Houston's Amazing Place, Inc.

Financial Statements
and Independent Auditors' Report
for the years ended December 31, 2019 and 2018

Houston's Amazing Place, Inc.

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Blazek & Vetterling
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

To the Board of Directors of
Houston's Amazing Place, Inc.:

We have audited the accompanying financial statements of Houston's Amazing Place, Inc., which comprise the statements of financial position as of December 31, 2019 and 2018 and the related statements of activities, of functional expenses, and of cash flows for the years 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 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 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 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 our audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of Houston's Amazing Place, Inc. as of December 31, 2019 and 2018 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Blazek & Vetterling

April 1, 2020

2900 Weslayan, Suite 200 Houston, Texas 77027-5132 (713) 439-5757 Fax (713) 439-5758

Houston's Amazing Place, Inc.

Statements of Financial Position as of December 31, 2019 and 2018

	2019	2018
ASSETS		
Cash *(Notes 4 and 11)*	$ 1,760,853	$ 1,148,733
Accounts receivable	64,844	54,139
Prepaid and other assets	21,052	17,095
Contributions receivable, net *(Note 5)*	2,062,934	317,577
Investments *(Notes 6 and 11)*	1,039,787	970,044
Property and equipment, net *(Note 7)*	6,107,750	4,981,524
TOTAL ASSETS	$ 11,057,220	$ 7,489,112
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and other accrued liabilities	$ 88,569	$ 70,271
Accrued salaries and benefits	112,070	85,787
Notes payable *(Note 8)*	800,000	
Total liabilities	1,000,639	156,058
Contingencies *(Notes 13 and 14)*		
Net assets:		
Without donor restrictions *(Note 9)*	6,818,042	5,728,053
With donor restrictions *(Note 10)*	3,238,539	1,605,001
Total net assets	10,056,581	7,333,054
TOTAL LIABILITIES AND NET ASSETS	$ 11,057,220	$ 7,489,112

See accompanying notes to financial statements.

Houston's Amazing Place, Inc.

Statement of Activities for the year ended December 31, 2019

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Contributions	$ 836,879	$ 3,094,919	$ 3,931,798
Day Program participant revenue *(Note 12)*	1,104,420		1,104,420
Special events	560,559		560,559
Direct donor benefit	(39,794)		(39,794)
Government grant contributions *(Note 13)*		314,264	314,264
Net investment return	10,684	201,219	211,903
Other income	30,638		30,638
Total revenue	2,503,386	3,610,402	6,113,788
Net assets released from restrictions:			
Capital additions	1,051,329	(1,051,329)	
Program expenditures	518,476	(518,476)	
Capital campaign expenses	381,707	(381,707)	
Satisfaction of time restrictions	25,352	(25,352)	
Total	4,480,250	1,633,538	6,113,788
EXPENSES:			
Program services	2,094,465		2,094,465
Management and general	832,328		832,328
Fundraising	463,468		463,468
Total expenses	3,390,261		3,390,261
CHANGES IN NET ASSETS	1,089,989	1,633,538	2,723,527
Net assets, beginning of year	5,728,053	1,605,001	7,333,054
Net assets, end of year	$ 6,818,042	$ 3,238,539	$ 10,056,581

See accompanying notes to financial statements.

Houston's Amazing Place, Inc.

Statement of Activities for the year ended December 31, 2018

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Contributions	$ 826,461	$ 1,146,284	$ 1,972,745
Day Program participant revenue *(Note 12)*	972,052		972,052
Special events	435,815		435,815
Direct donor benefit	(42,148)		(42,148)
Government grant contributions *(Note 13)*		219,695	219,695
Net investment return	393	(27,469)	(27,076)
Other income	8,664		8,664
Total revenue	2,201,237	1,338,510	3,539,747
Net assets released from restrictions:			
Capital additions	99,102	(99,102)	
Program expenditures	359,176	(359,176)	
Capital campaign expenses	259,833	(259,833)	
Total	2,919,348	620,399	3,539,747
EXPENSES:			
Program services	1,906,917		1,906,917
Management and general	625,952		625,952
Fundraising	474,519		474,519
Total expenses	3,007,388		3,007,388
CHANGES IN NET ASSETS	(88,040)	620,399	532,359
Net assets, beginning of year	5,816,093	984,602	6,800,695
Net assets, end of year	$ 5,728,053	$ 1,605,001	$ 7,333,054

See accompanying notes to financial statements.

Houston's Amazing Place, Inc.

Statements of Functional Expenses for the years ended December 31, 2019 and 2018

	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	2019 TOTAL EXPENSES
Payroll and related benefits	$ 1,453,579	$ 514,364	$ 260,383	$ 2,228,326
Building maintenance	151,613	22,290	11,832	185,735
Depreciation	137,088	23,728	10,000	170,816
Marketing and advertising	10,345	160,184		170,529
Professional services		58,083	110,497	168,580
Food service	103,169			103,169
Postage, printing, and reproduction	26,941	13,523	49,646	90,110
IT consulting and maintenance	58,588	12,556	4,614	75,758
Utilities	46,693	8,732	3,801	59,226
Insurance	37,904	9,493	2,792	50,189
Program equipment and supplies	41,779	353		42,132
Office supplies and expenses	17,742	5,961	9,903	33,606
Transportation	4,260			4,260
Other	4,764	3,061		7,825
Total expenses	$ 2,094,465	$ 832,328	$ 463,468	3,390,261
Direct donor benefit				39,794
Total				$ 3,430,055

	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	2018 TOTAL EXPENSES
Payroll and related benefits	$ 1,316,740	$ 424,164	$ 267,651	$ 2,008,555
Building maintenance	152,397	21,799	11,492	185,688
Depreciation	127,689	19,005	8,718	155,412
Marketing and advertising	6,993	40,390		47,383
Professional services		57,766	111,366	169,132
Food service	97,098			97,098
Postage, printing, and reproduction	29,516	29,521	56,073	115,110
IT consulting and maintenance	44,099	9,914	3,913	57,926
Utilities	42,274	7,059	3,594	52,927
Insurance	38,914	9,570	2,946	51,430
Program equipment and supplies	31,868	317		32,185
Office supplies and expenses	11,168	2,849	8,766	22,783
Transportation	4,488			4,488
Other	3,673	3,598		7,271
Total expenses	$ 1,906,917	$ 625,952	$ 474,519	3,007,388
Direct donor benefit				42,148
Total				$ 3,049,536

See accompanying notes to financial statements.

Houston's Amazing Place, Inc.

Statements of Cash Flows for the years ended December 31, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	$ 2,723,527	$ 532,359
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Depreciation	170,816	155,412
Contributions restricted for capital additions	(2,455,685)	(698,066)
Net realized and unrealized (gain) loss on investments	(188,096)	50,204
Changes in operating assets and liabilities:		
Accounts receivable	(10,705)	(4,300)
Prepaid and other assets	(3,957)	19,414
Contributions receivable	(89,487)	(79,500)
Accounts payable and other accrued liabilities	18,298	(50,186)
Accrued salaries and benefits	26,283	17,470
Net cash provided (used) by operating activities	190,994	(57,193)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(190,301)	(272,466)
Net change in money market mutual funds held as investments	360	91,597
Proceeds from sales and maturities of investments	308,294	286,726
Purchase of property and equipment	(497,042)	(202,058)
Net cash used by investing activities	(378,689)	(96,201)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from contributions restricted for capital additions	799,815	491,602
NET CHANGE IN CASH	612,120	338,208
Cash, beginning of year	1,148,733	810,525
Cash, end of year *(Note 4)*	$ 1,760,853	$ 1,148,733

Supplemental disclosure of cash flow information:
Property purchase financed with note payable $800,000

See accompanying notes to financial statements.

NOTE 1 – ORGANIZATION AND SUMMARY OF ACCOUNTING POLICIES

Organization – Houston's Amazing Place, Inc. (Amazing Place) is a Texas non-profit corporation chartered in September 1998 and located in Houston, Texas. Amazing Place is dedicated to its core mission: empowering lives disrupted by dementia, with the ultimate vision of ending the stigma of dementia. This pursuit has led it to adopt a twofold approach. The Day Program, located in a state-of-the-art wellness center, offers participants with mild to moderate dementia a place to thrive by providing the best in health, family, and culinary services in addition to an evidence-based, meticulously planned curriculum. Participants range in age from 52 to 100 and come from all walks of life. In addition, the Connections Program provides adults living with dementia, their caregivers, health professionals, and the community at large access to a full range of free to low cost training, education, engagement, and support programs. Amazing Place has become a symbol of hope for so many whose lives have been disrupted by dementia.

Amazing Place is governed by a Board of Directors which is comprised of representatives from local churches, referred to as the sponsoring churches, as well as five at-large members. The following churches are represented on the Board of Directors of Amazing Place:

- Bellaire United Methodist
- Bethany Christian
- Chapelwood United Methodist
- First Presbyterian
- River Oaks Baptist
- South Main Baptist
- St. Anne Catholic
- Christ Church Cathedral
- St. John the Divine Episcopal
- St. Luke's United Methodist
- St. Martin's Episcopal
- St. Paul's United Methodist
- St. Philip Presbyterian
- St. Stephen's Episcopal
- Memorial Drive Presbyterian

In September 2018, the Amazing Place Board of Directors voted to move forward with the *Amazing Together* Campaign, which has been three years in the making. The funds from this campaign will transform Amazing Place and dramatically increase its reach and impact. The societal impact of Alzheimer's and other dementias is only going to become more dramatic over the coming years. This exciting, ambitious campaign includes building and launching a second location, Amazing Place West, providing an addition to the Drexel location for the Connections Program and increasing endowment and scholarship funds.

Federal income tax status – Amazing Place is exempt from federal income tax under §501(c)(3) of the Internal Revenue Code and is classified as a public charity under §170(b)(1)(A)(vi).

Accounts receivable are from participants and third-party payors for Day Program fees and other services and are based on amounts that reflect the consideration to which Amazing Place expects to be entitled to in exchange for services provided. Amazing Place assesses collectability on all participant accounts prior to providing services, does not require collateral or provide financing, but does provide scholarships. An allowance for uncollectible accounts is established on an aggregate basis by using historical write-off rate factors applied to unpaid accounts based on aging. Loss rate factors are based on historical loss experience and adjusted for economic conditions and other trends affecting Amazing Place's ability to collect outstanding amounts. It is Amazing Place's policy to write-off receivables against the allowance when management determines the receivable will not be collected.

The composition of receivables from Day Program participants and third-party payors was as follows at December 31:

	2019	2018
U. S. Department of Veterans Affairs	50%	47%
Private pay	50%	53%

<u>Contributions receivable</u> that are expected to be collected within one year are reported at net realizable value. Amounts expected to be collected in future years are discounted to estimate the present value of future cash flows. Discounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of discounts is included in contributions revenue. An allowance for uncollectible receivables is provided when it is believed balances may not be collected in full. The adequacy of the allowance at the end of each period is determined using a combination of historical loss experience and donor-by-donor analysis of balances.

<u>Investments</u> are reported at fair value. Net investment return consists of interest and dividends, realized and unrealized gains and losses, net of external and direct internal investment expenses.

<u>Property and equipment</u> are reported at cost if purchased or at fair value at the date of gift if donated. Amazing Place capitalizes property and equipment that have a cost or fair value of $500 or greater and an estimated useful life of more than one year. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets, which range from 4 to 50 years.

<u>Net asset classification</u> – Net assets, revenue, gains, and losses are classified based on the existence or absence of donor-imposed restrictions, as follows:

- *Net assets without donor restrictions* are not subject to donor-imposed restrictions even though their use may be limited in other respects such as by contract or board designation.
- *Net assets with donor restrictions* are subject to donor-imposed restrictions. Restrictions may be temporary in nature, such as those that will be met by the passage of time or use for a purpose specified by the donor, or may be perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Net assets are released from restrictions when the stipulated time has elapsed, or purpose has been fulfilled, or both. Contributions of long-lived assets and of assets restricted for acquisition of long-lived assets are released when those assets are placed in service. Donor-restricted endowment earnings are released when those earnings are appropriated in accordance with spending policies and are used for the stipulated purpose.

<u>Contributions and government grant revenue</u> are recognized as revenue at fair value when an unconditional commitment is received from the donor. Contributions received with donor stipulations that limit their use are classified as *with donor restrictions*. Conditional contributions are subject to one or more barriers that must be overcome before the organization is entitled to receive or retain funding. Conditional contributions are recognized as revenue at fair value when the conditions have been met.

<u>In-kind contributions</u> – Donated materials and use of facilities are recognized as contributions at fair value when an unconditional commitment is received from the donor. The related expense is recognized as the item is used. Contributions of services are recognized when services received (a) create or

enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Volunteers provide more than 7,940 volunteer hours each year to assist Amazing Place in providing program services for which no amount has been recorded in the financial statements because the services did not meet the criteria for recognition under generally accepted accounting principles.

Day Program participant revenue is derived from contracts with individuals or third-party payors to provide a day center program for adults from the greater Houston area with mild to moderate dementia and are recognized as performance obligations are satisfied, in an amount that reflects the consideration that Amazing Place expects to be entitled to in exchange for those services. As a practical expedient, Amazing Place considers enrollment fees to be immaterial and accordingly, they are not disaggregated from participant revenue.

Performance obligations related to revenue from contracts with customers are satisfied over a period of time as services are provided. Amazing Place recognizes revenue based on the service output as it believes this to be the most faithful depiction of the transfer of control of services as participants simultaneously receive and consume the benefits provided by the performance.

Revenue from contracts with individuals is billed on the first of each month in which the services are to be provided based on the number of days the participant choses to attend the day center and payment is due 30 days from the invoice date. Revenue from contracts with third-party payors is billed at the end of the month based on actual attendance. Private pay rates are determined and published and periodically updated by management. Reimbursement rates from private third-party payors are negotiated with each payor. These participants are responsible for co-insurance and deductibles that vary in amount. Services rendered to veterans are paid at daily rates determined by the U. S. Department of Veterans Affairs (USDVA). These amounts are due from participants or third-party payors and include variable consideration such as explicit price concessions. Explicit price concessions include contractual adjustments provided to participants and third-party payors. These adjustments are estimated based on the most likely amount subject to the terms of the payment agreement with the payors and the historical adjustment activity. Scholarships awarded reduces the amount of consideration Amazing Place expects to be entitled to receive and the participant revenue is presented net of scholarships.

Subsequent changes to the transaction price are recorded as adjustments to participant revenue in the period of change. Subsequent changes that are determined to be a result of an adverse change in the participant’s ability to pay (change in credit risk) are recorded as bad debt expense. Amazing Place had no material adjustments related to subsequent changes in the estimate of the transaction price or subsequent changes of an adverse in a participant’s ability to pay for the periods reported.

Amazing Place has elected the practical expedient to not adjust the promised amount of consideration for the effects of a significant financing component due to expectations that the periods between the time services are provided and the time payment is received would be less than one year. At fiscal year end, there are no unsatisfied performance obligations.

Special event revenue is the total amount paid by sponsors and attendees of an event and includes elements of both contributions and exchange transactions. Special event revenue is recognized when the event occurs. Amounts received for future events represent conditional contributions and are reported in the statement of financial position as deferred revenue until earned. Direct donor benefit costs represent the cost of goods and services provided to attendees of special events.

Advertising costs are expensed as incurred.

Functional allocation of expenses – Expenses are reported by their functional classification. Program services are the direct conduct or supervision of activities that fulfill the purposes for which the organization exists. Fundraising activities include the solicitation of contributions of money, securities, materials, facilities, other assets, and time. Management and general activities are not directly identifiable with specific program or fundraising activities. Expenses that are attributable to more than one activity are allocated among the activities benefitted. Salaries and related costs are allocated on the basis of estimated time and effort expended. Depreciation of building and improvements and occupancy costs are allocated based on square footage. Information technology costs are allocated based on estimates of time and costs of specific technology utilized.

Estimates – Management must make estimates and assumptions to prepare financial statements in accordance with generally accepted accounting principles. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, the amounts of reported revenue and expenses, and the allocation of expenses among various functions. Actual results could vary from the estimates that were used.

Recent financial accounting pronouncement – In February 2016, the the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. Under this ASU, a lessee should recognize in the statement of financial position a lease liability and a lease asset representing its right to use the underlying asset for the term of the lease for both finance and operating leases. An entity may make an accounting policy election not to recognize lease assets and lease liabilities for leases with a term of 12 months or less. Recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee have not changed significantly. Qualitative and quantitative disclosures are required by lessees and lessors to enable users of financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. The ASU is effective for fiscal periods beginning after December 15, 2020. Amazing Place plans to adopt this ASU for fiscal year ending December 31, 2021. Upon adoption, management expects to recognize lease commitments as both a right of use asset and a lease liability in the statement of financial position for commitments that are currently only disclosed in the financial statements.

NOTE 2 – ADOPTION OF NEW ACCOUNTING STANDARDS

Amazing Place adopted ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The core principle of the new guidance is that the entity should recognize revenue in an amount that reflects the consideration to which it expects to be entitled in exchange for transferred goods or services using a 5-step process to determine when performance obligations are satisfied and revenue is recognized and requires expanded disclosures related to the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers. Amazing Place adopted the ASU effective January 1, 2018 using the full retrospective method. The timing and amount of revenue recognized previously is consistent with how revenue is recognized under this ASU and therefore, adoption of this ASU had no impact on total beginning net assets, or changes in net assets for 2018, but resulted in additional disclosures and changes in presentation.

In conjunction with the adoption of ASU 2014-09, Amazing Place adopted ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this ASU clarify and improve current guidance about whether a transfer of assets (or the reduction, settlement, or cancellation of liabilities) is a contribution or an exchange transaction and provide additional guidance on determining whether a contribution is conditional or unconditional. These amendments have been applied on a retrospective basis to the financial statements for the year ended December 31, 2018. Adoption of this ASU resulted in reclassification of previously reported activities to conform to the 2019 presentation but had no impact on total net assets or in changes in net assets for 2018.

NOTE 3 – LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use within one year of December 31 comprise the following:

	2019	2018
Financial assets:		
Cash	$ 1,760,853	$ 1,148,733
Accounts receivable, net	64,844	80,152
Contributions receivable, net	2,062,934	291,564
Investments	1,039,787	970,044
Total financial assets	4,928,418	2,490,493
Less financial assets not available for general expenditure:		
Contributions receivable for capital additions	(1,862,334)	(206,464)
Endowment assets less amounts appropriated for upcoming year	(1,016,926)	(854,075)
Cash board-designated for capital campaign	(752,988)	
Board-designated cash and investments	(182,566)	(140,475)
Operating contributions receivable due in more than one year	(89,648)	(60,000)
Cash restricted for capital campaign		(372,777)
Total financial assets available for general expenditure	$ 1,023,956	$ 856,702

For purposes of analyzing resources available to meet general expenditures over a 12-month period, Amazing Place considers all expenditures related to its ongoing activities of providing a day center for adults with mild to moderate dementia and also support and education, as well as the conduct of services undertaken to support those activities, to be general expenditures.

To manage unanticipated liquidity needs, Amazing Place has a committed line of credit of $250,000, all of which could be drawn upon. Additionally, Amazing Place has board-designated cash and investments of $182,566 at December 31, 2019. Although Amazing Place does not intend to spend from the board-designated cash and investments, amounts from the board-designated cash and investments could be made available, if necessary.

NOTE 4 – CASH

Cash consists of the following:

	2019	2018
Operating cash	$ 809,792	$ 714,950
Board-designated cash reserves	182,566	61,006
Board-designated for capital campaign	752,988	
Cash restricted for endowment	15,507	
Cash restricted for capital campaign		372,777
Total cash	$ 1,760,853	$ 1,148,733

Bank deposits exceed the federally insured limit per depositor per institution.

NOTE 5 – CONTRIBUTIONS RECEIVABLE

Contributions receivable are as follows:

	2019	2018
Contributions receivable	$ 2,095,789	$ 319,913
Discount to net present value at 1.62% to 2.46%	(32,855)	(2,336)
Contributions receivable, net	2,062,934	317,577
Contributions receivable for capital additions, net	(1,862,334)	(206,464)
Operating contributions receivable, net	$ 200,600	$ 111,113

Contributions receivable at December 31, 2019 are expected to be collected as follows:

Less than one year	$ 1,022,222
One to five years	1,073,567
Total contributions receivable	$ 2,095,789

NOTE 6 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

Investments are exposed to various risks such as interest rate, market and credit risks. Because of these risks, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position and statement of activities.

Investments consist of the following:

	2019	2018
Common stock	$ 637,879	$ 562,425
Corporate bonds	296,346	352,781
U. S. Treasury securities	59,815	
Real estate mutual funds	28,050	22,158
Preferred stock	15,043	29,666
Money market mutual fund	2,654	3,014
Total investments	1,039,787	970,044
Less: Board-designated investments		(79,469)
Investments restricted for endowment	$ 1,039,787	$ 890,575

Generally accepted accounting principles require that certain assets and liabilities be reported at fair value and establish a hierarchy that prioritizes inputs used to measure 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. The three levels of the fair value hierarchy are as follows:

- *Level 1* – Inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the reporting date.
- *Level 2* – Inputs are other than quoted prices included in Level 1, which are either directly observable or can be derived from or corroborated by observable market data at the reporting date.

- *Level 3* – Inputs are not observable and are based on the reporting entity's assumptions about the inputs market participants would use in pricing the asset or liability.

Assets measured at fair value at December 31, 2019 are as follows:

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Investments:				
Common stock:				
Information technology	$ 127,105			$ 127,105
Consumer	124,844			124,844
Utilities and telecommunication	112,154			112,154
Healthcare	97,177			97,177
Industrial and materials	71,335			71,335
Financial	70,983			70,983
Energy	34,281			34,281
Corporate bonds		$ 296,346		296,346
U. S. Treasury securities	59,815			59,815
Real estate mutual funds	28,050			28,050
Preferred stock	15,043			15,043
Money market mutual fund	2,654			2,654
Total assets measured at fair value	$ 743,441	$ 296,346	$ 0	$ 1,039,787

Assets measured at fair value at December 31, 2018 are as follows:

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Investments:				
Common stock:				
Information technology	$ 126,318			$ 126,318
Consumer	100,062			100,062
Utilities and telecommunication	82,335			82,335
Healthcare	100,759			100,759
Industrial and materials	62,772			62,772
Financial	54,959			54,959
Energy	35,220			35,220
Corporate bonds		$ 352,781		352,781
Real estate mutual funds	22,158			22,158
Preferred stock	16,562	13,104		29,666
Money market mutual fund	3,014			3,014
Total assets measured at fair value	$ 604,159	$ 365,885	$ 0	$ 970,044

Valuation methods used for assets measured at fair value are as follows:

- *Common stock* is valued at the closing price reported on the active market on which the individual securities are traded.
- *Corporate bonds* are valued using prices obtained from independent quotation bureaus that use computerized valuation formulas which may include market-corroborated inputs for credit risk factors, interest rate and yield curves and broker quotes to calculate fair values.

- *U. S. Treasury securities* are valued using prices obtained from active market makers and inter-dealer brokers on a daily basis.
- *Mutual funds* are valued at the net asset value of shares held at year end.
- *Preferred stock* is valued at the closing price reported on the active market on which it is traded for Level 1 securities. Level 2 values are obtained from independent quotation bureaus that use computerized valuation formulas to calculate fair value.

These valuation methods may produce a fair value that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while Amazing Place believes its valuation methods are appropriate, the use of different methods or assumptions could result in a different fair value measurement at the reporting date.

NOTE 7 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	2019	2018
Land	$ 1,955,142	$ 903,813
Building and improvements	4,627,486	4,605,926
Furniture and fixtures	466,252	456,780
Office equipment	283,014	237,608
Vehicles	61,938	61,938
Construction in progress	209,275	40,000
Total property and equipment, at cost	7,603,107	6,306,065
Accumulated depreciation	(1,495,357)	(1,324,541)
Property and equipment, net	$ 6,107,750	$ 4,981,524

NOTE 8 – NOTES PAYABLE

Amazing Place has a $250,000 revolving line of credit with a bank with interest at prime rate plus 0.5 percentage points (5.25% at December 31, 2019), which expires on June 26, 2020. There are no amounts outstanding on this line of credit at December 31, 2019. The line of credit agreement contains certain covenants related to working capital and additional borrowings, and gives the bank the ability to use certain account balances to offset any amounts due under the line of credit.

In June 2019, Amazing Place entered into an $800,000 loan with Texas Methodist Foundation in connection with the purchase of land in West Houston/Katy, Texas area. The note bears interest at a fixed rate of 5.2% with monthly interest only payments until July 2022, at which time payments will be based on a 20-year amortization with the interest rate adjusted every three years based on prime rate. The note is secured by land purchased and matures on July 7, 2042. Interest of $18,464 was capitalized in 2019.

Principal payments at December 31, 2019 are due as follows:

2022	$ 9,592
2023	23,884
2024	25,156
Thereafter	741,368
Total	$ 800,000

NOTE 9 – NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions are comprised of the following:

	2019	2018
Property and equipment, net	$ 5,098,475	$ 4,941,524
Undesignated	784,013	646,054
Designated for capital campaign	752,988	
Board-designated reserves:		
Operating	62,340	24,742
Capital	53,911	61,806
Scholarship	36,315	23,927
Maintenance	30,000	30,000
Total net assets without donor restrictions	$ 6,818,042	$ 5,728,053

The Board of Directors has established four reserves for capital, maintenance, operating, and scholarships. The following policies have been adopted for the funding and use of the reserve funds:

- Operating Reserve – The maximum balance of the operating reserve will be 30% of the current year's operating expenses. The reserve will be replenished annually based on 10% of net positive cash flow.
- Capital Reserve – The minimum balance for the capital reserve will be $50,000 with a maximum balance of $100,000. The capital reserve will be replenished annually based on 10% of annual depreciation expense. If the capital reserve exceeds $100,000 upon replenishment, the excess funds will be added to the operating reserve.
- Scholarship Reserve – The net investment return earned on funds set aside for the scholarship reserve will be added to the scholarship reserve annually to replenish it.
- Maintenance Reserve – The minimum balance for the maintenance reserve is $15,000 with a maximum balance of $30,000. The maintenance reserve will be replenished annually based on 2% of participant revenue. If the maintenance reserve exceeds $30,000 upon replenishment, the excess funds will be added to the operating reserve.

Any disbursements from the reserve funds must be approved by the Board of Directors.

NOTE 10 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as follows:

	2019	2018
Subject to expenditure for specified purpose:		
Amazing Together Campaign	$ 2,019,038	$ 614,682
Participant scholarships		5,199
Other	4,559	9,545
Total subject to expenditure for specified purpose	2,023,597	629,426
Subject to passage of time:		
Contributions receivable that are not restricted by donors, but which are unavailable for expenditures until due	159,648	85,000
Endowments:		
Subject to spending policy and appropriation:		
General operations	1,055,294	890,575
Total net assets with donor restrictions	$ 3,238,539	$ 1,605,001

NOTE 11 – ENDOWMENT FUNDS

Amazing Place has a donor-restricted endowment fund to support operations which is maintained in accordance with explicit donor stipulations. The Board of Directors of Amazing Place has interpreted the Texas Uniform Prudent Management of Institutional Funds Act (TUPMIFA) 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, Amazing Place classifies the original value of gifts donated to the perpetual endowment as *net assets with donor restrictions* required to be maintained in perpetuity. The remaining portion of the donor-restricted endowment fund is classified as *net assets with donor restrictions* accumulated net investment return until those amounts are appropriated for expenditure by Amazing Place in a manner consistent with the standard of prudence prescribed by TUPMIFA. In accordance with TUPMIFA, Amazing Place considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purpose of Amazing Place and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of Amazing Place
- The investment policies of Amazing Place

Investment Objectives

Amazing Place has adopted an investment policy for endowment assets that has the objective to obtain the best possible return on investments commensurate with a moderate degree of risk with diversification of assets among different classes of investments as a means of reducing risk. Under this policy, as approved by the Board of Directors, the investments may be invested in mutual funds, index funds, common trust funds, or actively managed in stocks, bonds and other securities.

Spending Policy and How the Investment Objectives Relate to Spending Policy

Amazing Place has a policy of appropriating for distribution each year 50% of the earnings from the endowment, not to exceed 4% of the endowment fund's average market value for the prior twelve quarters through the calendar year end preceding the fiscal year in which the distribution is planned. Investment return that is in excess of the stated disbursement objective will be reinvested. To the extent that the current year's investment return is insufficient to meet the minimum disbursement objective, Amazing Place may use reinvested income from prior or subsequent years to make up the difference in the current year's shortfall. In establishing this policy, Amazing Place considered the long-term expected return on its endowment, the nature and duration of the endowment fund, and the possible effects on inflation.

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 TUPMIFA requires Amazing Place to retain as a fund of perpetual duration. In accordance with generally accepted accounting principles, deficiencies of this nature are reported in *net assets with donor restrictions*, if any.

Changes in the donor-restricted endowment fund are as follows:

	WITH DONOR RESTRICTIONS		
	ACCUMULATED NET INVESTMENT RETURN	REQUIRED TO BE MAINTAINED IN PERPETUITY	TOTAL
Endowment net assets, December 31, 2017	$ 227,162	$ 725,882	$ 953,044
Net investment return	(27,469)		(27,469)
Distributions	(35,000)		(35,000)
Endowment net assets, December 31, 2018	164,693	725,882	890,575
Net investment return	201,219		201,219
Distributions	(36,500)		(36,500)
Endowment net assets, December 31, 2019	$ 329,412	$ 725,882	$ 1,055,294

Endowment net assets are comprised of the following:

	2019	2018
Investments	$ 1,039,787	$ 890,575
Cash	15,507	
Total endowment net assets	$ 1,055,294	$ 890,575

NOTE 12 – DAY PROGRAM PARTICIPANT REVENUE

Amazing Place disaggregates revenue from contracts with customers by payor source as this depicts the nature, amount, timing, uncertainty and cash flows as affected by economic factors. Revenue from contracts with customers, which is recognized over time, consist of the following for the years ended December 31:

	2019 PARTICIPANT REVENUE	2018 PARTICIPANT REVENUE
Private pay	$ 862,878	$ 736,632
U. S. Department of Veterans Affairs	113,319	105,570
Commercial insurance	128,223	129,850
Total	$ 1,104,420	$ 972,052

Amazing Place awarded scholarships to participants of $125,590 and $98,337 in fiscal year 2019 and 2018, respectively.

NOTE 13 – GOVERNMENT GRANT CONTRIBUTIONS

In September 2017, Amazing Place was awarded a grant from the U. S. Department of Health and Human Services for expanded and new direct services for persons with Alzheimer's disease or related dementias and their families. The total three-year cost reimbursement award is $832,952, with an additional $277,650 of matching funds to be raised by Amazing Place over the next three years. During this three-year period, the organization is developing a long-term sustainability plan to maintain these expanded services. Revenue is recognized when Amazing Place has incurred allowable expenditures and has met its match. During 2019, 2018 and 2017, Amazing Place recognized approximately $314,000, $220,000 and $32,000, respectively, in government grant revenue under this cooperative agreement. At December 31, 2019, $267,379 has not been recognized because qualifying expenditures have not yet been incurred.

Government awards require fulfillment of certain conditions as set forth in the agreements and are subject to review and audit by the awarding agencies. Such reviews and audits could result in the discovery of unallowable activities and unallowable costs. Consequently, the funding source may, at its discretion, request reimbursement for expenses or return of funds as a result of non-compliance by Amazing Place with the terms of the agreement. Management believes such disallowances, if any, would not be material to Amazing Place's financial position or changes in net assets. The remaining $267,000 will be recognized as revenue when the conditions of the grant have been substantially met.

NOTE 14 – COMMITMENTS

In February 2007, Amazing Place entered into a long-term ground lease for a portion of the land occupied by its facility. The total ground lease payments were approximately $3,550 in 2019 and 2018. Future minimum rental payments due under the lease are as follows:

2020	$ 3,550
2021	3,550
2022	3,550
2023	3,550
2024	3,550
Thereafter through 2067	149,690
Total	$ 167,440

NOTE 15 – CONCENTRATIONS

At December 31, 2019 and 2018, approximately 72% and 56% of contributions receivable, respectively, is due from four donors. During 2019, contributions from five donors comprised 55% or total contributions. During 2018, contributions from one donor accounted for 25% of total contributions.

NOTE 16 – SUBSEQUENT EVENTS

On March 11, 2020, the Director-General of the World Health Organization (WHO) declared a pandemic related to the global outbreak of the new coronavirus COVID-19 and on March 13, 2020, a national emergency was declared in the United States.

Amazing Place has temporarily closed the Day Program in order to protect its participants from the potential spread of COVID-19. The projected re-open date is June 1, 2020. As a result, there will be a decrease in participant revenue. Amazing Place is evaluating pursuing relief under legislation passed by the Federal government. However, there are no assurances that such financial relief will be obtained. Cost reduction measures are being put in place. Additionally, financial markets have been severely impacted by fears that the COVID-19 pandemic will push the global economy into recession. The U. S. stock market experienced a significant decline and remains volatile resulting in a substantial decline in the fair value of Amazing Place's investments subsequent to December 31, 2019.

The extent of the impact of COVID-19 on Amazing Place's operational and financial performance will depend on developments such as the duration and spread of the outbreak, impact on our customers, donors, employees, and vendors all of which are uncertain and cannot be predicted. Therefore, while Amazing Place expects this matter to negatively impact its operating results and financial position, the financial impact cannot be reasonably estimated at this time.

Management has evaluated subsequent events through April 1, 2020, which is the date that the financial statements were available for issuance. No other events were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.