TRUE FRIENDS

(Formerly Children's Disability
Service Associates / Friendship Ventures)
(A Non-Profit Corporation)

CONSOLIDATED
AUDITED FINANCIAL STATEMENTS

Year ended December 31, 2013 with
comparative totals for 2012

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INDEPENDENT AUDITORS' REPORT

Board of Directors

TRUE FRIENDS

We have audited the accompanying consolidated financial statements of True Friends and its supporting organizations, which comprise the consolidated statement of financial position as of December 31, 2013, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of True Friends and supporting organizations as of December 31, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited True Friends and supporting organizations' 2012 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated November 5, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2012 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating financial statements as listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Mayer Hoffman McCann P.C.

Minneapolis, Minnesota
July 23, 2014

TRUE FRIENDS

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31, 2013 and 2012

	2013	2012
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 67,263	$ 54,348
Accounts receivable, less allowance for doubtful accounts of $32,000 and $25,000 in 2013 and 2012, respectively	247,773	192,642
Current portion of promises to give, less allowance for doubtful accounts of $10,000 in 2013 and 2012	91,024	224,555
Prepaid expenses and other current assets	100,597	81,035
TOTAL CURRENT ASSETS	506,657	552,580
LAND, BUILDING AND EQUIPMENT		
Less accumulated depreciation of $4,849,359 and $4,672,323 in 2013 and 2012, respectively	8,674,080	8,552,731
OTHER ASSETS		
Long-term investments	8,928,864	3,003,190
Contribution receivable from Courage Center	-	5,910,604
Cash restricted for purchase of buildings and equipment	177,083	100,108
Value of future interest gifts	557,155	518,110
Beneficial interests in perpetual trusts	3,040,138	2,664,661
Cash value of life insurance	41,642	36,629
Long-term promises to give, net of current portion	145,956	289,135
TOTAL OTHER ASSETS	12,890,838	12,522,437
TOTAL ASSETS	$ 22,071,575	$ 21,627,748
LIABILITIES		
CURRENT LIABILITIES		
Current portion of long-term debt	$ -	$ 138,670
Line of credit	130,000	-
Accounts payable	137,583	159,337
Deferred revenue	402,487	298,177
Accrued expenses	164,892	102,047
Funds held in trust	77,165	80,396
TOTAL CURRENT LIABILITIES	912,127	778,627
LONG-TERM LIABILITIES		
Long-term debt, net of current portion	-	405,150
TOTAL LIABILITIES	912,127	1,183,777
NET ASSETS		
UNRESTRICTED NET ASSETS		
Investment in land, building and equipment	8,544,080	8,008,911
Designated by the Board for endowment	7,380,706	7,298,147
Undesignated	196,818	612,909
TOTAL UNRESTRICTED NET ASSETS	16,121,604	15,919,967
TEMPORARILY RESTRICTED NET ASSETS	1,332,491	1,207,815
PERMANENTLY RESTRICTED NET ASSETS	3,705,353	3,316,189
TOTAL NET ASSETS	21,159,448	20,443,971
TOTAL LIABILITIES AND NET ASSETS	$ 22,071,575	$ 21,627,748

TRUE FRIENDS

CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

For the year ended December 31, 2013 with comparative totals for 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2013	Total 2012
PUBLIC SUPPORT AND REVENUE					
PUBLIC SUPPORT					
Contributions	$ 1,288,563	$ 416,200	$ 13,687	$ 1,718,450	$ 1,270,051
In-kind contributions	70,727	-	-	70,727	250,381
Inherent contribution as a result of acquisition		-	-	-	13,411,779
Fund raising events	166,997	-	-	166,997	164,045
Direct costs of fund raising events	(38,609)	-	-	(38,609)	(35,907)
TOTAL PUBLIC SUPPORT	1,487,678	416,200	13,687	1,917,565	15,060,349
REVENUE					
Service fees	4,598,091	-	-	4,598,091	3,525,606
Canteen and gift shop	67,343	-	-	67,343	39,527
Investment income	864,104	16,708	-	880,812	172,713
Change in value of trusts and future interest gift	-	39,045	375,477	414,522	22,632
Miscellaneous	21,878	-	-	21,878	27,159
Gains (losses) on disposal of assets	-	-	-	-	(1,800)
TOTAL REVENUE	5,551,416	55,753	375,477	5,982,646	3,785,837
NET ASSETS RELEASED FROM RESTRICTIONS					
Satisfaction of purpose restrictions	141,179	(141,179)		-	-
Time restrictions	206,098	(206,098)		-	-
TOTAL NET ASSETS RELEASED FROM RESTRICTIONS	347,277	(347,277)			
TOTAL PUBLIC SUPPORT AND REVENUE	7,386,371	124,676	389,164	7,900,211	18,846,186
EXPENSES					
PROGRAM SERVICES					
Residential Camp	3,449,754			3,449,754	2,268,703
Education and Training Services	1,050,626			1,050,626	739,302
Ventures Travel	1,149,844			1,149,844	850,250
Respite and Family Services	783,922			783,922	533,381
TOTAL PROGRAM SERVICES	6,434,146	-	-	6,434,146	4,391,636
SUPPORTING ACTIVIITES					
Fundraising	526,168			526,168	361,585
Management and general	224,420			224,420	229,980
TOTAL SUPPORTING ACTIVITIES	750,588	-	-	750,588	591,565
TOTAL EXPENSES	7,184,734	-	-	7,184,734	4,983,201
INCREASE IN NET ASSETS	201,637	124,676	389,164	715,477	13,862,985
NET ASSETS, BEGINNING OF YEAR	15,919,967	1,207,815	3,316,189	20,443,971	6,580,986
NET ASSETS, END OF YEAR	$ 16,121,604	$ 1,332,491	$ 3,705,353	$ 21,159,448	$ 20,443,971

See Notes to Consolidated Financial Statements

TRUE FRIENDS

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

For the year ended December 31, 2013 with comparative totals for 2012

	Program Services					Supporting Services			Totals	
	Residential Camp	Education and Training Services	Ventures Travel	Respite and Family Services	Total Program Services	Fundraising	Management and General	Total Supporting Activities	2013	2012
Salaries	$ 1,601,773	$ 441,658	$ 236,602	$ 473,205	$ 2,753,238	$ 251,670	$ 149,793	$ 401,463	$ 3,154,701	$ 2,239,122
Benefits	59,016	20,375	11,710	23,419	114,520	30,373	11,234	41,607	156,127	137,391
Payroll taxes	118,067	30,389	18,100	36,200	202,756	19,253	11,459	30,712	233,468	160,079
Total salaries and related expenses	1,778,856	492,422	266,412	532,824	3,070,514	301,296	172,486	473,782	3,544,296	2,536,592
General program	18,359	5,245	498,309	2,623	524,536	-	-	-	524,536	442,014
Insurance	108,798	50,686	38,015	43,083	240,582	3,979	8,871	12,850	253,432	179,428
Contract services	416,858	47,836	68,338	6,834	539,866	136,675	6,834	143,509	683,375	343,187
Meals and food	212,435	92,274	82,021	23,375	410,105	-	-	-	410,105	255,318
Equipment rental and repair	62,757	14,368	38,562	6,220	121,907	1,244	1,244	2,488	124,395	79,947
Supplies and printing	211,160	40,346	52,397	20,959	324,862	20,959	3,493	24,452	349,314	191,159
Building repair and maintenance	106,033	24,275	16,814	63,052	210,174	-	-	-	210,174	72,192
Utilities	118,442	51,284	24,421	34,189	228,336	8,547	7,327	15,874	244,210	108,781
Professional services	58,515	17,109	6,199	8,678	90,501	21,076	12,398	33,474	123,975	198,159
Promotion	38,223	15,221	6,765	3,383	63,592	4,059	-	4,059	67,651	56,512
Interest	6,157	1,642	2,516	2,264	12,579	-	-	-	12,579	43,296
Telephone	37,060	8,400	10,911	10,911	67,282	3,637	1,818	5,455	72,737	51,145
Postage	18,594	4,308	4,849	2,089	29,840	6,714	745	7,459	37,299	30,183
Staff development and recognition	50,592	7,545	2,613	3,266	64,016	979	327	1,306	65,322	38,333
Bad debts	24,636	-	7,801	411	32,848	8,212	-	8,212	41,060	11,192
Canteen	41,768	6,571	1,511	503	50,353	-	-	-	50,353	21,575
Dues, subscriptions, licenses and fees	17,009	2,891	2,002	1,252	23,154	1,001	876	1,877	25,031	18,804
Travel expenses	8,055	3,214	5,843	1,113	18,225	7,790	1,807	9,597	27,822	19,497
Miscellaneous	5,196	852	848	479	7,375		-	-	7,375	12,206
Total expenses before depreciation	3,339,503	886,489	1,137,147	767,508	6,130,647	526,168	218,226	744,394	6,875,041	4,709,520
Depreciation	110,251	164,137	12,697	16,414	303,499	-	6,194	6,194	309,693	273,681
Total expenses	$ 3,449,754	$ 1,050,626	$ 1,149,844	$ 783,922	$ 6,434,146	$ 526,168	$ 224,420	$ 750,588	$ 7,184,734	$ 4,983,201

See Notes to Consolidated Financial Statements

TRUE FRIENDS

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the year ended December 31, 2013 with comparative totals for 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	$ 715,477	$ 13,862,985
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities:		
Depreciation	309,693	273,681
Amortization of discount on unconditional promises to give receivable	(1,600)	(3,800)
Loss on disposal of assets	-	1,800
Realized and unrealized (gain) loss on investments	(681,910)	(132,716)
Dividends and capital gains reinvested	(166,112)	(37,889)
Change in value of trusts	(414,522)	(22,632)
Inherent contribution related to investments, trusts and property acquired in acquisition	-	(13,336,118)
Contributions of buildings and equipment	(36,231)	(60,075)
Stock contributions	(85,464)	-
Contributions restricted for long-term purposes	(344,816)	(338,750)
Changes in operating assets and liabilities:		
Increase in accounts receivable	(55,131)	(5,321)
(Increase) decrease in operating promises to give	181,260	(264,053)
Increase in prepaid expenses and other current assets	(19,562)	(5,894)
(Increase) in cash value of life insurance	(5,013)	(2,423)
Increase (decrease) in accounts payable	(21,754)	27,747
Increase (decrease) in deferred revenue	104,310	(88,330)
Increase in accrued expenses	62,845	59,857
Increase (decrease) in funds held in trust	(3,231)	6,807
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(461,761)	(65,124)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of land, building and equipment	(395,811)	(107,488)
Proceeds from sale of land, building and equipment	1,000	-
Proceeds from sale of investments	29,548,020	1,685,017
Purchase of investments	(28,629,604)	(1,830,656)
Net change in assets restricted for investment in buildings and equipment	(76,975)	(50,108)
NET CASH USED IN INVESTING ACTIVITIES	446,630	(303,235)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of long-term debt	(543,820)	(126,521)
Proceeds from line of credit	380,000	-
Payment of line of credit	(250,000)	-
Collection of contributions restricted for capital campaign and buildings	428,179	455,875
Collection of contributions restricted for endowment	13,687	18,210
NET CASH PROVIDED BY FINANCING ACTIVITIES	28,046	347,564
NET INCREASE (DECREASE)	12,915	(20,795)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	54,348	75,143
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 67,263	$ 54,348
SUPPLEMENTAL DISCLOSURES		
Interest paid	$ 12,579	$ 43,296

See Notes to Consolidated Financial Statements

(1) Summary of significant accounting policies

Organization - True Friends (the Organization) is a Minnesota Nonprofit Corporation that enhances the quality of life for people with disabilities, their families and other caregivers, by providing services that educate and support individuals in achieving their highest level of self-worth, independence and participation in the community. The Organization's programs are supported primarily by contributions and service fees.

In June 2013, upon approval by the board of directors, Children's Disability Service Association/Friendship Ventures name was changed to True Friends. In August 2013, upon approval by the board of directors, the name of Friendship Foundation was changed to True Friends Foundation.

The True Friends Foundation, through the earnings from its endowment fund, provides financial support that ensures future funding for the Organization.

Ventures Travel, LLC is a limited liability company wholly owned by the Organization. Ventures Travel, LLC is organized and operated exclusively for charitable and educational purposes, and is a disregarded entity for tax purposes.

Contributions and revenue are primarily derived from individuals and organizations located in and around Minnesota. This results in a concentration of risk for these activities as well as accounts and promises to give receivable.

On November 21, 2012, the Organization entered into an alliance agreement with Courage Center and Courage Foundation (collectively referred to as “Courage”). The agreement provides for operation by the Organization of camping and respite programs previously operated separately by the Organization and Courage. Operating the camps as one program strengthens the delivery of services to people with disabilities and in turn strengthens the Organization's mission. Subsequent to the date of the agreement the Organization began conducting its programs as Camps of Courage and Friendship. To support the operation of camp programs the following assets were contributed to the Organization by Courage:

- Land, buildings, equipment, and other assets historically used by Courage for camp programs,
- Investments, perpetual trusts and future interest gift designated by donors or the Courage Board for support of camp programs,
- Promises to give receivable recorded at the time of the agreement, and received for a five year period subsequent to the date of the agreement, which have been designated by donors for Courage camp programs.

The Organization did not assume or have any obligations with respect to any contracts or agreements of Courage other than the transferred assets.

Principles of consolidation - The financial statements as of and for the years ended December 31, 2013 and 2012, include the accounts of True Friends, True Friends Foundation and Ventures Travel, LLC. The consolidated organizations are herein referred to as the Organization. All significant intercompany accounts and transactions have been eliminated.

(1) Summary of significant accounting policies (continued)

Description of programs - The programs through which the Organization provides its services are as follows:

Residential Camp - program provides opportunities for people with and without disabilities to enjoy the benefit from year-round, outdoor recreational and leisure activities located at Camp Friendship, Eden Wood Center, Camp New Hope, Camp Courage and Courage North. Traditional camp and resort activities and specialty programs help teach new skills, build confidence, improve self esteem and promote understanding, acceptance and appreciation for diversity in human beings.

Education and Training Services - program provides experiential learning and environmental education services for schools, youth at risk, and other nonprofit groups and transitional employment and work-related training for people with and without disabilities.

Ventures Travel - program offers a variety of small group vacation experiences on a year-round basis. Vacationers cooperatively plan the details of their trip assisted by specially trained travel guides. Both in- and out-of-state trips use public recreation and community facilities.

Respite and Family Services - program provides a break from the daily demands of caring for a child or adult with special needs through the respite care program. This program offers children and adults a home-like setting to relax and re-energize. The Sojourn Program and other family-oriented services are offered throughout the year in which entire families and other caregivers can enjoy the healing and supportive environment of the Organization.

Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income tax - The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and similar state income tax laws. The Organization is a nonprivate foundation and contributions to the Organization qualify as a charitable tax deduction by the contributor.

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, the Organization may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Organization and various positions related to the potential sources of unrelated business taxable income (UBIT). The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or recorded as liabilities for the years ended December 31, 2013 and 2012.

(1) Summary of significant accounting policies (continued)

Income tax (continued) - The Organization files forms 990 and 990-T in the U.S. federal jurisdiction and the State of Minnesota. The Organization's returns are generally no longer subject to examination by the Internal Revenue Service three years after the date of filing, including extensions.

Financial statement presentation - The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States. The Organization reports information regarding its financial position and activities according to three classes of net assets:

- Unrestricted - Resources over which the Board of Directors has discretionary control.

- Temporarily Restricted with respect to time or purpose - Those resources subject to a donor-imposed restriction which will be satisfied by actions of the Organization or the passage of time.

- Permanently Restricted - Those resources subject to a donor-imposed restriction that they be maintained permanently.

Revenue recognition - The Organization recognizes contributions as revenue when they are received or unconditionally pledged.

Support that is temporarily restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. Investment income that is limited to specific uses by donor restrictions is reported as increases in unrestricted net assets if the restrictions are met in the same reporting period as the income is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Service fees are recorded as income when the service is provided. Cash payments received from clients prior to the provision of services are classified as deferred revenue in the liability section of the consolidated statements of financial position until such services have been provided.

Cash and cash equivalents - The Organization considers cash in demand deposit accounts and temporary investments purchased with an original maturity of three months or less to be cash equivalents. The Organization maintains its cash and cash equivalents with high credit quality financial institutions. From time to time, the Organization’s balances in its bank accounts exceed Federal Deposit Insurance Corporation limits. The Organization periodically evaluates the risk of exceeding insurance levels and may transfer funds as it deems appropriate. The Organization has not experienced any losses with regards to balances in excess of insured limits or as a result of other concentrations of credit risk. Money market funds, held as a portion of the Organization's investment portfolio, are classified as investments and are not considered to be cash equivalents.

(1) Summary of significant accounting policies (continued)

Accounts receivable - Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts. Management provides for probable uncollectible amounts through a provision for bad debt expense based on its assessment of the current status of individual accounts, third-party contracts, and other circumstances, which may affect the ability of clients to meet their obligations. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and credit to accounts receivable. Changes in the valuation allowance have not been material to the financial statements.

Credit risk for accounts receivable is concentrated because substantially all of the balances are receivable from individuals located within the same geographic region.

Promises to give - Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. Promises to give represent amounts committed by donors that have not been received by the Organization. The Organization uses the allowance method to determine uncollectible promises to give (receivable).

Unconditional promises to give due in the next year are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reported at the present value of their net realizable value, using interest rates applicable to the years in which the promises are to be received. Promises to give receivable in more than one year are discounted at rates ranging from 1.2% to 2.0%.

Investments - Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See note 9 for discussion of fair value measurements.

Investments earnings available for distribution are recorded in unrestricted net assets on the statement of financial position. Unrealized losses on the Organization's general endowment and memorial scholarships endowment investments reduce temporarily restricted net assets to the extent that restrictions on previously recorded appreciation have not been met before the loss occurs. Remaining losses and those pertaining to the Organization's other investments reduce unrestricted net assets.

Purchases and sales of investments are reflected on a trade-date basis. Realized gains or losses on sales of investments are based on the cost of specifically identified investments. Changes in unrealized gains and losses are included in the change in net assets in the accompanying statement of activities. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend dates.

The Organization receives contributions of equity securities from donors on occasion. It is the policy of the Organization to sell these equity securities as soon as it is reasonably possible.

(1) Summary of significant accounting policies (continued)

Value of future interest gift - The Organization is the beneficiary of a future interest gift in a nonperpetual trust held and administered by an independent trustee. Under the terms of the trust, the Organization has the irrevocable right to receive the assets and all accumulated income earned on trust assets upon termination of the trust as specified in the trust document. The Organization estimates the fair value of the future interest gift using the fair value of the assets held in the trust, estimates of investment return, discount rate for the obligation upon termination of the trust, and published life expectancy tables as inputs into the fair value measurement.

Perpetual trusts - The Organization is the beneficiary of perpetual irrevocable trusts held and administered by independent trustees. Under the terms of the trusts, the Organization has the irrevocable right to receive its proportionate share of the income earned on trust assets in perpetuity. The fair value of the beneficial interest in a trust is recognized as an asset and as a permanently restricted contribution at the date the trust is established. The Organization's estimate of fair value at each reporting date is based on fair value information received from trustees. Trust assets consist of, but are not limited to, cash and cash equivalents, corporate and government bonds, mutual funds, unitized funds, and equity securities. These assets are not subject to control or direction by the Organization. Gains and losses, which are not distributed by the trusts, are reflected as the change in value of trusts in the statements of activities.

Buildings and equipment - Buildings and equipment are recorded at cost, or in the case of contributed property at the fair market value at the date of contribution. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of buildings and equipment are recorded as unrestricted support.

Expenditures for renewals and improvements are capitalized while the cost of maintenance and repairs is charged to expense as incurred. When assets are retired, or otherwise disposed of, the cost and related accumulated depreciation is removed from the accounts and any resulting gain or loss is reflected in income for the period.

Depreciation is computed using the straight-line method over estimated useful lives of three to thirty-nine years. For the years ended December 31, 2013 and 2012, depreciation expense was $309,363 and $273,681, respectively.

Long-lived assets - The Organization reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to undiscounted future net cash flows expected to be generated by the assets. If these assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. The Organization has determined that no impairment existed at December 31, 2013 and 2012.

(1) Summary of significant accounting policies (continued)

Fair value measurement - definition and hierarchy - FASB ASC 820 establishes a three-level valuation hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Organization. Unobservable inputs are inputs that reflect the Organization's assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available in the circumstances. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date.

The hierarchy is broken down into three levels based on the observability of inputs as follows:

- Level 1 - Valuations based on quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.

- Level 2 - Valuations based on one or more quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

- Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The availability of observable inputs can vary by types of assets and liabilities and is affected by a wide variety of factors, including, for example, whether the asset or liability is established in the marketplace, the liquidity of markets and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less than observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised by the Organization in determining fair value is greatest for assets and liabilities categorized in Level 3.

Functional allocation of expenses - The costs of providing various programs have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Donated services, materials and equipment - 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.

Advertising - The Organization expenses all advertising as incurred. Advertising expense for 2013 and 2012 was $67,651 and $56,512, respectively.

(1) Summary of significant accounting policies (continued)

Summarized information - The financial statements include certain prior year summarized comparative information in total but neither by net asset class nor by functionalized expenses. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2012, from which the summarized information was derived.

Effect of economic conditions - The Organization depends on grants and contributions for a significant portion of its revenue. The ability of the Organization's grantors and contributors to continue giving amounts comparable with prior years may be dependent on future economic conditions and continued deductibility for income tax purposes of contributions and grants to the Organization.

Subsequent events policy - Subsequent events have been evaluated through July 23, 2014 which is the date the financial statements were available to be issued.

(2) Investments

Investments consisted of the following at December 31, 2013 and 2012:

	2013	2012
Equity funds	$ 4,284,684	$ 993,131
Fixed income funds	2,988,356	339,508
Common stock	838,074	
Money market	817,750	1,670,551
Total investments	$ 8,928,864	$ 3,003,190

Investment income for the years ended December 31, 2013 and 2012 is summarized as follows:

	2013	2012
Interest and dividend income	$ 198,902	$ 39,997
Net realized and unrealized gains (losses)	681,910	132,716
Total investment income	$ 880,812	$ 172,713

(3) Value of future interest gift

The Organization has been named a beneficiary of a nonperpetual trust, which was created in 1984. All income of the trust shall accumulate, be added to, and become a part of the principal of the trust. The trust allows for the payment of part or all of the cost of certain construction, improvement, reconstruction, and/or enlargement projects, and for certain equipment specified in the trust agreement at Camp Courage or Camp Courage North. In any event, the trust will cease and terminate 21 years after the death of the last survivor living at the time of the trust settlor's death in 1987. At the end of the trust's term, the remaining principal and accumulated income in the trust shall be distributed to the Organization for endowment. The trust is recorded at estimated fair value based on the present value of estimated future cash receipts from the trust. In 2013 the Organization estimated the present value of the trust using an investment return rate (net of fees and expenses) of 4%, and a discount rate at the present value of the expected future cash flows of 4%. The portion of the trust attributable to the present value of the future benefit to be received by the Organization is recorded in the statement of activities as a temporarily restricted contribution at the time of receipt. Such contributions totaled $0 and $515,000 in 2013 and 2012, respectively. The expected future cash flow of $557,155 and $518,110 represents fair market value of the trust principal at December 31, 2013 and 2012, respectively. Changes in the value of the trust have been reported in the statement of activities as increases (decreases) in temporarily restricted net assets.

An expected rate of return on the investments in the trust is estimated using historical investment returns for various relevant market indexes for the assumed asset allocation of the nonperpetual trust. Because the fair value of the trust is derived from internal estimates of the present value of the Organization's interest in the underlying assets, incorporating market data when available, the amounts ultimately received could differ from the amounts reflected in the historical consolidated financial statements.

(4) Promises to give

Promises to give at December 31, 2013 and 2012 include the following:

	2013	2012
Promises to give receivable before allowance for doubtful collections	$ 249,480	$ 527,790
Less: allowance for doutbful collections	(10,000)	(10,000)
Less: unamortized discount	(2,500)	(4,100)
Net promises to give receivable	$ 236,980	$ 513,690

	2013	2012
Receivable within one year	$ 154,579	$ 401,660
Receivable in one to five years	94,901	126,130
Total promises to gve receivable	$ 249,480	$ 527,790

Capital campaign promises to give are restricted for various capital projects. Included in long-term promises to give receivable at December 31, 2013 and 2012 are capital campaign promises to give totaling $78,555 and $175,605, respectively.

(5) Land, building and equipment

Included in building and equipment is the Eden Wood Center (the Center). The Center is located on land under a long-term lease restricting the use to programs for the disabled. The lease of the land extends through 2014 with a ten-year option. The lease was recorded as a contribution of the Center to the Organization at fair value of $683,900 at the time of donation in 1995.

A summary of land, building and equipment is as follows:

	2013	2012
Land	$ 2,757,869	$ 2,757,869
Land improvements	274,144	117,094
Building and improvements	9,423,784	9,385,335
Equipment	1,067,642	958,875
Construction in progress	-	5,881
Total	13,523,439	13,225,054
Less accumulated depreciation	(4,849,359)	(4,672,323)
Net land, building and equipment	$ 8,674,080	$ 8,552,731

(6) Deferred revenue

Deferred revenue consists of the following:

	2013	2012
Fees received in advance:		
Camper fees	$ 108,652	$ 104,279
Rental fees	125,151	78,868
Travel fees	168,684	115,030
	$ 402,487	$ 298,177

(7) Line of credit

The Organization has a line of credit under which up to $300,000 may be borrowed. The line of credit requires a monthly payment of interest at an annual rate of 6%. The line of credit matures in March 2015 when any unpaid principal and interest are due. The line of credit is collateralized by all fixtures, chattels, accounts receivable, equipment, inventory, contract rights general intangibles and other personal property included within the mortgaged property and all renewals, replacements of any of the aforementioned items. The outstanding balance on the line of credit at December 31, 2013 and 2012 is $130,000 and $0, respectively.

Subsequent to year end True Friends Foundation entered into a line of credit agreement for $5,900,000. The interest rate is 2% over the prime rate. The line of credit is collateralized by long-term investments consisting of money market, common stock, exchange traded funds, and mutual funds.

(8) Long-term debt

Long-term debt consists of the following:

	December 31, 2013	December 31, 2012
Mortgage payable to bank. Payable in semi-monthly installments of $7,063 including interest at a rate of 6.5%. The contractual maturity date was March 2017, however, the mortgage was paid in full during 2013. The mortgage was collateralized by all fixtures, chattels, accounts receivable, equipment, inventory, contact rights, general intangibles, real property, and other personal property included within the mortgaged property and all renewals, replacements of any of the aforementioned items.	$ -	$ 543,820
Less current maturities	-	(138,670)
Long term debt	$ -	$ 405,150

The mortgage payable of $543,820 was paid with funds provided by True Friends Foundation. These funds, along with an existing loan from True Friends Foundation to True Friends, were refinanced into a new loan payable by True Friends to True Friends Foundation of approximately $760,000 payable over seven years at an annual interest rate of 3%. This intercompany note payable and the related interest are eliminated.

(9) Fair value measurements

Fair values of assets measured on a recurring basis at December 31, 2013 and 2012 are as follows:

	Fair value measurements at reporting day using			
	Fair Value	Level 1	Level 2	Level 3
2013				
Mutual funds:				
Foreign large growth	$ 564,593	$ 564,593	$	$
Large value	783,605	783,605		
Foreign large value	535,975	535,975		
Small growth	354,401	354,401		
Diversified emerging markets	877,027	877,027		
Mid-cap blend	810,792	810,792		
Commodities broad basket	358,291	358,291		
Emerging markets bond	270,183	270,183		
World bond	229,454	229,454		
Intermediate-term bond	1,548,895	1,548,895		
High yield bond	939,824	939,824		
Common stock:				
Technology	247,696	247,696		
Consumer cyclical	129,612	129,612		
Financial services	106,194	106,194		
Healthcare	102,452	102,452		
Industrials	112,537	112,537		
Consumer defensive	114,623	114,623		
Energy	24,960	24,960		
Money market	817,750	817,750		
Total long-term investments	8,928,864	8,928,864	-	-
Beneficial interest in perpetual trusts	3,040,138			3,040,138
Value of future interest gifts	557,155			557,155
Total assets measured at fair value	$ 12,526,157	$ 8,928,864	$ -	$ 3,597,293

(9) Fair value measurements (continued)

Fair values of assets measured on a recurring basis at December 31, 2013 and 2012 are as follows (continued):

	Fair value measurements at reporting day using			
	Fair Value	**Level 1**	**Level 2**	**Level 3**
2012				
Mutual funds:				
Foreign large growth	$ 140,497	$ 140,497	$	$
Large value	111,238	111,238		
Large growth	293,764	293,764		
Foreign large blend	140,861	140,861		
Mid-cap growth	55,997	55,997		
Mid-cap value	55,624	55,624		
Small growth	70,345	70,345		
Multi-cap value	70,641	70,641		
World bond	42,513	42,513		
Inflation protected bond	42,307	42,307		
Intermediate govt.	56,918	56,918		
Large blend	124,805	124,805		
Intermediate-term bond	56,566	56,566		
Short-term bond	70,562	70,562		
Money market	1,670,552	1,670,552		
Total long-term investments	3,003,190	3,003,190	-	-
Beneficial interest in perpetual trusts	2,664,661			2,664,661
Value of future interest gifts	518,110			518,110
Total assets measured at fair value	$ 6,185,961	$ 3,003,190	$ -	$ 3,182,771

(9) Fair value measurements (continued)

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

	Beneficial interest in perpetual trusts	Value of future interest gifts
December 31, 2011	$ -	$ -
Perpetual trust and value of future interest gift contributions received	2,645,138	515,001
Change in value of perpetual trust recognized in the change in permanently restricted net assets	19,523	
Change in value of future interest gifts recognized in the change in temporarily restricted net assets		3,109
December 31, 2012	2,664,661	518,110
Change in value of perpetual trust recognized in the change in permanently restricted net assets	375,477	
Change in value of future interest gifts recognized in the change in temporarily restricted net assets		39,045
December 31, 2013	$ 3,040,138	$ 557,155

Following is a description of the valuation methodologies used for assets measured at fair value:

Mutual funds, exchange-traded funds and money market: Funds are valued at the net asset value (NAV) of shares held by the Organization at year end.

Beneficial interest in perpetual trusts: Fair value for the beneficial interest in perpetual trusts are measured using the fair value of the assets held in the trust reported by the trustee. In accordance with the terms of the perpetual trust agreements, the trustee makes annual distributions equal to net realized income on trust investments. The Organization considers the measurement of its beneficial interest in perpetual trusts to be a Level 3 measurement within the fair value measurement hierarchy because even though that measurement is based on the unadjusted fair value of trust assets reported by the trustee, the Organization will never receive those assets or have the ability to direct the trustee to redeem them.

Value of future interest gift: Fair value for the value of future interest gift represents the estimated net present value of the Organization's interest in a non-perpetual trust held by a third party. The net present value of the asset was determined using investment returns consistent with the composition of the asset portfolio, single life expectancy from the Annuity 2000 Mortality Table and a discount rate of 4%. On an annual basis, the Organization will revalue the asset based on applicable mortality tables and discount rates.

(9) Fair value measurements (continued)

There have been no changes in the methodologies used at December 31, 2013 and 2012.

The preceding methods described may produce a fair value calculation that may not be indicative of the net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

(10) Restricted net assets

Temporarily restricted net assets are available for the following purposes or periods:

	2013	2012
Time restricted	$ 728,079	$ 849,485
Therapeutic riding program	434,505	235,551
Lakefront accessibility		46,665
Other miscellaneous	2,593	19,894
Cabin projects and other renovations	70,193	16,196
Equipment	41,410	16,157
Digital registration and audio visual	12,790	12,790
Sensory room	23,519	
Perpetual endowment funds subject to a time restriction under UPMIFA:		
With purpose restrictions - scholarships	19,402	11,077
	$ 1,332,491	$ 1,207,815

Permanently restricted net assets held by True Friends Foundation are restricted to endowment investments and perpetual trusts, the income from which is expendable to support the following activities at December 31:

	2013	2012
General operations	$ 3,246,434	$ 2,864,735
Memorial scholarships	458,919	451,454
	$ 3,705,353	$ 3,316,189

(11) Net assets released from donor restrictions

Net assets released from donor restrictions by incurring expenses satisfying the restricted purposes or by the occurrence of other events specified by donors are as follows:

	2013	2012
Lakefront accessibility	$ 46,665	$ 28,335
Equipment	11,157	
Time restrictions expired	206,098	15,530
Therapeutic riding program	57,115	9,228
Other miscellaneous	17,315	4,116
Digital registration and audio visual	-	4,000
Three-season room shelter	-	45,000
Cabin projects and other renovations	544	415
Appropriation of perpetual endowment funds subject to a time restriction under UPMIFA:		
With purpose restrictions - scholarships	8,383	4,846
	$ 347,277	$ 111,470

(12) Endowments

The Organization's endowment consists of funds established for a variety of purposes. Its endowment is comprised of donor-restricted endowment funds, board-designated endowment funds, and perpetual trusts. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor imposed restrictions.

Interpretation of relevant law - The Board of Directors of the Organization has interpreted the Minnesota Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(1) The duration and preservation of the fund
(2) The purposes of the Organization and the donor-restricted endowment fund
(3) General economic conditions
(4) The possible effect of inflation and deflation
(5) The expected total return from income and the appreciation of investments
(6) Other resources of the Organization
(7) The investment policies of the Organization

(12) Endowments (continued)

2013 endowment net asset composition by type of fund as of December 31, 2013:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ (21,623)	$ 19,402	$ 3,705,353	$ 3,703,132
Board-designated endowment funds	7,380,706			7,380,706
Total endowment net assets	$ 7,359,083	$ 19,402	$ 3,705,353	$ 11,083,838

2012 endowment net asset composition by type of fund as of December 31, 2012:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ (43,486)	$ 11,077	$ 3,316,189	$ 3,283,780
Board-designated endowment funds	7,298,147	-	-	7,298,147
Total endowment net assets	$ 7,254,661	$ 11,077	$ 3,316,189	$ 10,581,927

Changes in endowment net assets for the year ended December 31, 2013 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 7,254,661	$ 11,077	$ 3,316,189	$ 10,581,927
Investment return:				
Investment income and appreciation (realized and unrealized)	780,615	16,708	-	797,323
Change in value of perpetual trusts			375,477	375,477
Total investment return	780,615	16,708	375,477	1,172,800
Contributions	72,750	-	13,687	86,437
Appropriation of endowment assets for expenditure	(748,943)	(8,383)		(757,326)
Endowment net assets, end of year	$ 7,359,083	$ 19,402	$ 3,705,353	$ 11,083,838

(12) Endowments (continued)

Endowment composition and changes in endowment net assets (continued) - Changes in endowment net assets for the year ended December 31, 2012 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ (68,086)	$ 6,037	$ 601,286	$ 539,237
Investment return:				
Investment income and appreciation (realized and unrealized)	49,968	9,886		59,854
Change in value of perpetual trusts			19,523	19,523
Total investment return	49,968	9,886	19,523	79,377
Contributions			18,210	18,210
Inherent contribution as a result of acquisition	7,298,147		2,677,170	9,975,317
Appropriation of endowment assets for expenditure	(25,368)	(4,846)		(30,214)
Endowment net assets, end of year	$ 7,254,661	$ 11,077	$ 3,316,189	$ 10,581,927

Funds with deficiencies - From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets were $21,623 and $43,486 as of December 31, 2013 and 2012, respectively. These deficiencies resulted from unfavorable market fluctuations in previous years and continued appropriation for certain programs that was deemed prudent by the Board.

Return objectives and risk parameters - The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index while assuming a moderate level of investment risk. The Organization expects its endowment funds, over time, to provide an average rate of return of approximately 7-10 percent annually. Actual returns in any given year may vary from this amount.

Endowment funds of $3,040,138 and $2,664,661, as of December 31, 2013 and 2012, respectively, are held in perpetual trusts, the investment of which is determined by the trustee rather than the Organization.

(12) Endowments (continued)

Strategies employed for achieving objectives - To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending policy and how the investment objectives relate to spending policy - The Organization has a policy of appropriating for distribution each year a minimum of 5 percent of its endowment fund's fair value at the end of the calendar year-end preceding the fiscal year in which the distribution is planned. In establishing this policy, the Organization considered the long-term expected return on its endowment. Accordingly, over the long term, the Organization expects the current spending policy to allow its endowment to grow at an average of 2-5 percent annually.

(13) Service fees revenue

Service fees of the Organization consisted of the following for the years ending December 31:

	2013	2012
Residential camp	$ 2,118,937	$ 1,754,400
Ventures travel	841,171	775,563
Education and training services	1,191,813	630,453
Respite and family services	446,170	365,190
	$ 4,598,091	$ 3,525,606

(14) Donated services, materials and equipment

The Organization receives significant amounts of donated services from a substantial number of unpaid volunteers who assist in the program services of the Organization. Such amounts have not been recognized in the accompanying statement of activities because the criteria for recognition of such volunteer effort have not been satisfied. Donated services, which enhance nonfinancial assets, materials and equipment are reflected as contributions in the accompanying statements at their estimated values at date of receipt.

(14) Donated services, materials and equipment (continued)

The Organization received the following donated services, materials and equipment during 2013 and 2012:

	2013	2012
Professional services	$ 7,575	$ 160,853
Building and improvements	36,231	47,638
Furniture and equipment	-	12,437
Supplies and printing	4,097	10,658
Contract services	-	8,810
Building repair and maintenance	8,029	5,305
Meals and food	13,187	3,600
Other miscellaneous	1,608	1,080
	$ 70,727	$ 250,381

(15) Supplemental disclosure of cash flow information

Noncash investing and financing transactions of the Organization consisted of the following for the years ended December 31:

	2013	2012
Investments received for collection of contribution receivable from Courage Center	$ 5,910,604	$
Investments, trusts, and property acquired in acquisition of the operations of the Camps of Courage:		
Investments acquired	$ -	$ 1,419,575
Contribution receivable from Courage Center	-	5,910,604
Perpetual trust and value of future interest gift acquired	-	3,160,139
Land, buildings, and equipment acquired	-	2,845,800
Inherent contribution related to investments trusts, and property acquired in the acquisition	$ -	$ 13,336,118

(16) Operating lease

The Organization leases office space under a noncancelable operating lease. The lease term ends June 30, 2015. Monthly lease payments are $937 and the Organization is responsible for 2.04% of the building's real estate tax and operating expenses.

The Organization leases equipment under nonrenewable operating leases that require monthly payments of $2,948. The terms of these leases start expiring in April 2014.

The future minimum rental payments due under these operating leases are as follows:

Years Ending December 31,	Amount
2014	$ 37,700
2015	27,700
2016	9,200
Total	$ 74,600

For the years ended December 31, 2013 and 2012, lease expense for office space and equipment amounted to $55,219 and $45,117, respectively.

(17) Commitments and contingencies

The Organization has elected to pay unemployment benefits as they are incurred in lieu of the insurance method afforded under Minnesota Statutes. As the amount of potential claims cannot be determined at this time, no provision for any estimated expenses is reflected in the accompanying financial statements.

The Organization has entered into a contract for construction of a building in 2014 with a cost of approximately $350,000.

(18) Retirement plan

The Organization has a defined contribution plan (403(b) Plan) covering all employees who have completed one year of service and have attained the age of 21. The Organization's contribution is a discretionary amount which is determined each year by the Organization. The contributions made by the Organization for the years ended December 31, 2013 and 2012 were $27,395 and $24,651, respectively.

(19) Unrelated business taxable income

The Organization has income from certain activities not directly related to its tax-exempt purpose that is subject to taxation by the federal government. No tax liability exists for 2012 and 2011 since taxable income is offset by deductible expenses and loss carryovers.

(20) Related party transactions

A board member is employed by the Organization's investment advisor. The board member received no compensation for the investment services provided. During the year ended December 31, 2012, a board member provided pro bono legal services.

(21) Acquisition

On November 21, 2012, the Organization and Courage Center (Courage) entered into an alliance agreement whereby the camping and respite programs operated by Courage became programs of the Organization. As a result of the alliance agreement and in order to operate the camp programs, Courage transferred ownership to the Organization of certain real estate and other assets it has historically used for conducting Courage camping programs.

The following table summarizes the amounts of the assets acquired that was recognized at the acquisition date. There was no consideration transferred as a result of this transaction:

Recognized amounts of identifiable assts acquired and liabilities assumed:

Promises to give receivable	$	75,661
Investments		1,419,575
Beneficial interest in perpetual trusts		2,645,138
Value of future interest gifts		515,001
Land and buildings		2,770,000
Equipment and vehicles		75,800
Contribution receivable from Courage Center		5,910,604
Total identifiable net assets		13,411,779
Inherent contribution received as a result of acquisition		(13,411,779)
	$	-

On the statement of activities and changes in net assets, the inherent contribution received is recorded as the excess of the fair value of net assets acquired over consideration paid in acquisition of Courage camp assets.

The fair value of assets acquired included a receivable from Courage Center which represented additional investment securities that were transferred to the Organization in January 2013. The investment securities transferred consisted of level 1 mutual funds and cash with a fair value of $5,910,604 at the date of receipt by the Organization in January 2013.

SUPPLEMENTARY INFORMATION

TRUE FRIENDS

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

December 31, 2013

	True Friends	Ventures Travel	True Friends Foundation	Eliminations	Total
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	$ 67,263	$	$ -	$	$ 67,263
Accounts receivable, less allowance for doubtful accounts of $32,000	194,963	52,810	-		247,773
Current portion of promises to give, less allowance for doubtful accounts of $10,000	82,294	-	8,730		91,024
Prepaid expenses and other current assets	83,600	16,997	-		100,597
Due from related parties		305,126	437,575	(742,701)	-
TOTAL CURRENT ASSETS	428,120	374,933	446,305	(742,701)	506,657
LAND, BUILDING AND EQUIPMENT					
Less accumulated depreciation of $4,849,359	8,674,080				8,674,080
OTHER ASSETS					
Long-term investments	100,000	-	8,928,864	(100,000)	8,928,864
Cash restricted for purchase of buildings and equipment	177,083	-	-		177,083
Value of future interest gifts	557,155	-	-		557,155
Beneficial interests in perpetual trusts	3,040,138		-		3,040,138
Cash value of life insurance	41,642	-	-		41,642
Long-term promises to give, net of current portion	145,956	-	-		145,956
Investment in LLC	197,333			(197,333)	-
TOTAL OTHER ASSETS	4,259,307	-	8,928,864	(297,333)	12,890,838
TOTAL ASSETS	$ 13,361,507	$ 374,933	$ 9,375,169	$ (1,040,034)	$ 22,071,575
LIABILITIES					
CURRENT LIABILITIES					
Line of credit	$ 130,000	$ -	$ -	$	$ 130,000
Accounts payable	137,583	-	-		137,583
Deferred revenue	191,690	168,684	42,113		402,487
Accrued expenses	155,976	8,916	-		164,892
Due to related parties	842,701			(842,701)	-
Funds held in trust	77,165	-	-		77,165
TOTAL CURRENT LIABILITIES	1,535,115	177,600	42,113	(842,701)	912,127
LONG-TERM LIABILITIES					
Long-term debt, net of current portion	-	-	-		-
TOTAL LIABILITIES	1,535,115	177,600	42,113	(842,701)	912,127
NET ASSETS AND MEMBER'S EQUITY					
UNRESTRICTED NET ASSETS					
Investment in land, building and equipment	8,544,080				8,544,080
Designated by the Board for endowment			7,380,706		7,380,706
Undesignated	(1,182,110)	-	1,378,928	-	196,818
TOTAL UNRESTRICTED NET ASSETS	7,361,970	-	8,759,634	-	16,121,604
TEMPORARILY RESTRICTED					
Time and purpose	1,313,089		19,402		1,332,491
PERMANENTLY RESTRICTED NET ASSETS	3,151,333		554,020		3,705,353
TOTAL NET ASSETS	11,826,392		9,333,056	-	21,159,448
MEMBER'S EQUITY		197,333		(197,333)	-
TOTAL NET ASSETS AND MEMBER'S EQUITY	11,826,392	197,333	9,333,056	(197,333)	21,159,448
TOTAL LIABILITIES AND NET ASSETS	$ 13,361,507	$ 374,933	$ 9,375,169	$ (1,040,034)	$ 22,071,575

TRUE FRIENDS

CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the year ended December 31, 2013

	True Friends	Ventures Travel	True Friends Foundation	Eliminations	Total
PUBLIC SUPPORT AND REVENUE					
PUBLIC SUPPORT					
Contributions	$ 2,255,625	$ -	$ 204,692	$ (741,867)	$ 1,718,450
In-kind contributions	70,727	-	-		70,727
Fundraising events	166,997	-	-		166,997
Direct costs of fundraising events	(38,609)	-	-		(38,609)
TOTAL PUBLIC SUPPORT	2,454,740	-	204,692	(741,867)	1,917,565
REVENUE					
Service fees	3,756,918	841,173	-		4,598,091
Canteen and gift shop	67,343	-	-		67,343
Investment income	363	-	899,096	(18,647)	880,812
Change in value of perpetual trusts	414,522	-	-		414,522
Miscellaneous	21,878	-	-		21,878
Gains (losses) on disposal of assets	-	-	-		-
Earnings in LLC	92,840			(92,840)	-
TOTAL REVENUE	4,353,864	841,173	899,096	(111,487)	5,982,646
TOTAL SUPPORT AND REVENUE	6,808,604	841,173	1,103,788	(853,354)	7,900,211
EXPENSES					
PROGRAM SERVICES					
Residential Camp	3,468,401		741,867	(760,514)	3,449,754
Education and Training Services	1,050,626				1,050,626
Ventures Travel	401,511	748,333			1,149,844
Respite and Family Services	783,922				783,922
TOTAL PROGRAM SERVICES	5,704,460	748,333	741,867	(760,514)	6,434,146
SUPPORTNG ACTIVITIES					
Fund raising	485,211		40,957		526,168
Management and general	223,985	-	435		224,420
TOTAL SUPPORTING ACTIVITIES	709,196	-	41,392	-	750,588
TOTAL EXPENSES	6,413,656	748,333	783,259	(760,514)	7,184,734
INCREASE (DECREASE) IN NET ASSETS AND MEMBER'S EQUITY	394,948	92,840	320,529	(92,840)	715,477
NET ASSETS AND MEMBER'S EQUITY, BEGINNING OF YEAR	11,431,444	104,493	9,012,527	(104,493)	20,443,971
NET ASSETS AND MEMBER'S EQUITY, END OF YEAR	$ 11,826,392	$ 197,333	$ 9,333,056	$ (197,333)	$ 21,159,448