

TRUE FRIENDS
CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

**TRUE FRIENDS
TABLE OF CONTENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

INDEPENDENT AUDITORS' REPORT	1
CONSOLIDATED FINANCIAL STATEMENTS	
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION	3
CONSOLIDATED STATEMENTS OF ACTIVITIES	5
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES	7
CONSOLIDATED STATEMENTS OF CASH FLOWS	9
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	11
SUPPLEMENTARY INFORMATION	
CONSOLIDATING STATEMENTS OF FINANCIAL POSITION	33
CONSOLIDATING STATEMENTS OF ACTIVITIES	35
CONSOLIDATING STATEMENTS OF CASH FLOWS	37



INDEPENDENT AUDITORS' REPORT

Board of Directors
True Friends
Annandale, Minnesota

Report on the Financial Statements

We have audited the accompanying consolidated financial statement of True Friends and its supporting organizations, which comprise the consolidated statements of financial position as of December 31, 2018 and 2017, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated 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 audits. We conducted our audits 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 auditors' 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 entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the 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 financial position of True Friends and supporting organizations as of December 31, 2018 and 2017, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the consolidated financial statements, management has elected to adopt Accounting Standards (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respects to that matter.

Report on 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.



CliftonLarsonAllen LLP

St. Cloud, Minnesota
May 22, 2019

TRUE FRIENDS
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017

	2018	2017
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 564,973	\$ 222,006
Accounts Receivable, Less Allowance for Doubtful Accounts of \$30,000 and \$34,500, Respectively	222,035	261,304
Current Portion of Promises to Give, Less Allowance for Doubtful Accounts of \$9,199 and \$15,500, Respectively	153,753	167,209
Prepaid Expenses and Other Current Assets	189,564	201,283
Total Current Assets	1,130,325	851,802
 PROPERTY AND EQUIPMENT		
Less Accumulated Depreciation of \$6,397,090 and \$6,232,537, Respectively	12,889,850	10,965,354
 OTHER ASSETS		
Long-Term Investments	9,292,366	10,225,612
Cash Restricted for Purchase of Buildings and Equipment	132,297	91,193
Long-Term Promises to Give, Net of Current Portion	83,561	138,112
Beneficial Interests in Perpetual Trusts and Other Funds	1,784,366	2,025,040
Total Other Assets	11,292,590	12,479,957
 Total Assets	 \$ 25,312,765	 \$ 24,297,113

See accompanying Notes to Consolidated Financial Statements.

TRUE FRIENDS
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)
DECEMBER 31, 2018 AND 2017

	2018	2017
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Line of Credit	\$ 50,000	\$ 150,000
Current Portion of Long-Term Debt	121,000	96,967
Accounts Payable	147,562	202,301
Deferred Revenue	712,970	407,629
Accrued Expenses	298,259	316,479
Total Current Liabilities	1,329,791	1,173,376
LONG-TERM DEBT , Net of Current Portion	1,633,900	1,646,489
Total Liabilities	2,963,691	2,819,865
NET ASSETS		
Without Donor Restrictions:		
Investment in Land, Building, and Equipment	12,697,430	10,851,679
Designated by the Board for Endowment	3,629,883	4,181,446
Undesignated	(639,293)	(701,070)
Total Without Donor Restrictions	15,688,020	14,332,055
With Donor Restrictions	6,661,054	7,145,193
Total Net Assets	22,349,074	21,477,248
Total Liabilities and Net Assets	\$ 25,312,765	\$ 24,297,113

See accompanying Notes to Consolidated Financial Statements.

TRUE FRIENDS
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2018

	2018		Total
	Without Donor Restrictions	With Donor Restrictions	
PUBLIC SUPPORT			
Contributions	\$ 1,140,273	\$ 398,996	\$ 1,539,269
In-Kind Contributions	2,278,483	-	2,278,483
Fundraising Events	577,914	-	577,914
Direct Costs of Fundraising Events	(83,769)	-	(83,769)
Total Public Support	<u>3,912,901</u>	<u>398,996</u>	<u>4,311,897</u>
REVENUE			
Service Fees	5,538,718	-	5,538,718
Canteen and Gift Shop	60,356	-	60,356
Investment Income (Loss)	(291,387)	(212,543)	(503,930)
Change in Value of Trusts and Future Interest Gift	-	(240,674)	(240,674)
Miscellaneous	133,801	-	133,801
Gains on Disposal of Property and Equipment	207,767	-	207,767
Total Revenue	<u>5,649,255</u>	<u>(453,217)</u>	<u>5,196,038</u>
Total Support and Revenue	9,562,156	(54,221)	9,507,935
Net Assets Released from Restrictions:			
Satisfaction of Purpose Restrictions	267,884	(267,884)	-
Time Restrictions	162,034	(162,034)	-
Total Net Assets Released from Restrictions	<u>429,918</u>	<u>(429,918)</u>	<u>-</u>
EXPENSES			
Program Services:			
Residential Camp	3,479,027	-	3,479,027
Education and Training Services	1,370,068	-	1,370,068
Ventures Travel	1,418,333	-	1,418,333
Respite and Family Services	727,612	-	727,612
TRUE Strides	542,814	-	542,814
Total Program Services	<u>7,537,855</u>	<u>-</u>	<u>7,537,855</u>
Support Services:			
Fundraising	758,343	-	758,343
Management and General	339,911	-	339,911
Total Supporting Services	<u>1,098,254</u>	<u>-</u>	<u>1,098,254</u>
Total Expenses	<u>8,636,109</u>	<u>-</u>	<u>8,636,109</u>
CHANGE IN NET ASSETS	1,355,965	(484,139)	871,826
Net Assets - Beginning of Year	<u>14,332,055</u>	<u>7,145,193</u>	<u>21,477,248</u>
NET ASSETS - END OF YEAR	<u>\$ 15,688,020</u>	<u>\$ 6,661,054</u>	<u>\$ 22,349,074</u>

See accompanying Notes to Consolidated Financial Statements.

TRUE FRIENDS
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2017

	2017		
	Without Donor Restrictions	With Donor Restrictions	Total
PUBLIC SUPPORT			
Contributions	\$ 1,448,258	\$ 608,437	\$ 2,056,695
In-Kind Contributions	187,924	-	187,924
Fundraising Events	552,408	-	552,408
Direct Costs of Fundraising Events	(65,583)	-	(65,583)
Total Public Support	<u>2,123,007</u>	<u>608,437</u>	<u>2,731,444</u>
REVENUE			
Service Fees	5,380,054	-	5,380,054
Canteen and Gift Shop	67,341	-	67,341
Investment Income	582,480	387,626	970,106
Change in Value of Trusts and Future Interest Gift	-	182,014	182,014
Miscellaneous	56,627	-	56,627
Gains on Disposal of Property and Equipment	45,062	-	45,062
Total Revenue	<u>6,131,564</u>	<u>569,640</u>	<u>6,701,204</u>
Total Support and Revenue	8,254,571	1,178,077	9,432,648
Net Assets Released from Restrictions:			
Satisfaction of Purpose Restrictions	784,441	(784,441)	-
Time Restrictions	114,121	(114,121)	-
Total Net Assets Released from Restrictions	<u>898,562</u>	<u>(898,562)</u>	<u>-</u>
EXPENSES			
Program Services:			
Residential Camp	3,275,811	-	3,275,811
Education and Training Services	1,494,819	-	1,494,819
Ventures Travel	1,186,159	-	1,186,159
Respite and Family Services	817,789	-	817,789
TRUE Strides	687,354	-	687,354
Total Program Services	<u>7,461,932</u>	<u>-</u>	<u>7,461,932</u>
Support Services:			
Fundraising	1,215,576	-	1,215,576
Management and General	133,653	-	133,653
Total Supporting Services	<u>1,349,229</u>	<u>-</u>	<u>1,349,229</u>
Total Expenses	<u>8,811,161</u>	<u>-</u>	<u>8,811,161</u>
CHANGE IN NET ASSETS	341,972	279,515	621,487
Net Assets - Beginning of Year	<u>13,990,083</u>	<u>6,865,678</u>	<u>20,855,761</u>
NET ASSETS - END OF YEAR	<u>\$ 14,332,055</u>	<u>\$ 7,145,193</u>	<u>\$ 21,477,248</u>

See accompanying Notes to Consolidated Financial Statements.

TRUE FRIENDS
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018

	Program Services					Support Services				Total
	Residential Camp	Education and Training Services	Ventures Travel	Respite and Family Services	TRUE Strides	Total Program Services	Fundraising	Management and General	Total Support Services	
Salaries	\$ 1,423,593	\$ 620,233	\$ 348,954	\$ 447,639	\$ 324,301	\$ 3,164,720	\$ 519,847	\$ 135,769	\$ 655,616	\$ 3,820,336
Payroll Taxes	105,463	45,566	25,630	33,740	24,450	234,849	37,850	9,905	47,755	282,604
Benefits	124,831	73,591	47,733	29,442	14,756	290,353	43,243	14,188	57,431	347,784
Total Salaries and Related Expenses	1,653,887	739,390	422,317	510,821	363,507	3,689,922	600,940	159,862	760,802	4,450,724
General Program	27,386	32	624,326	963	-	652,707	-	-	-	652,707
Insurance	97,656	28,342	110,830	3,999	4,265	245,092	11,415	76,758	88,173	333,265
Contract Services	611,958	106,492	59,769	43,385	52,034	873,638	15,991	32,262	48,253	921,891
Meals and Food	222,003	164,460	-	15,005	-	401,468	-	-	-	401,468
Equipment Rental and Repair	71,134	12,154	36,105	5,906	4,836	130,135	997	673	1,670	131,805
Supplies and Printing	102,237	27,318	20,615	15,700	24,227	190,097	8,658	7,696	16,354	206,451
Building Repair and Maintenance	66,333	22,472	11,009	12,335	9,043	121,192	4,246	1,681	5,927	127,119
Utilities	132,362	59,983	22,401	30,249	24,774	269,769	5,024	3,899	8,923	278,692
Professional Services	56,562	13,841	14,884	2,992	1,158	89,437	51,868	13,121	64,989	154,426
Promotion	24,628	579	4,744	7,750	235	37,936	12,173	2,271	14,444	52,380
Interest	21,760	6,315	17,740	891	950	47,656	2,543	17,103	19,646	67,302
Telephone	13,441	5,071	9,803	1,802	1,115	31,232	2,110	7,490	9,600	40,832
Postage	8,839	856	4,956	546	135	15,332	5,706	2,602	8,308	23,640
Staff Development and Recognition	44,906	5,472	6,387	5,469	2,384	64,618	5,521	3,952	9,473	74,091
Bad Debts	21,038	1,120	776	915	902	24,751	7,449	-	7,449	32,200
Canteen	-	42,640	-	-	-	42,640	-	-	-	42,640
Dues, Subscriptions, Licenses, and Fees	16,861	8,225	3,833	3,886	1,617	34,422	4,501	2,783	7,284	41,706
Travel Expenses	13,286	1,646	2,631	2,393	454	20,410	8,971	782	9,753	30,163
Miscellaneous	597	66	185	109	10	967	26	173	199	1,166
Total Expenses before Depreciation	3,206,874	1,246,474	1,373,311	665,116	491,646	6,983,421	748,139	333,108	1,081,247	8,064,668
Depreciation	272,153	123,594	45,022	62,496	51,168	554,434	10,204	6,803	17,007	571,441
Total Expenses	<u>\$ 3,479,027</u>	<u>\$ 1,370,068</u>	<u>\$ 1,418,333</u>	<u>\$ 727,612</u>	<u>\$ 542,814</u>	<u>\$ 7,537,855</u>	<u>\$ 758,343</u>	<u>\$ 339,911</u>	<u>\$ 1,098,254</u>	<u>\$ 8,636,109</u>

See accompanying Notes to Consolidated Financial Statements.

TRUE FRIENDS
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2017

	Program Services					Support Services				Total
	Residential Camp	Education and Training Services	Ventures Travel	Respite and Family Services	TRUE Strides	Total Program Services	Fundraising	Management and General	Total Support Services	
Salaries	\$ 1,352,382	\$ 691,905	\$ 273,860	\$ 473,234	\$ 406,410	\$ 3,197,791	\$ 659,321	\$ 47,234	\$ 706,555	\$ 3,904,346
Payroll Taxes	99,439	52,026	19,570	35,463	30,629	237,127	46,437	3,488	49,925	287,052
Benefits	112,898	60,234	36,894	23,298	15,148	248,472	57,271	4,269	61,540	310,012
Total Salaries and Related Expenses	1,564,719	804,165	330,324	531,995	452,187	3,683,390	763,029	54,991	818,020	4,501,410
General Program	20,759	-	614,521	3,998	-	639,278	-	-	-	639,278
Insurance	117,556	59,533	51,960	32,861	25,681	287,591	45,862	10,343	56,205	343,796
Contract Services	485,931	93,602	27,666	43,157	49,860	700,216	60,736	13,251	73,987	774,203
Meals and Food	248,537	144,322	-	19,205	377	412,441	-	-	-	412,441
Equipment Rental and Repair	66,247	11,605	29,346	6,405	5,006	118,609	8,940	2,016	10,956	129,565
Supplies and Printing	96,025	30,287	15,014	18,859	26,866	187,051	34,482	4,853	39,335	226,386
Building Repair and Maintenance	52,005	19,816	13,796	11,562	8,358	105,537	16,200	3,208	19,408	124,945
Utilities	100,507	50,899	18,464	28,095	21,957	219,922	39,211	8,843	48,054	267,976
Professional Services	183,494	86,410	25,532	40,241	29,836	365,513	99,119	11,940	111,059	476,572
Promotion	30,488	17,624	5,601	9,142	6,765	69,620	11,910	2,683	14,593	84,213
Interest	22,390	11,339	4,113	6,259	4,891	48,992	8,735	1,970	10,705	59,697
Telephone	15,021	8,226	4,282	4,625	3,292	35,446	6,278	1,229	7,507	42,953
Postage	13,348	3,342	2,278	2,455	1,351	22,774	10,094	544	10,638	33,412
Staff Development and Recognition	45,104	10,824	3,182	5,409	8,530	73,049	10,804	1,276	12,080	85,129
Bad Debts	7,563	3,380	3,950	-	167	15,060	14,920	-	14,920	29,980
Canteen	-	39,927	-	-	-	39,927	-	-	-	39,927
Dues, Subscriptions, Licenses, and Fees	9,948	5,252	1,162	1,581	1,585	19,528	7,057	464	7,521	27,049
Travel Expenses	17,982	4,507	2,408	2,357	1,924	29,178	9,052	449	9,501	38,679
Miscellaneous	1,211	135	49	113	59	1,567	104	22	126	1,693
Total Expenses before Depreciation	3,098,835	1,405,195	1,153,648	768,319	648,692	7,074,689	1,146,533	118,082	1,264,615	8,339,304
Depreciation	176,976	89,624	32,511	49,470	38,662	387,243	69,043	15,571	84,614	471,857
Total Expenses	<u>\$ 3,275,811</u>	<u>\$ 1,494,819</u>	<u>\$ 1,186,159</u>	<u>\$ 817,789</u>	<u>\$ 687,354</u>	<u>\$ 7,461,932</u>	<u>\$ 1,215,576</u>	<u>\$ 133,653</u>	<u>\$ 1,349,229</u>	<u>\$ 8,811,161</u>

See accompanying Notes to Consolidated Financial Statements.

TRUE FRIENDS
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 871,826	\$ 621,487
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:		
Depreciation	571,441	471,857
Amortization of Discount on Unconditional Promises to Give Receivable	2,207	(6,013)
Gain on Disposal of Assets	(207,767)	(45,062)
Realized and Unrealized Gain (Loss) on Investments	725,309	(711,692)
Change in Value of Trusts	240,674	(182,014)
Contributions of Buildings and Equipment	(2,261,809)	(36,213)
Contributions Restricted for Long-Term Purposes	(312,379)	(484,941)
(Increase) Decrease in Operating Assets:		
Accounts Receivable	39,269	(35,456)
Promises to Give	35,185	(162,387)
Prepaid Expenses and Other Current Assets	11,719	(34,336)
Cash Value of Life Insurance	-	37,904
Increase (Decrease) in Operating Liabilities:		
Accounts Payable	(54,739)	(134,336)
Deferred Revenue	305,341	(43,276)
Accrued Expenses	(18,220)	56,012
Net Cash Used by Operating Activities	(51,943)	(688,466)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of Land, Building, and Equipment	(349,900)	(1,241,451)
Proceeds from Sale of Land, Building, and Equipment	442,539	56,919
Proceeds from Sale of Investments	3,973,081	3,251,370
Purchase of Investments	(3,765,144)	(3,104,274)
Net Change in Cash Restricted for Purchase of Buildings and Equipment	(41,104)	572,116
Net Cash Provided (Used) by Investing Activities	259,472	(465,320)

See accompanying Notes to Consolidated Financial Statements.

TRUE FRIENDS
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
YEAR ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of Long-Term Debt	\$ (107,556)	\$ (79,680)
Proceeds from Line of Credit	200,000	150,000
Payment on Line of Credit	(300,000)	-
Collection of Contributions Restricted for Capital Campaign and Buildings	190,960	321,554
Collection of Contributions Restricted for Endowment	152,034	94,121
Net Cash Provided by Financing Activities	135,438	485,995
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	342,967	(667,791)
Cash and Cash Equivalents - Beginning of Year	222,006	889,797
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 564,973	\$ 222,006
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Interest Paid	\$ 67,302	\$ 59,697
Land, Building, and Equipment Purchases with Long-Term Debt	119,000	106,996
Total	\$ 186,302	\$ 166,693

See accompanying Notes to Consolidated Financial Statements.

TRUE FRIENDS
NOTES TO CONSOLIDATED STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 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.

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.

Basis of Presentation

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

Net Assets Without Donor Restrictions – Resources over which the board of directors has discretionary control. Designated amounts represent those revenues which the board has set aside for a particular purpose.

Net Assets With Donor Restrictions – Those resources subject to a donor-imposed restriction. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. 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.

The Organization has elected to present donor restricted contributions, which are fulfilled in the same time period, within the net assets without donor restrictions class.

**TRUE FRIENDS
NOTES TO CONSOLIDATED STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Principles of Consolidation

The consolidated financial statements as of and for the years ended December 31, 2018 and 2017 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.

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, Camp Eden Wood, Camp Courage, and Camp 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. Day camp and winter camp programs are also available.

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. High and low ropes courses, zip lines, and climbing towers are utilized to build confidence and develop team dynamics.

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 domestic and international 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 weekend respite care program. This program offers children and adults a home-like setting to relax and re-energize.

TRUE Strides

Program provides hippo therapy, therapeutic riding, and horsemanship experiences for individuals with disabilities both young and adult. The riding therapy takes place at Camp Courage. TRUE Strides provides opportunities for individuals of all abilities to experience exceptional equine-assisted activities by facilitating the Horsing Around camp programs and special respite programming.

TRUE FRIENDS
NOTES TO CONSOLIDATED STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Description of Programs (Continued)

Change in Accounting Standard

On August, 18, 2016 FASB issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. We have implemented ASU 2016-14 and have adjusted the presentation in the consolidated financial statements accordingly. The ASU has been applied retrospectively to all periods presented which increased net assets without donor restrictions by \$43,512 and decreased net assets with donor restrictions by \$43,512 resulting from the reclassifications of underwater endowment funds as of January 1, 2017 as required under ASU 2016-14.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Estimates also affect the reported amounts of revenue and expense during the reporting period. Actual results could differ from those estimates.

Revenue Recognition

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

Support that is restricted by the donor is reported as an increase in net assets without donor restrictions 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 net assets without donor restrictions 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 net assets with donor restrictions, depending on the nature of the restriction. When a 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 restrictions and reported in the consolidated statements 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.

TRUE FRIENDS
NOTES TO CONSOLIDATED STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 regard to balances in excess of insured limits or as a result of other concentrations of credit risk. Money market and cash funds, held as a portion of the Organization's investment portfolio, are classified as investments and are not considered to be cash equivalents.

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 at that time. An allowance for bad debts of \$30,000 and \$34,500 was recorded as of December 31, 2018 and 2017, respectively.

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 4% in 2018 and 3% in 2017.

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.

TRUE FRIENDS
NOTES TO CONSOLIDATED STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments (Continued)

Investment earnings are recorded in net assets without donor restrictions and with donor restriction on the consolidated statements of financial position based on donor intention.

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 consolidated statements 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 reasonably possible.

Perpetual Trusts and Other Funds

The Organization is the beneficiary of perpetual irrevocable trusts held and administered by independent trustees and other funds held by area foundations. Under the terms of the trusts and fund agreements, the Organization has the irrevocable right to receive its proportionate share of the income earned on trust or fund assets in perpetuity. The fair value of the beneficial interest in a trust or fund is recognized as an asset and as a donor restricted contribution to be held in perpetuity at the date the trust or fund is established. The Organization's estimate of fair value at each reporting date is based on fair value information received from trustees and foundations. Trust and fund 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 and foundations, are reflected as the change in value of trusts and funds in the consolidated statements of activities.

The Organization is the beneficiary of a future interest gift in nonperpetual trusts held and administered by independent trustees. Under the terms of the trusts, the Organization has the irrevocable right to receive a portion of the assets and 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.

**TRUE FRIENDS
NOTES TO CONSOLIDATED STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Property 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 property and equipment are recorded as support without donor restrictions.

Expenditures for renewals and improvements are capitalized while the cost of maintenance and repairs is charged to expense as incurred. It is the Organization's policy to capitalize property and equipment that has a cost equal to or greater than \$3,000. 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 as follows:

Land Improvements	5-40 Years
Building and Improvements	5-39 Years
Equipment	3-20 Years

For the years ended December 31, 2018 and 2017, depreciation expense was \$571,441 and \$471,857, 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, 2018 and 2017.

Fair Value Measurements

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.

TRUE FRIENDS
NOTES TO CONSOLIDATED STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (Continued)

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 that include quoted prices for similar assets and liabilities in active markets and valuations that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

Level 3 – Valuations based on inputs that are unobservable for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

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.

Subsequent to initial recognition, the Organization may remeasure the carrying value of assets and liabilities measured on a nonrecurring basis to fair value. Adjustments to fair value usually result when certain assets are impaired. Such assets are written down from their carrying amounts to their fair value.

Professional standards allow entities the irrevocable option to elect to measure certain financial instruments and other items at fair value for the initial and subsequent measurement on an instrument-by-instrument basis.

Donated Services, Materials, and Equipment

Contributions of donated noncash assets are recorded as in-kind contributions 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.

TRUE FRIENDS
NOTES TO CONSOLIDATED STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. Expenses that can be identified with a specific program and support service are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated using different methods to allocate expenses to the various programs and to the various functions. Volunteer services/seasonal recruitment expenses are allocated based on actual number of volunteer and seasonal staff supported by the department. Camping and Respite Program services are allocated these expenses. Healthcare expenses are allocated based on the actual number of participants supported by the healthcare department. Camping, Respite, Ventures Travel and True Strides Program services are allocated these expenses. Marketing expenses are allocated based on the actual promotion expense portion for each department. Maintenance, housekeeping, technology, and depreciation allocation method is based on the number of buildings used for each activity. Administration expenses are determined by each department's share of total expenses. All Program and Support services are allocated the marketing, maintenance, housekeeping, technology, depreciation, and administration expenses.

Advertising

The Organization expenses all advertising as incurred. Advertising expense was \$52,380 and \$84,213 for 2018 and 2017, respectively.

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. Should that status be challenged in the future, all years since inception would be subject to review of the Internal Revenue Service (IRS).

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 consolidated 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 consolidated financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or recorded as liabilities for the years ended December 31, 2018 and 2017.

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 2018 or 2017 since taxable income is offset by deductible expenses. True Friends does not have employee fringe benefit unrelated business taxable income.

**TRUE FRIENDS
NOTES TO CONSOLIDATED STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Tax (Continued)

True Friends and True Friends Foundation each file their own IRS form 990 and related state return.

Ventures Travel, LLC's income or loss is required to be reported by the Organization on its federal tax return.

Subsequent Events

Subsequent events have been evaluated through May 22, 2019 which is the date the consolidated financial statements were available to be issued.

Reclassification

Certain amounts appearing in the 2017 financial statements have been reclassified to conform to the 2018 presentation. The reclassifications have no effect on reported amounts of total net assets or change in total net assets.

NOTE 2 INVESTMENTS

Investments consisted of the following at December 31:

	2018	2017
Equity Funds	\$ 3,040,822	\$ 3,457,440
Fixed Income Funds	126	195,708
Common Stock	2,306,178	2,960,153
Government Agency Securities	1,993,337	1,740,492
Corporate Bonds	1,678,168	1,623,620
Money Market	248,873	223,210
Funds Held by Others	24,862	24,989
Total Investments	<u>\$ 9,292,366</u>	<u>\$ 10,225,612</u>

Investment income for the years ended December 31 is summarized as follows:

	2018	2017
Interest and Dividend Income	\$ 281,932	\$ 316,602
Net Realized and Unrealized Gain (Loss)	(725,309)	711,692
Investment Expense	(60,553)	(58,188)
Total Net Investment Income (Loss)	<u>\$ (503,930)</u>	<u>\$ 970,106</u>

During 2017, True Friends created the True Friends Endowment Fund account at Community Giving. The Organization's agreement with the Foundation requires that the income on the fund be available for distribution to True Friends at True Friends' request.

The agreement states that in perpetuity the Community Giving shall hold the principal of the Fund as an endowment and shall pay out of the Fund's net income such amounts in furtherance of the purpose of the Fund as Community Giving may in its sole discretion determine.

**TRUE FRIENDS
NOTES TO CONSOLIDATED STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 3 BENEFICIAL INTEREST IN PERPETUAL TRUSTS AND OTHER FUNDS

The Organization has a beneficial interest in perpetual trusts with the assets held by third parties and other funds held by area foundations. These assets are considered endowment funds with donor restrictions to be held in perpetuity. The Organization has no control over the investment of the funds. Distributions are made to the Organization by each trust or fund based on the Organization's proportionate share of the entire fund investment income for the year. Fair value of the endowment funds includes any unrealized gains or losses.

Distributions were approximately \$78,000 and \$67,000 for the years ended December 31, 2018 and 2017, respectively.

Value of the Future Interest Gift

The Organization has been named a beneficiary of nonperpetual trusts. All income of the trusts shall accumulate, be added to, and become a part of the principal of the trusts. The trusts allow for the payment of a portion of the trusts to the surviving beneficiaries. Upon the death of the surviving beneficiaries, the trustee will distribute the remaining trust assets and accumulated earnings to the beneficiaries. The trusts are recorded at the estimated fair value based on the present value of estimated future cash receipts from the trusts. In both 2018 and 2017, the Organization estimated the present value of the trusts using an investment return rate (net of fees and expenses) of 6%, and a discount rate at the present value of the expected future cash flows of 3%. The portion of the trusts attributable to the present value of the future benefit to be received by the Organization is recorded in the consolidated of activities as a contribution with donor restrictions at the time of receipt. An expected rate of return on the investments in the trusts is estimated using historical investment returns for various relevant market indexes for the assumed asset allocation of the nonperpetual trusts. Because the fair value of the trusts 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.

The fair value of the beneficial interest in perpetual trusts and other funds is \$1,784,366 and \$2,025,040 at December 31, 2018 and 2017, respectively.

NOTE 4 PROMISES TO GIVE

Promises to give as of December 31 include the following:

	2018	2017
Promises to Give Receivable before Allowance for Doubtful Collections and Discounts	\$ 252,269	\$ 328,784
Less: Allowance for Doubtful Collections	(9,199)	(15,500)
Less: Unamortized Discount	(5,756)	(7,963)
Net Promises to Give Receivable	\$ 237,314	\$ 305,321
Receivable within One Year	\$ 162,952	\$ 182,709
Receivable in One to Five Years	89,317	146,075
Total Promises to Give Receivable	\$ 252,269	\$ 328,784

**TRUE FRIENDS
NOTES TO CONSOLIDATED STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 4 PROMISES TO GIVE (CONTINUED)

Capital campaign promises to give are restricted for various capital projects. Included in long-term promises to give receivable at December 31, 2018 and 2017 are capital campaign promises to give totaling \$15,000 and \$40,000, respectively.

In 2017, the Organization received a conditional pledge of \$2,169,710 for improvements and renovations. The gift was recognized and the condition was realized when the total renovations and improvements were completed in 2018.

At December 31, 2018 and 2017, the Organization has \$89,400 and \$141,950 of outstanding pledges receivable with current members of the board of directors, respectively.

NOTE 5 PROPERTY AND EQUIPMENT

Included in building and equipment is Camp Eden Wood (the Camp). The Camp's building and equipment was recorded as a contribution to the Organization at fair value of \$683,900 at the time of donation in 1995. The Camp is located on land under a long-term lease restricting the use to programs for the disabled. A new lease of the land was entered into in 2014 that extends through 2034 with a 10-year option.

A summary of land, building, and equipment is as follows for the years ended December 31:

	2018	2017
Land	\$ 2,568,473	\$ 2,597,492
Land Improvements	647,513	629,956
Building and Improvements	14,093,101	12,112,134
Equipment	1,977,153	1,858,309
Construction in Progress	700	-
Total	19,286,940	17,197,891
Less: Accumulated Depreciation	(6,397,090)	(6,232,537)
Net Land, Building, and Equipment	\$ 12,889,850	\$ 10,965,354

NOTE 6 DEFERRED REVENUE

Deferred revenue consists of the following as of December 31:

	2018	2017
Fees Received in Advance:		
Camper Fees	\$ 188,875	\$ 96,454
Rental Fees	126,120	87,548
Travel Fees	147,975	223,627
Matching Grant	250,000	-
Total	\$ 712,970	\$ 407,629

TRUE FRIENDS
NOTES TO CONSOLIDATED STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 7 LINE OF CREDIT

The Organization has a line of credit with a bank. The total amount available is \$500,000 and the line of credit matures June 1, 2019. Interest accrues at an annual rate equal to the Wall Street Journal prime rate (currently 5.5% at December 31, 2018) with a floor of 4.0%. Pledged collateral greater than or equal to 125% of the outstanding balance on the line of credit and on the note payable described in the long-term debt footnote is required. As of December 31, 2018 and 2017, investments consisting of government agency securities and cash accounts totaling \$2,346,262 and \$2,894,683, respectively, collateralized these lending arrangements. The outstanding balance on the line of credit at December 31, 2018 and 2017 is \$50,000 and \$150,000, respectively.

NOTE 8 LONG-TERM DEBT

<u>Description</u>	<u>2018</u>	<u>2017</u>
Note payable, Annandale State Bank, 3.25% interest; monthly principal and interest payments of \$10,000; maturity April 2025 with a balloon payment of approximately \$1,091,000; secured by fixed income securities at 125% of the principal balance, guaranteed by True Friends Foundation	\$ 1,562,480	\$ 1,629,781
Note payable, Wells Fargo, 5.0% interest; monthly principal and interest payments of \$696; maturity November 2019; secured by equipment	6,785	14,516
Note payable, Chrysler Capital, 5.21% interest; monthly principal and interest payments of \$606; maturity April 2020; secured by vehicle	9,373	15,987
Note payable, Graybar Financial Services, 7.02% interest, monthly principal and interest payments of \$1,720; maturity September 2022; secured by equipment	67,883	83,172
Note payable, Graybar Financial Services, 7.27% interest, monthly principal and interest payments of \$1,782; maturity June 2023; secured by equipment	28,536	-
Note payable, Graybar Financial Services, 7.02% interest, monthly principal and interest payments of \$578; maturity September 2023; secured by equipment	<u>79,843</u>	<u>-</u>
Total	1,754,900	1,743,456
Less: Current Maturities	<u>121,000</u>	<u>96,967</u>
Total Long-Term Notes Payable	<u>\$ 1,633,900</u>	<u>\$ 1,646,489</u>

TRUE FRIENDS
NOTES TO CONSOLIDATED STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 8 LONG-TERM DEBT (CONTINUED)

Aggregate maturities under this arrangement are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2019	\$ 121,000
2020	114,621
2021	117,683
2022	118,139
2023	92,693
Thereafter	1,190,764
Total	<u>\$ 1,754,900</u>

NOTE 9 FAIR VALUE MEASUREMENTS

The Organization uses fair value measurements to record fair value adjustments to certain assets and to determine fair value disclosures. For additional information on how the Organization measures fair value refer to Note 1 – Summary of Significant Accounting Policies. The following table presents fair values of assets measured on a recurring basis at December 31, 2018 are as follows:

<u>December 31, 2018</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Common Stocks	\$ 2,306,178	\$ -	\$ -	\$ 2,306,178
Equities	3,040,822	-	-	3,040,822
Mutual Funds	126	-	-	126
Government Agency Securities	-	1,993,337	-	1,993,337
Corporate Bonds	-	1,678,168	-	1,678,168
Funds Held by Others	-	24,862	-	24,862
Money Market	248,873	-	-	248,873
Total Long-Term Investments	<u>5,595,999</u>	<u>3,696,367</u>	-	<u>9,292,366</u>
Beneficial Interest in Perpetual				
Trusts and other Funds	-	-	1,784,366	1,784,366
Total	<u>\$ 5,595,999</u>	<u>\$ 3,696,367</u>	<u>\$ 1,784,366</u>	<u>\$ 11,076,732</u>

The following table presents fair values of assets measured on a recurring basis at December 31, 2017 are as follows:

**TRUE FRIENDS
NOTES TO CONSOLIDATED STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 9 FAIR VALUE MEASUREMENTS (CONTINUED)

<u>December 31, 2017</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Common Stocks	\$ 2,960,153	\$ -	\$ -	\$ 2,960,153
Equities	3,457,440	-	-	3,457,440
Mutual Funds	195,708	-	-	195,708
Government Agency Securities	-	1,740,492	-	1,740,492
Corporate Bonds	-	1,623,620	-	1,623,620
Funds Held by Others	-	24,989	-	24,989
Money Market	223,210	-	-	223,210
Total Long-Term Investments	<u>6,836,511</u>	<u>3,389,101</u>	<u>-</u>	<u>10,225,612</u>
Beneficial Interest in Perpetual Trusts and other Funds	-	-	2,025,040	2,025,040
Total	<u>\$ 6,836,511</u>	<u>\$ 3,389,101</u>	<u>\$ 2,025,040</u>	<u>\$ 12,250,652</u>

Unrealized changes in fair value for investments and realized gains and losses from sales are separately stated on the consolidated statements of activities

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

	<u>2018</u>	<u>2017</u>
Balance - January 1	\$ 2,025,040	\$ 1,759,611
Additions to Perpetual Trusts and Other Funds	-	83,415
Change in Value of Perpetual Trust/Funds Recognized in the Change in Net Assets with Donor Restrictions	<u>(240,674)</u>	<u>182,014</u>
Balance - December 31	<u>\$ 1,784,366</u>	<u>\$ 2,025,040</u>

Following is a description of the valuation methodologies used for Level 3 assets measured at fair value:

Beneficial Interest in Perpetual Trusts and Other Funds: Fair value for the beneficial interest in perpetual trusts and other funds are measured using the fair value of the assets held in the trust or fund reported by the trustee or foundation. In accordance with the terms of the perpetual trust and fund agreements, the trustee or foundation makes annual distributions equal to net realized income on trust and fund investments. The Organization considers the measurement of its beneficial interest in perpetual trusts and other funds 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 and fund assets reported by the trustee and foundation, the Organization will never receive those assets or have the ability to direct the trustee or foundation to redeem them.

**TRUE FRIENDS
NOTES TO CONSOLIDATED STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 9 FAIR VALUE MEASUREMENTS (CONTINUED)

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 nonperpetual 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 Social Security Life Expectancy Tables, and a discount rate of 3%. On an annual basis, the Organization revalues the asset based on applicable mortality tables and discount rates. At December 31, 2018 and 2017, the value of future interest gift was \$55,630 and \$83,415, respectively.

There have been no changes in the methodologies used during 2018 and 2017.

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.

NOTE 10 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes or periods:

	<u>2018</u>	<u>2017</u>
Subject to the passage of time:		
Time Restricted	\$ 248,295	\$ 308,784
Endowment Funds Subject to a Time Restriction Under UPMIFA:		
With Purpose Restrictions - Scholarships	800,972	1,133,413
	<u>1,049,267</u>	<u>1,442,197</u>
Subject to expenditures for specified purpose:		
Capital Building Projects and Equipment	132,297	91,193
Programming	36,358	83,784
Other Miscellaneous	60,174	16,431
	<u>228,829</u>	<u>191,408</u>
Funds to Be Held in Perpetuity		
General Operations	\$ 1,888,266	\$ 2,045,524
Memorial Scholarships	3,494,692	3,466,064
	<u>5,382,958</u>	<u>5,511,588</u>
Total	<u>\$ 6,661,054</u>	<u>\$ 7,145,193</u>

**TRUE FRIENDS
NOTES TO CONSOLIDATED STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 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:

	2018	2017
Time Restrictions Expired	\$ 162,034	\$ 114,121
Purpose Restricted:		
Capital Building Projects and Equipment	81,352	642,664
Programming	52,426	31,368
Other Miscellaneous	12,234	727
Appropriation of Endowment Funds Subject to Purpose Restrictions Under UPMIFA:		
With Purpose Restrictions - Scholarships	121,872	109,682
Total	\$ 429,918	\$ 898,562

NOTE 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 accounting principles generally accepted in the United States of America, 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 True Friends 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 fund absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization retains in perpetuity the original value of the gifts to the endowment and the value of subsequent gifts to the endowment. Donor-restricted amounts not retained in perpetuity are subject to appropriation 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

TRUE FRIENDS
NOTES TO CONSOLIDATED STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 12 ENDOWMENTS (CONTINUED)

Interpretation of Relevant Law (Continued)

Endowment net asset composition by type of fund as of December 31:

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-Restricted Endowment Funds	\$ -	\$ 6,183,930	\$ 6,183,930
Board-Designated Endowment Funds	3,629,883	-	3,629,883
Total Endowment Net Assets	<u>\$ 3,629,883</u>	<u>\$ 6,183,930</u>	<u>\$ 9,813,813</u>

	2017		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-Restricted Endowment Funds	\$ -	\$ 6,645,001	\$ 6,645,001
Board-Designated Endowment Funds	4,181,446	-	4,181,446
Total Endowment Net Assets	<u>\$ 4,181,446</u>	<u>\$ 6,645,001</u>	<u>\$ 10,826,447</u>

Changes in endowment net assets for the year ended December 31, 2018 are as follows:

	2018		
	With Donor Restrictions	Without Donor Restrictions	Total
Endowment Net Assets - Beginning of Year	\$ 4,181,446	\$ 6,645,001	\$ 10,826,447
Investment Return:			
Investment Income	114,732	93,182	207,914
Investment Appreciation (Realized and Unrealized)	(376,432)	(305,725)	(682,157)
Change in Value of Perpetual Trusts	-	(240,674)	(240,674)
Total Investment Return	<u>(261,700)</u>	<u>(453,217)</u>	<u>(714,917)</u>
Contributions	204,626	114,018	318,644
Appropriation of Endowment Assets for Expenditure	<u>(494,489)</u>	<u>(121,872)</u>	<u>(616,361)</u>
Endowment Net Assets - End of Year	<u>\$ 3,629,883</u>	<u>\$ 6,183,930</u>	<u>\$ 9,813,813</u>

**TRUE FRIENDS
NOTES TO CONSOLIDATED STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 12 ENDOWMENTS (CONTINUED)

Interpretation of Relevant Law (Continued)

Changes in endowment net assets for the year ended December 31, 2017 are as follows:

	2017		Total
	Without Donor Restrictions	With Donor Restrictions	
Endowment Net Assets - Beginning of Year	\$ 3,914,001	\$ 5,999,552	\$ 9,913,553
Investment Return:			
Investment Income	135,592	103,202	238,794
Investment Appreciation (Realized and Unrealized)	373,690	284,424	658,114
Change in Value of Perpetual Trusts	-	182,014	182,014
Total Investment Return	<u>509,282</u>	<u>569,640</u>	<u>1,078,922</u>
Contributions	401,386	185,491	586,877
Appropriation of Endowment Assets for Expenditure	<u>(643,223)</u>	<u>(109,682)</u>	<u>(752,905)</u>
Endowment Net Assets - End of Year	<u>\$ 4,181,446</u>	<u>\$ 6,645,001</u>	<u>\$ 10,826,447</u>

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 net assets without donor restrictions were \$15,351 and \$16,771 as of December 31, 2018 and 2017, 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 directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the CAPTRUST Moderate target asset allocation 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 5-7% annually. Actual returns in any given year may vary from this amount.

**TRUE FRIENDS
NOTES TO CONSOLIDATED STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 12 ENDOWMENTS (CONTINUED)

Endowment funds of \$1,728,736 and \$1,941,625 as of December 31, 2018 and 2017, respectively, are held in perpetual trusts, the investment of which is determined by the trustee rather than the Organization.

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 4.5% 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 4-5% annually.

NOTE 13 SERVICE FEES REVENUE

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

	2018	2017
Residential Camp	\$ 2,746,078	\$ 2,514,064
Ventures Travel	962,782	1,031,425
Education and Training Services	1,456,820	1,484,744
Respite and Family Services	373,038	349,821
Total	\$ 5,538,718	\$ 5,380,054

NOTE 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 consolidated statements 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.

TRUE FRIENDS
NOTES TO CONSOLIDATED STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 14 DONATED SERVICES, MATERIALS, AND EQUIPMENT (CONTINUED)

The Organization received the following donated services, materials and equipment meeting the criteria for recognition during 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Building and Improvements	\$ 2,261,809	\$ 90,300
Professional Services	89	48,261
Building Repair and Maintenance	7,508	5,791
Contract Services	827	827
Supplies and Printing	4,312	62
Equipment Maintenance	378	-
Equipment	500	-
Vehicles and Equipment	-	36,213
Meals and Food	3,060	6,470
Total	<u>\$ 2,278,483</u>	<u>\$ 187,924</u>

NOTE 15 OPERATING LEASE

The Organization leases office space under a noncancelable operating lease. The lease term ends June 30, 2021. Monthly lease payments are \$984-\$1,030 and the Organization is responsible for 2.04% of the building's real estate tax and operating expenses.

The Organization leases equipment under noncancelable operating leases that require monthly payments of \$4,112 and expire at various times through October 2023.

The Organization leases vehicles under noncancelable operating leases that require monthly payments of \$333-\$360 and expire at various times through June 2021.

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

<u>Year Ending December 31,</u>	<u>Amount</u>
2019	\$ 68,659
2020	65,981
2021	57,801
2022	41,933
2023	6,571
Total	<u>\$ 240,945</u>

For the years ended December 31, 2018 and 2017, lease expense for office space and equipment amounted to \$60,953 and \$47,928, respectively.

**TRUE FRIENDS
NOTES TO CONSOLIDATED STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 16 RETIREMENT PLAN

The Organization has a defined contribution plan 403(b) (Plan) covering 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, 2018 and 2017 were \$51,526 and \$44,633, respectively.

NOTE 17 CONCENTRATION

For the years ended December 31, 2018 and 2017, pledge receivables due from two and one donor were 29.5% and 26.2%, respectively, of the Organization's total promise to give receivable balance.

NOTE 18 LIQUIDITY

True Friends' management routinely monitors liquidity required to fund program services and the supporting services of fundraising, management, and general. The organization has several sources of liquidity available to fund these services, including cash and cash equivalents, line of credit and supporting entity, True Friends Foundation.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the organization considers all expenditures related to program services and the services to support those services as general expenditures. The average monthly general expenditure is \$675,000, with the highest expenditures occurring in the months of June through August.

The organization is committed to operating under a balanced budget. Since the acquisition of The Courage Camps in 2013, the organization has relied on the Foundation for additional operating and capital support. The final year of this additional support was 2018. To achieve a balanced budget the organization continually updates year-end projections, maintains 12-month cash flow forecast and developed a five-year operational financial plan. Excess operating funds are to be used for capital expenditures and deferred maintenance.

The organization's liquid financial assets available to meet cash needs for general expenditures, without donor or other restrictions limiting their use, within one year are summarized as follows:

	2018	2017
Cash and Cash Equivalents	\$ 564,973	\$ 222,006
Foundation 5% Annual Distribution	487,326	489,524
Accounts Receivable, Less Allowance for Doubtful Accounts	222,035	261,304
Current Portion of Promises to Give, Less Allowance for Doubtful Accounts	153,753	167,209
Total	\$ 1,428,087	\$ 1,140,043

TRUE FRIENDS
NOTES TO CONSOLIDATED STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 18 LIQUIDITY (CONTINUED)

In addition to these liquid financial assets, the organization also has the following assets available:

- Current assets with donor restrictions that are intended for day-to-day program expenses for use in current period are satisfied as part of daily operations.
- A line of credit of \$500,000 is maintained to manage cash flow needs. Withdrawals from the line of credit occur when liquidity falls below the ability to meet financial obligations due within 7 days. Payments to the line of credit occur when liquidity rises above the ability to meet financial obligations due within 60-90 days.
- The board-designated endowments are available to support the organization with True Friends Foundation's board approval. At year-end, the value was \$3,629,883.
- Investments that are not board designated or restricted are also available for operations with the True Friends Foundation board's approval. At year- end, the value was \$918,092.

TRUE FRIENDS
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018
(SEE INDEPENDENT AUDITORS' REPORT)

	True Friends	Ventures Travel	True Friends Foundation	Eliminations	Total
ASSETS					
CURRENT ASSETS					
Cash and Cash Equivalents	\$ 564,973	\$ -	\$ -	\$ -	\$ 564,973
Accounts Receivable, Less Allowance for Doubtful Accounts of \$30,000	176,235	45,800	-	-	222,035
Current Portion of Promises to Give, Less Allowance for Doubtful Accounts of \$9,199	153,753	-	-	-	153,753
Prepaid Expenses and Other Current Assets	115,186	74,378	-	-	189,564
Due from Related Parties	36,002	24,613	13,516	(74,131)	-
Total Current Assets	<u>1,046,149</u>	<u>144,791</u>	<u>13,516</u>	<u>(74,131)</u>	<u>1,130,325</u>
PROPERTY AND EQUIPMENT					
Less: Accumulated Depreciation of \$6,397,090	12,889,850	-	-	-	12,889,850
OTHER ASSETS					
Long-Term Investments	-	-	9,292,366	-	9,292,366
Cash Restricted for Purchase of Buildings and Equipment	132,297	-	-	-	132,297
Long-Term Promises to Give, Net of Current Portion	83,561	-	-	-	83,561
Beneficial Interests in Perpetual Trusts and Other Funds	1,784,366	-	-	-	1,784,366
Investments in LLC	(11,720)	-	-	11,720	-
Total Other Assets	<u>1,988,504</u>	<u>-</u>	<u>9,292,366</u>	<u>11,720</u>	<u>11,292,590</u>
Total Assets	<u>\$ 15,924,503</u>	<u>\$ 144,791</u>	<u>\$ 9,305,882</u>	<u>\$ (62,411)</u>	<u>\$ 25,312,765</u>
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES					
Current Portion of Long-Term Debt	\$ 121,000	\$ -	\$ -	\$ -	\$ 121,000
Line of Credit	50,000	-	-	-	50,000
Accounts Payable	147,562	-	-	-	147,562
Deferred Revenue	529,525	147,975	35,470	-	712,970
Accrued Expenses	289,723	8,536	-	-	298,259
Due to Related Parties	14,984	-	59,147	(74,131)	-
Total Current Liabilities	<u>1,152,794</u>	<u>156,511</u>	<u>94,617</u>	<u>(74,131)</u>	<u>1,329,791</u>
LONG-TERM DEBT, Net of Current Portion					
	<u>1,633,900</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,633,900</u>
Total Liabilities	2,786,694	156,511	94,617	(74,131)	2,963,691
NET ASSETS					
Without Donor Restrictions:					
Investment in Land, Building, and Equipment	12,697,430	-	-	-	12,697,430
Designated by the Board for Endowment	-	-	3,629,883	-	3,629,883
Undesignated	(1,925,010)	-	1,285,717	-	(639,293)
Total Without Donor Restrictions	<u>10,772,420</u>	<u>-</u>	<u>4,915,600</u>	<u>-</u>	<u>15,688,020</u>
With Donor Restrictions					
	<u>2,365,389</u>	<u>-</u>	<u>4,295,665</u>	<u>-</u>	<u>6,661,054</u>
Total Net Assets	<u>13,137,809</u>	<u>-</u>	<u>9,211,265</u>	<u>-</u>	<u>22,349,074</u>
MEMBERS EQUITY					
	<u>-</u>	<u>(11,720)</u>	<u>-</u>	<u>11,720</u>	<u>-</u>
Total Net Assets and Members Equity	<u>13,137,809</u>	<u>(11,720)</u>	<u>9,211,265</u>	<u>11,720</u>	<u>22,349,074</u>
Total Liabilities and Net Assets	<u>\$ 15,924,503</u>	<u>\$ 144,791</u>	<u>\$ 9,305,882</u>	<u>\$ (62,411)</u>	<u>\$ 25,312,765</u>

TRUE FRIENDS
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2017
(SEE INDEPENDENT AUDITORS' REPORT)

ASSETS	True Friends	Ventures Travel	True Friends Foundation	Eliminations	Total
CURRENT ASSETS					
Cash and Cash Equivalents	\$ 222,006	\$ -	\$ -	\$ -	\$ 222,006
Accounts Receivable, Less Allowance for Doubtful Accounts of \$34,500	223,219	38,085	-	-	261,304
Current Portion of Promises to Give, Less Allowance for Doubtful Accounts of \$15,500	167,209	-	-	-	167,209
Prepaid Expenses and Other Current Assets	162,284	38,999	-	-	201,283
Due from Related Parties	43,755	98,645	41,494	(183,894)	-
Total Current Assets	<u>818,473</u>	<u>175,729</u>	<u>41,494</u>	<u>(183,894)</u>	<u>851,802</u>
PROPERTY AND EQUIPMENT					
Less: Accumulated Depreciation of \$6,232,537	10,965,354	-	-	-	10,965,354
OTHER ASSETS					
Long-Term Investments	-	-	10,225,612	-	10,225,612
Cash Restricted for Purchase of Buildings and Equipment	91,193	-	-	-	91,193
Long-Term Promises to Give, Net of Current Portion	138,112	-	-	-	138,112
Beneficial Interests in Perpetual Trusts and Other Funds	2,025,040	-	-	-	2,025,040
Investments in LLC	(62,067)	-	-	62,067	-
Total Other Assets	<u>2,192,278</u>	<u>-</u>	<u>10,225,612</u>	<u>62,067</u>	<u>12,479,957</u>
Total Assets	<u>\$ 13,976,105</u>	<u>\$ 175,729</u>	<u>\$ 10,267,106</u>	<u>\$ (121,827)</u>	<u>\$ 24,297,113</u>
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES					
Current Portion of Long-Term Debt	\$ 96,967	\$ -	\$ -	\$ -	\$ 96,967
Line of Credit	150,000	-	-	-	150,000
Accounts Payable	202,301	-	-	-	202,301
Deferred Revenue	155,632	223,627	28,370	-	407,629
Accrued Expenses	302,310	14,169	-	-	316,479
Due to Related Parties	116,994	-	66,900	(183,894)	-
Total Current Liabilities	<u>1,024,204</u>	<u>237,796</u>	<u>95,270</u>	<u>(183,894)</u>	<u>1,173,376</u>
LONG-TERM DEBT, Net of Current Portion					
	<u>1,646,489</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,646,489</u>
Total Liabilities	2,670,693	237,796	95,270	(183,894)	2,819,865
NET ASSETS					
Without Donor Restrictions:					
Investment in Land, Building, and Equipment	10,851,679	-	-	-	10,851,679
Designated by the Board for Endowment	-	-	4,181,446	-	4,181,446
Undesignated	(2,091,984)	-	1,390,914	-	(701,070)
Total Without Donor Restrictions	<u>8,759,695</u>	<u>-</u>	<u>5,572,360</u>	<u>-</u>	<u>14,332,055</u>
With Donor Restrictions					
	<u>2,545,717</u>	<u>-</u>	<u>4,599,476</u>	<u>-</u>	<u>7,145,193</u>
Total Net Assets	<u>11,305,412</u>	<u>-</u>	<u>10,171,836</u>	<u>-</u>	<u>21,477,248</u>
MEMBERS EQUITY					
	<u>-</u>	<u>(62,067)</u>	<u>-</u>	<u>62,067</u>	<u>-</u>
Total Net Assets and Members Equity	<u>11,305,412</u>	<u>(62,067)</u>	<u>10,171,836</u>	<u>62,067</u>	<u>21,477,248</u>
Total Liabilities and Net Assets	<u>\$ 13,976,105</u>	<u>\$ 175,729</u>	<u>\$ 10,267,106</u>	<u>\$ (121,827)</u>	<u>\$ 24,297,113</u>

TRUE FRIENDS
CONSOLIDATING STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2018
(SEE INDEPENDENT AUDITORS' REPORT)

	True Friends	Ventures Travel	True Friends Foundation	Eliminations	Total
PUBLIC SUPPORT					
Contributions	\$ 2,055,830	\$ -	\$ 258,644	\$ (775,205)	\$ 1,539,269
In-Kind Contributions	2,278,483	-	-	-	2,278,483
Fundraising Events	577,914	-	-	-	577,914
Direct Costs of Fundraising Events	(83,769)	-	-	-	(83,769)
Total Public Support	4,828,458	-	258,644	(775,205)	4,311,897
REVENUE					
Service Fees	4,575,936	962,782	-	-	5,538,718
Canteen and Gift Shop	60,356	-	-	-	60,356
Investment Income (Loss)	80	-	(504,010)	-	(503,930)
Change in Value of Trusts	(240,674)	-	-	-	(240,674)
Miscellaneous	73,801	-	60,000	-	133,801
Gains on Disposal of Property and Equipment	207,767	-	-	-	207,767
Earnings in LLC	50,347	-	-	(50,347)	-
Total Revenue	4,727,613	962,782	(444,010)	(50,347)	5,196,038
Total Support and Revenue	9,556,071	962,782	(185,366)	(825,552)	9,507,935
EXPENSES					
Program Services:					
Residential Camp	3,479,027	-	775,205	(775,205)	3,479,027
Education and Training Services	1,370,068	-	-	-	1,370,068
Ventures Travel	505,898	912,435	-	-	1,418,333
Respite and Family Services	727,612	-	-	-	727,612
TRUE Strides	542,814	-	-	-	542,814
Total Program Services	6,625,420	912,435	775,205	(775,205)	7,537,855
Support Services:					
Fundraising	758,343	-	-	-	758,343
Management and General	339,911	-	-	-	339,911
Total Supporting Services	1,098,254	-	-	-	1,098,254
Total Expenses	7,723,674	912,435	775,205	(775,205)	8,636,109
CHANGE IN NET ASSETS	1,832,397	50,347	(960,571)	(50,347)	871,826
Net Assets - Beginning of Year	11,305,412	(62,067)	10,171,836	62,067	21,477,248
NET ASSETS - END OF YEAR	\$ 13,137,809	\$ (11,720)	\$ 9,211,265	\$ 11,720	\$ 22,349,074

TRUE FRIENDS
CONSOLIDATING STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2017
(SEE INDEPENDENT AUDITORS' REPORT)

	True Friends	Ventures Travel	True Friends Foundation	Eliminations	Total
PUBLIC SUPPORT					
Contributions	\$ 2,504,740	\$ -	\$ 503,462	\$ (951,507)	\$ 2,056,695
In-Kind Contributions	187,924	-	-	-	187,924
Fundraising Events	552,408	-	-	-	552,408
Direct Costs of Fundraising Events	(65,583)	-	-	-	(65,583)
Total Public Support	<u>3,179,489</u>	<u>-</u>	<u>503,462</u>	<u>(951,507)</u>	<u>2,731,444</u>
REVENUE					
Service Fees	4,348,629	1,031,425	-	-	5,380,054
Canteen and Gift Shop	67,341	-	-	-	67,341
Net Investment Income (Loss)	191	-	969,915	-	970,106
Change in Value of Trusts	182,014	-	-	-	182,014
Miscellaneous	56,627	-	-	-	56,627
Gains on Disposal of Property and Equipment	45,062	-	-	-	45,062
Earnings in LLC	124,324	-	-	(124,324)	-
Total Revenue	<u>4,824,188</u>	<u>1,031,425</u>	<u>969,915</u>	<u>(124,324)</u>	<u>6,701,204</u>
Total Support and Revenue	8,003,677	1,031,425	1,473,377	(1,075,831)	9,432,648
EXPENSES					
Program Services:					
Residential Camp	3,314,519	-	912,799	(951,507)	3,275,811
Education and Training Services	1,494,819	-	-	-	1,494,819
Ventures Travel	279,058	907,101	-	-	1,186,159
Respite and Family Services	817,789	-	-	-	817,789
TRUE Strides	687,354	-	-	-	687,354
Total Program Services	<u>6,593,539</u>	<u>907,101</u>	<u>912,799</u>	<u>(951,507)</u>	<u>7,461,932</u>
Support Services:					
Fundraising	1,215,576	-	-	-	1,215,576
Management and General	133,653	-	-	-	133,653
Total Supporting Services	<u>1,349,229</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,349,229</u>
Total Expenses	<u>7,942,768</u>	<u>907,101</u>	<u>912,799</u>	<u>(951,507)</u>	<u>8,811,161</u>
CHANGE IN NET ASSETS	60,909	124,324	560,578	(124,324)	621,487
Net Assets - Beginning of Year	<u>11,244,503</u>	<u>(186,391)</u>	<u>9,611,258</u>	<u>186,391</u>	<u>20,855,761</u>
NET ASSETS - END OF YEAR	<u><u>\$ 11,305,412</u></u>	<u><u>\$ (62,067)</u></u>	<u><u>\$ 10,171,836</u></u>	<u><u>\$ 62,067</u></u>	<u><u>\$ 21,477,248</u></u>

TRUE FRIENDS
CONSOLIDATING STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2018
(SEE INDEPENDENT AUDITORS' REPORT)

	True Friends	Ventures Travel	True Friends Foundation	Eliminations	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Change in Net Assets	\$ 1,832,397	\$ 50,347	\$ (960,571)	\$ (50,347)	\$ 871,826
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:					
Depreciation	571,441	-	-	-	571,441
Amortization of Discount on Unconditional Promises to Give Receivable	2,207	-	-	-	2,207
Gain on Disposal of Assets	(207,767)	-	-	-	(207,767)
Realized and Unrealized Loss on Investments	-	-	725,309	-	725,309
Change in Value of Trusts	240,674	-	-	-	240,674
Contributions of Buildings and Equipment	(2,261,809)	-	-	-	(2,261,809)
Contributions Restricted for Long-Term Purposes	(312,379)	-	-	-	(312,379)
(Increase) Decrease in Operating Assets:					
Accounts Receivable	46,984	(7,715)	-	-	39,269
Promises to Give	35,185	-	-	-	35,185
Prepaid Expenses and Other Current Assets	47,098	(35,379)	-	-	11,719
Cash Value of Life Insurance	-	-	-	-	-
Due from Related Party	7,753	74,032	27,978	(109,763)	-
Increase (Decrease) in Operating Liabilities:					
Accounts Payable	(54,739)	-	-	-	(54,739)
Deferred Revenue	373,893	(75,652)	7,100	-	305,341
Accrued Expenses	(12,587)	(5,633)	-	-	(18,220)
Due to Related Party	(102,010)	-	(7,753)	109,763	-
Net Cash Provided (Used) by Operating Activities	<u>206,341</u>	<u>-</u>	<u>(207,937)</u>	<u>(50,347)</u>	<u>(51,943)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisition of Land, Building, and Equipment	(349,900)	-	-	-	(349,900)
Proceeds from Sale of Land, Building, and Equipment	442,539	-	-	-	442,539
Proceeds from Sale of Investments	-	-	3,973,081	-	3,973,081
Purchase of Investments	-	-	(3,765,144)	-	(3,765,144)
Change in Investment in LLC	(50,347)	-	-	50,347	-
Net Change in Cash Restricted for Purchase of Buildings and Equipment	<u>(41,104)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(41,104)</u>
Net Cash Provided by Investing Activities	<u>1,188</u>	<u>-</u>	<u>207,937</u>	<u>50,347</u>	<u>259,472</u>
CASH FLOWS FROM FINANCING ACTIVITIES					
Payment on Line of Credit	(300,000)	-	-	-	(300,000)
Payment of Long-Term Debt	(107,556)	-	-	-	(107,556)
Proceeds from Line of Credit	200,000	-	-	-	200,000
Collection of Contributions Restricted for Capital Campaign and Buildings	190,960	-	-	-	190,960
Collection of Contributions Restricted for Endowment	152,034	-	-	-	152,034
Net Cash Provided by Financing Activities	<u>135,438</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>135,438</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	<u>342,967</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>342,967</u>
Cash and Cash Equivalents - Beginning of Year	<u>222,006</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>222,006</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 564,973</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 564,973</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION					
Interest Paid	\$ 67,302	\$ -	\$ -	\$ -	\$ 67,302
Land, Building, and Equipment Purchases with Long-Term Debt	119,000	-	-	-	119,000
Total	<u>\$ 186,302</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 186,302</u>

TRUE FRIENDS
CONSOLIDATING STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2017
(SEE INDEPENDENT AUDITORS' REPORT)

	True Friends	Ventures Travel	True Friends Foundation	Eliminations	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Change in Net Assets	\$ 60,909	124,324	\$ 560,578	\$ (124,324)	621,487
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:					
Depreciation	471,857	-	-	-	471,857
Amortization of Discount on Unconditional Promises to Give Receivable	(6,013)	-	-	-	(6,013)
Gain on Disposal of Assets	(45,062)	-	-	-	(45,062)
Realized and Unrealized Gain on Investments	-	-	(711,692)	-	(711,692)
Change in Value of Trusts	(182,014)	-	-	-	(182,014)
Contributions of Buildings and Equipment	(36,213)	-	-	-	(36,213)
Contributions Restricted for Long-Term Purposes	(484,941)	-	-	-	(484,941)
(Increase) Decrease in Operating Assets:					
Accounts Receivable	(65,241)	29,785	-	-	(35,456)
Promises to Give	(162,387)	-	-	-	(162,387)
Prepaid Expenses and Other Current Assets	(25,084)	(9,252)	-	-	(34,336)
Cash Value of Life Insurance	37,904	-	-	-	37,904
Due from Related Party	55,404	(76,507)	61,622	(40,519)	-
Increase (Decrease) in Operating Liabilities:					
Accounts Payable	(134,336)	-	-	-	(134,336)
Deferred Revenue	27,803	(67,872)	(3,207)	-	(43,276)
Accrued Expenses	56,490	(478)	-	-	56,012
Due to Related Party	13,878	-	(54,397)	40,519	-
Net Cash Used by Operating Activities	(417,046)	-	(147,096)	(124,324)	(688,466)
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisition of Land, Building, and Equipment	(1,241,451)	-	-	-	(1,241,451)
Proceeds from Sale of Land, Building, and Equipment	56,919	-	-	-	56,919
Proceeds from Sale of Investments	-	-	3,251,370	-	3,251,370
Purchase of Investments	-	-	(3,104,274)	-	(3,104,274)
Change in Investment in LLC	(124,324)	-	-	124,324	-
Net Change in Cash Restricted for Purchase of Buildings and Equipment	572,116	-	-	-	572,116
Net Cash Provided (Used) by Investing Activities	(736,740)	-	147,096	124,324	(465,320)
CASH FLOWS FROM FINANCING ACTIVITIES					
Payment of Long-Term Debt	(79,680)	-	-	-	(79,680)
Proceeds from Line of Credit	150,000	-	-	-	150,000
Collection of Contributions Restricted for Capital Campaign and Buildings	321,554	-	-	-	321,554
Collection of Contributions Restricted for Endowment	94,121	-	-	-	-
Net Cash Provided by Financing Activities	485,995	-	-	-	391,874
NET DECREASE IN CASH AND CASH EQUIVALENTS	(667,791)	-	-	-	(667,791)
Cash and Cash Equivalents - Beginning of Year	889,797	-	-	-	889,797
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 222,006</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 222,006</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION					
Interest Paid	\$ 59,697	\$ -	\$ -	\$ -	\$ 59,697
Land, Building, and Equipment Purchases with Long-Term Debt	106,996	-	-	-	106,996
Total	<u>\$ 166,693</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 166,693</u>