141
Conferences, conventions, etc.	4,597	-	205	583	-	-
Interest	11,292	2,618	2,618	11,292	2,618	-
Insurance	8,143	3,955	802	13,048	3,427	-
Depreciation	30,406	-	3,368	45,383	5,051	-
Automobile expense	65,939	5,184	492	2,226	8,695	152
Utilities	24,704	994	1,268	36,817	1,436	-
Travel	8,883	-	4	-	102	-
Miscellaneous	-	-	-	-	-	-
Total non-personnel expenses	265,346	36,202	115,408	259,066	33,784	1,790
Total expenses	$ 1,589,588	$ 343,397	$ 258,507	$ 984,455	$ 579,792	$ 57,937

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

Learning Lab	Tool Shop	Children & Youth Services	Total Program Expenses	General and Administrative	Fund Raising	Total Supporting Service Expenses	2025 Total Expenses
Program Expenses				Supporting Service Expenses			
$ 48,062	$ 31,473	$ 86,829	$ 3,144,095	$ 201,951	$ 89,274	$ 291,225	$ 3,435,320
-	17	9,284	133,650	17,151	-	17,151	150,801
48,062	31,490	96,113	3,277,745	219,102	89,274	308,376	3,586,121
-	-	34,655	161,353	344	-	344	161,697
-	-	-	4,000	6,250	-	6,250	10,250
-	-	-	10,958	-	-	-	10,958
151	1,271	4,518	32,346	11,763	35	11,798	44,144
-	2,609	579	103,033	4,900	-	4,900	107,933
-	-	617	19,713	8,160	613	8,773	28,486
-	-	-	7,599	2,184	106	2,290	9,889
9,777	93	4,125	71,577	22,886	10,065	32,951	104,528
-	-	-	28,425	-	-	-	28,425
33	3,966	-	28,684	12,688	-	12,688	41,372
930	-	11,450	17,765	5,224	-	5,224	22,989
-	-	-	30,438	28,485	-	28,485	58,923
-	546	87	30,008	25,470	-	25,470	55,478
-	16,023	-	100,231	5,893	-	5,893	106,124
144	-	5,526	88,358	369	-	369	88,727
-	13,547	-	78,766	7,820	-	7,820	86,586
263	-	-	9,252	3,599	-	3,599	12,851
-	-	-	-	594	-	594	594
11,298	38,055	61,557	822,506	146,629	10,819	157,448	979,954
$ 59,360	$ 69,545	$ 157,670	$ 4,100,251	$ 365,731	$ 100,093	$ 465,824	$ 4,566,075

FRIENDS FOR LIFE

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED AUGUST 31, 2024

	Program Expenses				
	Registered Professional Guardianship	Money Management	Independent Living Programs	Adult Day Care	Life Skills Training
Salaries	$ 1,205,423	$ 256,602	$ 123,833	$ 653,083	$ 449,139
Employee benefits	53,400	7,079	5,290	37,149	14,256
Total personnel	1,258,823	263,681	129,123	690,232	463,395
Specific assistance to individuals	7,955	-	4,701	93,496	-
Accounting fees	3,944	535	535	3,944	1,070
Legal fees	4,747	-	-	369	2,560
Supplies	3,541	947	2,307	15,695	2,595
Gifts in kind-supplies	-	-	52,082	17,361	-
Telephone	10,424	826	457	1,094	123
Postage and shipping	2,157	5,829	321	323	321
Occupancy	37,442	5,309	4,378	10,967	6,177
Gifts in kind-occupancy	28,425	-	-	-	-
Equipment rental and maintenance	5,424	4,319	1,504	20,001	2,003
Conferences, conventions, etc.	3,685	-	-	607	-
Interest	14,419	240	961	30,279	961
Insurance	11,098	3,123	1,016	18,047	4,012
Depreciation	35,502	-	3,779	46,348	5,917
Automobile expense	58,842	5,486	152	1,233	5,991
Utilities	22,643	1,659	1,945	29,009	1,540
Travel	5,501	-	-	-	-
Bad debt	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total non-personnel expenses	255,749	28,273	74,138	288,773	33,270
Total expenses	$ 1,514,572	$ 291,954	$ 203,261	$ 979,005	$ 496,665

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

Program Expenses				Supporting Service Expenses			
			Total	General		Total	2024
	Learning		Program	and		Supporting	Total
Lifelines	Lab	Tool Shop	Expenses	Administrative	Fund Raising	Service Expenses	Expenses
$ 40,852	$ 55,426	$ 21,722	$ 2,806,080	$ 205,343	$ -	$ 205,343	$ 3,011,423
2,097	-	-	119,271	6,506	-	6,506	125,777
42,949	55,426	21,722	2,925,351	211,849	-	211,849	3,137,200
-	-	-	106,152	-	-	-	106,152
-	-	-	10,028	669	-	669	10,697
-	-	-	7,676	90	-	90	7,766
1,266	1,303	32	27,686	9,552	-	9,552	37,238
-	-	-	69,443	-	-	-	69,443
374	-	-	13,298	3,876	-	3,876	17,174
321	-	-	9,272	321	-	321	9,593
-	23,773	-	88,046	9,777	9,426	19,203	107,249
-	-	-	28,425	-	-	-	28,425
709	931	2,262	37,153	8,707	406	9,113	46,266
-	980	-	5,272	3,930	-	3,930	9,202
240	-	-	47,100	42,453	-	42,453	89,553
115	-	793	38,204	4,878	-	4,878	43,082
-	-	-	91,546	7,069	-	7,069	98,615
-	-	-	71,704	717	-	717	72,421
-	-	4,971	61,767	8,958	-	8,958	70,725
1,104	-	852	7,457	618	-	618	8,075
-	-	-		1,850	-	1,850	1,850
-	-	-	-	203	-	202	202
4,129	26,987	8,910	720,229	103,668	9,832	113,499	833,728
$ 47,078	$ 82,413	$ 30,632	$ 3,645,580	$ 315,516	$ 9,832	$ 325,348	$ 3,970,928

FRIENDS FOR LIFE

STATEMENTS OF CASH FLOW

AUGUST 31, 2025 AND 2024

FOR THE YEARS ENDED AUGUST 31, 2025 AND 2024

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 199,425	$ 860,312
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	106,124	98,615
Change in operating assets and liabilities:		
(Increase) decrease in accounts receivable	(215,657)	(62,964)
(Increase) decrease in unconditional promises to give	(99,000)	1,850
(Increase) decrease in deposits	-	-
Increase (decrease) in accounts payable	(4,302)	25,544
Increase (decrease) in accrued liabilities	22,639	48,239
Net cash provided by operating activities	9,229	971,596
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(440,014)	(862,932)
Net cash used by investing activities	(440,014)	(862,932)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of borrowings	(67,874)	(62,579)
Net cash used by financing activities	(67,874)	(62,579)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(498,659)	46,085
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	669,027	622,942
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 170,368	$ 669,027
SUPPLEMENTAL DISCLOSURE:		
Interest paid	$ 58,923	$ 83,934

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

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 570 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 371 people through the money management program last year.

Independent Living & Quality of Life Programs – For thirty-six 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 337 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 139 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 150 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 helps Friends for Life clients learn to read.

Information, Referral & Assistance – Friends for Life staff in all departments receive calls from people in need, they connect them with resources in the community and assist them in the process of obtaining the help they need. Approximately 5,302 people were seen through this program last year.

Children & Youth Services - FFL connects families with children and youth with special health care needs to the resources they need that are provided through state and local programs and the resources, events, and support networks available in their own communities. FFL will also provide individual family stipends to help pay for the costs associated in some way with the child's healthcare needs. FFL served approximately 433 children through this program.

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 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, 2025, and 2024, 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, 2025, and 2024, 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, 2025, and 2024, the Organization had pledge allowances of $0 and $0, 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, 2025, and 2024, the Organization had allowances of $6,955 and $6,955, 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 Health and Human Services Commission to provide guardianship and adult day care 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 Financial Accounting Standards Boards ("FASB") Accounting Standards Codification ("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.

Tool Shed Sales

Sale of items from Friends for Life Tool Shed shop are reported as revenue at the point of sale. Donated inventory for sale in the Tool Shed is not recorded in the financial statements, as most are miscellaneous items from construction or remodeling projects, used items nearing obsolescence, or furniture and other items with an indeterminable value. As such, the fair market value of items is best determined at the time of resale.

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:

	2025	2024
Buildings	$ 2,346,303	$ 2,207,471
Building improvements	1,106,511	1,084,167
Office furniture and equipment	475,134	475,134
Computers	100,494	100,494
Vehicles	392,603	160,043
Land	521,940	475,662
Land Improvements	20,998	20,998
Medical Equipment	19,235	19,235
Software	9,996	9,996
Total property, buildings and equipment	4,993,214	4,553,200
Less accumulated depreciation	(2,070,831)	(1,964,707)
Net property, buildings and equipment	$ 2,922,383	$ 2,588,493

Depreciation charged as an expense for the years ended August 31, 2025 and 2024, was $106,124 and $98,615, respectively.

4. LEASES

The Organization determines whether a contract contains a lease at the inception of a contract by determining if the contract conveys the right to control the use of identified property, plant, or equipment for a period of time in exchange for consideration. The Organization leases certain equipment for varying periods. The incremental borrowing rate utilized to calculate the lease liabilities is based on the information available at commencement date, as most of the leases do not provide an implicit borrowing rate. The operating lease agreements do not contain any material guarantees or restrictive covenants.

As of August 31, 2025, the Organization had one operating lease, no finance leases, and no sublease activities. As of August 31, 2024, the Organization had no operating leases, no finance leases, and no sublease activities. Short-term leases, defined as leases with initial terms of 12 months or less, are not reflected on the balance sheets. Short-term leases, defined as leases with initial terms of 12 months or less, are not reflected on the statements of financial position. For the purposes of calculating lease liabilities, all lease and non-lease components, if applicable, are combined.

During 2025, the Organization recognized rent expense associated with leases under ASC 842 as follows:

	For the year ended August 31, 2025
Operating lease cost:	
Fixed expense	$ 3,334
Short-term lease cost	24,004
Total lease cost:	$ 27,338

Supplemental information related to leases is as follows:

	As of August 31, 2025
Supplemental information:	
Weighted average remaining lease term:	
Operating leases	2 years
Weighted average discount rate:	
Operating leases	3.4%

The future payments due under operating leases as of August 31, 2025 are as follows:

2025	$ 2,939
2026	2,939
	$ 5,878

5. NOTES PAYABLE

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

	2025	2024
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	$ 598,544	$ 666,418
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	500,000	500,000
Total notes payable	1,098,544	1,166,418
Current notes payable	87,657	68,344
Total long-term notes payable	$ 1,010,887	$ 1,098,074

The debt is scheduled to mature as follows at August 31, 2025:

Years Ending August 31,	
2026	$ 87,657
2027	99,381
2028	109,425
2029	114,207
2030	119,203
Thereafter	568,671
	$ 1,098,544

Interest expense for the years ended August 31, 2025 and 2024, was $58,923 and $89,553, respectively.

6. 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 $92,053 and $89,281 for 2025 and 2024, respectively.

7. LIQUIDITY AND AVAILABILITY OF RESOURCES

The following reflects the Organization's financial assets as of August 31, 2025 and 2024, 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.

	2025	2024
Cash and cash equivalents	$ 170,368	$ 669,027
Pledge receivable, net	99,000	-
Accounts receivable, net	477,958	256,190
Financial assets, at year-end	747,326	925,217
Less:		
Assets with donor restrictions	99,000	-
Financial assets available to meet cash needs for general expenditures within one year	$ 648,326	$ 925,217

As of August 31, 2025, the Organization had $99,000 in donor-imposed restrictions and did not have any 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, 2025, there were 722 volunteers who provided 10,040 hours in volunteer services throughout the year. Using the rate established by the Independent Sector of $34.99 per volunteer hour, the estimated value of these services is $351,300.

During the year ended August 31, 2024, there were 906 volunteers who provided 17,771 hours in volunteer services throughout the year. Using the rate established by the Independent Sector of $34.79 per volunteer hour, the estimated value of these services is $618,253.

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, 2025, and 2024, the Organization received gifts-in-kind of supplies totaling $107,933 and $69,443, respectively. For the years ended August 31, 2025 and 2024, the Organization also received donated office space, including rent and utilities, valued at $28,425 and $28,425, respectively, for their offices in Abilene 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, 2025 and 2024, 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, 2025, the Organization received approximately 44% of its total support from the Guardianship Program. A loss of these services could negatively impact operations.

During the year ended August 31, 2024, the Organization received approximately 27% of its total support from the Guardianship Program. A loss of this services could negatively impact operations.

As of August 31, 2025, and 2024, revenue from programs amounted to approximately 67% and 59% of total revenues, respectively.

10. FIDUCIARY CASH ACCOUNTS

The Organization holds a fiduciary bank account that is not included in the basic financial statements. This bank account is maintained at a local financial institution and represents funds held on behalf of the seniors and people with disabilities that the Organization has guardianship over. The account balance is property of these people, and therefore, the Organization does not record the balance. As of August 31, 2025 and 2024, this fiduciary cash account totaled $256,044 and $267,355, respectively.

11. RELATED PARTY TRANSACTIONS

As of August 31, 2025 and 2024, the Organization had a related party pledge receivable in the amount of $59,000 and $0, respectively.

12. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events from the balance sheet date through May 15, 2026, the date the financial statements were available to be issued and noted the following non-recognized events for disclosure.