

Houston's Amazing Place, Inc.

Financial Statements
and Independent Auditors' Report
for the years ended December 31, 2020 and 2019

Houston's Amazing Place, Inc.

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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, 2020 and 2019 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, 2020 and 2019 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 22, 2021

Houston's Amazing Place, Inc.

Statements of Financial Position as of December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Operating cash (<i>Notes 3 and 10</i>)	\$ 1,031,093	\$ 809,792
Accounts receivable	35,993	64,844
Prepaid and other assets	33,154	21,052
Restricted and designated cash (<i>Note 3</i>)	2,130,481	951,061
Contributions receivable, net (<i>Notes 4 and 14</i>)	2,221,493	2,062,934
Investments (<i>Notes 5 and 10</i>)	1,076,427	1,039,787
Property and equipment, net (<i>Note 6</i>)	<u>6,254,563</u>	<u>6,107,750</u>
 TOTAL ASSETS	 <u>\$ 12,783,204</u>	 <u>\$ 11,057,220</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and other accrued liabilities	\$ 117,983	\$ 88,569
Accrued salaries and benefits	47,304	112,070
Interest payable (<i>Note 7</i>)	10,457	
Notes payable (<i>Note 7</i>)	<u>800,000</u>	<u>800,000</u>
Total liabilities	<u>975,744</u>	<u>1,000,639</u>
Contingencies (<i>Notes 12 and 13</i>)		
Net assets:		
Without donor restrictions (<i>Note 8</i>)	6,877,258	6,818,042
With donor restrictions (<i>Notes 9 and 10</i>)	<u>4,930,202</u>	<u>3,238,539</u>
Total net assets	<u>11,807,460</u>	<u>10,056,581</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 12,783,204</u>	 <u>\$ 11,057,220</u>

See accompanying notes to financial statements.

Houston's Amazing Place, Inc.

Statement of Activities for the year ended December 31, 2020

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Contributions (Note 14)	\$ 1,093,234	\$ 2,175,960	\$ 3,269,194
Government grants (Note 11)		573,276	573,276
Day program revenue (Note 12)	404,025		404,025
Special events	414,205		414,205
Direct donor benefit	(30,994)		(30,994)
Net investment return	1,995	59,454	61,449
Other income	9,628		9,628
Total revenue	1,892,093	2,808,690	4,700,783
Net assets released from restrictions:			
Program expenditures	757,629	(757,629)	
Capital campaign expenses	289,398	(289,398)	
Satisfaction of time restrictions	70,000	(70,000)	
Total	3,009,120	1,691,663	4,700,783
EXPENSES:			
Program services	1,898,233		1,898,233
Management and general	701,827		701,827
Fundraising	349,844		349,844
Total expenses	2,949,904		2,949,904
CHANGES IN NET ASSETS	59,216	1,691,663	1,750,879
Net assets, beginning of year	6,818,042	3,238,539	10,056,581
Net assets, end of year	\$ 6,877,258	\$ 4,930,202	\$ 11,807,460

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 (Note 14)	\$ 836,879	\$ 3,094,918	\$ 3,931,797
Government grants (Note 11)		314,265	314,265
Day program revenue (Note 12)	1,104,420		1,104,420
Special events	560,559		560,559
Direct donor benefit	(39,794)		(39,794)
Net investment return	10,684	201,219	211,903
Other income	30,638		30,638
	<hr/>	<hr/>	<hr/>
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)	
	<hr/>	<hr/>	<hr/>
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
	<hr/>		<hr/>
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
	<hr/>	<hr/>	<hr/>
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.

Statements of Functional Expenses for the years ended December 31, 2020 and 2019

	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	2020 TOTAL EXPENSES
Payroll and related benefits	\$ 1,370,952	\$ 526,996	\$ 199,422	\$ 2,097,370
Building maintenance	133,670	19,663	9,904	163,237
Depreciation	129,916	19,115	9,324	158,355
Postage, printing, and reproduction	26,805	7,390	64,678	98,873
IT consulting and maintenance	59,770	14,887	6,130	80,787
Professional services		34,788	38,532	73,320
Marketing and advertising	14,629	52,021	1,493	68,143
Utilities	40,451	7,738	3,457	51,646
Insurance	37,345	9,563	2,474	49,382
Food service	46,776			46,776
Office supplies and expenses	12,415	6,732	14,224	33,371
Program equipment and supplies	21,080			21,080
Transportation	1,126			1,126
Other	3,298	2,934	206	6,438
Total expenses	<u>\$ 1,898,233</u>	<u>\$ 701,827</u>	<u>\$ 349,844</u>	2,949,904
Direct donor benefit				<u>30,994</u>
Total				<u>\$ 2,980,898</u>

	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
Postage, printing, and reproduction	26,941	13,523	49,646	90,110
IT consulting and maintenance	58,588	12,556	4,614	75,758
Professional services		58,083	110,497	168,580
Marketing and advertising	10,345	160,184		170,529
Utilities	46,693	8,732	3,801	59,226
Insurance	37,904	9,493	2,792	50,189
Food service	103,169			103,169
Office supplies and expenses	17,742	5,961	9,903	33,606
Program equipment and supplies	41,779	353		42,132
Transportation	4,260			4,260
Other	4,764	3,061		7,825
Total expenses	<u>\$ 2,094,465</u>	<u>\$ 832,328</u>	<u>\$ 463,468</u>	3,390,261
Direct donor benefit				<u>39,794</u>
Total				<u>\$ 3,430,055</u>

See accompanying notes to financial statements.

Houston's Amazing Place, Inc.

Statements of Cash Flows for the years ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 1,750,879	\$ 2,723,527
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	158,355	170,816
Contributions restricted for capital additions	(1,578,983)	(2,455,685)
Net realized and unrealized gain on investments	(47,134)	(188,096)
Changes in operating assets and liabilities:		
Accounts receivable	28,851	(10,705)
Prepaid and other assets	(12,102)	(3,957)
Contributions receivable	49,124	(89,487)
Accounts payable and other accrued liabilities	29,414	18,298
Accrued salaries and benefits	(64,766)	26,283
Interest payable	<u>10,457</u>	<u> </u>
Net cash provided by operating activities	<u>324,095</u>	<u>190,994</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(76,832)	(190,301)
Net change in money market mutual funds held as investments	(402,994)	360
Proceeds from sales and maturities of investments	490,320	308,294
Purchase of property and equipment	<u>(305,168)</u>	<u>(497,042)</u>
Net cash used by investing activities	<u>(294,674)</u>	<u>(378,689)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from contributions restricted for capital additions	<u>1,371,300</u>	<u>799,815</u>
NET CHANGE IN CASH	1,400,721	612,120
Cash, beginning of year	<u>1,760,853</u>	<u>1,148,733</u>
Cash, end of year (<i>Note 3</i>)	<u>\$ 3,161,574</u>	<u>\$ 1,760,853</u>
 <i>Supplemental disclosure of cash flow information:</i>		
Property purchase financed with note payable		\$800,000

See accompanying notes to financial statements.

Houston's Amazing Place, Inc.

Notes to Financial Statements for the years ended December 31, 2020 and 2019

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 community education and family caregiver support through ten different initiatives offered free or at very low cost. 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

During 2020 amid the COVID-19 pandemic, Amazing Place was forced to temporarily close its in-person Day Program for the safety of participants, staff and volunteers. Responding to the ongoing needs of those living with dementia and their families was critical and the organization spent four months developing a subscription Virtual Activity Program for adults with mild/moderate dementia which is delivered five days a week for four hours a day via Zoom. The Connections Program adapted all of its community education and family caregiver support initiatives to the virtual format and continued to serve vigorously throughout the year. Amazing Place also launched their Frozen Meals Program, which is based on the brain healthy nutrition and is delivered through the Memory Preservation Nutrition Program in the center.

In September 2018, Amazing Place's Board of Directors voted to move forward with the *Amazing Together* Campaign, which had 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 and Virtual Activity 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 ability to pay on all participant accounts prior to providing services, does not require collateral or provide financing, but does provide scholarships. Subsequent changes to the consideration Amazing Place expects to receive that are determined to be the result of an adverse change in the customer’s ability to pay are recorded as an allowance for uncollectible accounts receivable and bad debt expense. It is Amazing Place’s policy to write-off receivables against the allowance when management determines the receivable will not be collected. Accounts receivable was \$35,993, \$64,844 and \$54,139 at December 31, 2020, 2019 and 2018, respectively.

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

	<u>2020</u>	<u>2019</u>
U. S. Department of Veterans Affairs	80%	50%
Private pay	20%	50%

Contributions receivable 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.

Investments 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.

Property and equipment 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 \$1,000 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.

Net asset classification – 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.

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

In-kind contributions – 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 provided more than 3,010 and 7,940 volunteer hours in 2020 and 2019, respectively, 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 revenue is derived primarily from contracts with individuals or third-party payors to provide an in-person day center or virtual activity programs and sale of nutritional meals 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 for in-person day center and virtual activity programs 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. For performance obligations related to the sale of nutritional meals, revenue is recognized at the point in time when the meals are delivered to the customer.

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 chooses to attend the day center. The virtual activity program is provided through a subscription which is monthly, three or six months, and payments are 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 reduce 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 program revenue in the period of change. 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 2020 and 2019.

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 events revenue is the total amount paid by sponsors and attendees of an event and includes elements of both contributions and exchange transactions. Special events 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 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, 2021. Amazing Place plans to adopt this ASU for fiscal year ending December 31, 2022. 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 – 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:

	<u>2020</u>	<u>2019</u>
Financial assets:		
Cash	\$ 3,161,574	\$ 1,760,853
Accounts receivable	35,993	64,844
Contributions receivable, net	2,221,493	2,062,934
Investments	<u>1,076,427</u>	<u>1,039,787</u>
Total financial assets	6,495,487	4,928,418
Less financial assets not available for general expenditure:		
Contributions receivable for capital additions	(2,070,017)	(1,862,334)
Endowment assets less amounts appropriated for upcoming year	(1,036,892)	(1,016,926)
Cash board-designated for capital campaign	(810,457)	(752,988)
Board-designated reserves	(217,220)	(182,566)
Operating contributions receivable due in more than one year	(19,648)	(89,648)
Cash restricted for capital campaign	<u>(1,102,852)</u>	<u> </u>
Total financial assets available for general expenditure	<u>\$ 1,238,401</u>	<u>\$ 1,023,956</u>

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 reserves of \$217,220 at December 31, 2020. 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 3 – CASH

Cash consists of the following:

	<u>2020</u>	<u>2019</u>
Operating cash	\$ 1,031,093	\$ 809,792
Board-designated reserves	217,172	182,566
Board-designated for capital campaign	810,457	752,988
Cash restricted for capital campaign	1,102,852	
Cash restricted for endowment	<u> </u>	<u>15,507</u>
Total cash	<u>\$ 3,161,574</u>	<u>\$ 1,760,853</u>

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

NOTE 4 – CONTRIBUTIONS RECEIVABLE

Contributions receivable are as follows:

	<u>2020</u>	<u>2019</u>
Contributions receivable	\$ 2,237,149	\$ 2,095,789
Discount to net present value at 0.17% to 1.62%	<u>(15,656)</u>	<u>(32,855)</u>
Contributions receivable, net	2,221,493	2,062,934
Contributions receivable for capital additions, net	<u>(2,070,017)</u>	<u>(1,862,334)</u>
Operating contributions receivable, net	<u>\$ 151,476</u>	<u>\$ 200,600</u>

Contributions receivable at December 31, 2020 are expected to be collected as follows:

Less than one year	\$ 987,588
One to five years	<u>1,249,561</u>
Total contributions receivable	<u>\$ 2,237,149</u>

NOTE 5 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

Investments consist of the following:

	<u>2020</u>	<u>2019</u>
Common stock	\$ 430,136	\$ 637,879
Money market mutual fund	405,648	2,654
Corporate bonds	223,304	296,346
Preferred stock	17,339	15,043
U. S. Treasury securities		59,815
Real estate mutual funds		<u>28,050</u>
Total investments	<u>\$ 1,076,427</u>	<u>\$ 1,039,787</u>

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.

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, 2020 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
Investments:				
Common stock:				
Information technology	\$ 107,481			\$ 107,481
Consumer	104,343			104,343
Utilities and telecommunication	74,822			74,822
Healthcare	54,349			54,349
Industrial and materials	43,339			43,339
Financial	33,679			33,679
Energy	12,123			12,123
Money market mutual fund	405,648			405,648
Corporate bonds		\$ 223,304		223,304
Preferred stock	<u>17,339</u>			<u>17,339</u>
Total assets measured at fair value	<u>\$ 853,123</u>	<u>\$ 223,304</u>	<u>\$ 0</u>	<u>\$ 1,076,427</u>

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

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
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
Money market mutual fund	2,654			2,654
Corporate bonds		\$ 296,346		296,346
Preferred stock	15,043			15,043
U. S. Treasury securities	59,815			59,815
Real estate mutual funds	<u>28,050</u>			<u>28,050</u>
Total assets measured at fair value	<u>\$ 743,441</u>	<u>\$ 296,346</u>	<u>\$ 0</u>	<u>\$ 1,039,787</u>

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

- *Common and preferred stock* are valued at the closing price reported on the active market on which the individual securities are traded.
- *Mutual funds* are valued at the net asset value of shares held at year end.
- *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.

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 6 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	<u>2020</u>	<u>2019</u>
Land	\$ 1,955,142	\$ 1,955,142
Building and improvements	4,677,798	4,627,486
Furniture and fixtures	494,476	466,252
Office equipment	289,210	283,014
Vehicles	61,938	61,938
Construction in progress	<u>429,711</u>	<u>209,275</u>
Total property and equipment, at cost	7,908,275	7,603,107
Accumulated depreciation	<u>(1,653,712)</u>	<u>(1,495,357)</u>
Property and equipment, net	<u>\$ 6,254,563</u>	<u>\$ 6,107,750</u>

NOTE 7 – 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 (3.75% at December 31, 2020), which expires on June 25, 2021. There are no amounts outstanding on this line of credit at December 31, 2020. 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 (TMF) in connection with the purchase of land in West Houston/Katy, Texas area. The note was refinanced in 2020 and bears interest at a fixed rate of 3.95% with monthly interest only payments until July 2023, at which time payments will be based on a 19-year amortization with the interest rate adjusted every three years based on prime rate. TMF also granted a deferral of interest payments of \$10,457 until the maturity date of the loan. The note is secured by land purchased and matures on July 7, 2042. Interest of \$41,608 was capitalized in 2020.

Principal payments at December 31, 2020 are due as follows:

2023	\$ 14,244
2024	29,346
2025	30,613
Thereafter	<u>725,797</u>
Total	<u>\$ 800,000</u>

NOTE 8 – NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions are comprised of the following:

	<u>2020</u>	<u>2019</u>
Property and equipment, net	\$ 5,024,852	\$ 5,098,475
Undesignated	824,729	784,013
Designated for capital campaign	810,457	752,988
Board-designated reserves:		
Operating	81,159	62,340
Capital	69,746	53,911
Scholarship	36,315	36,315
Maintenance	<u>30,000</u>	<u>30,000</u>
Total net assets without donor restrictions	<u>\$ 6,877,258</u>	<u>\$ 6,818,042</u>

The Board of Directors (the Board) 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.

NOTE 9 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as follows:

	<u>2020</u>	<u>2019</u>
Subject to expenditure for specified purpose:		
<i>Amazing Together</i> Campaign	\$ 3,598,021	\$ 2,019,038
Participant scholarships	121,972	
Connections Program	39,623	
Other	<u>4,559</u>	<u>4,559</u>
Total subject to expenditure for specified purpose	3,764,175	2,023,597
Subject to passage of time:		
Contributions receivable that are not restricted by donors, but which are unavailable for expenditures until due	89,648	159,648
Endowments:		
Subject to spending policy and appropriation:		
General operations	<u>1,076,379</u>	<u>1,055,294</u>
Total net assets with donor restrictions	<u>\$ 4,930,202</u>	<u>\$ 3,238,539</u>

NOTE 10 – ENDOWMENT FUNDS

Amazing Place has a donor-restricted endowment fund to support operations, which is maintained in accordance with the explicit donor stipulations and are subject to the Texas Uniform Prudent Management of Institutional Funds Act (TUPMIFA). TUPMIFA provides guidelines about what constitutes prudent spending and explicitly requires consideration of preservation of the fund. The Board of Amazing Place has interpreted TUPMIFA as requiring a focus on the entirety of donor-restricted endowment fund, including original gift amounts and net appreciation, allowing Amazing Place's Board to appropriate for expenditure or accumulate as much of an endowment fund as considered prudent for the uses, benefits, purposes, and duration for which the fund was established, subject to explicit donor stipulations.

As a result of this interpretation, Amazing Place classifies contributions to the endowment plus any donor-stipulated accumulations as *net assets with donor restrictions* required to be maintained in perpetuity. This amount is not reduced by investment losses or by appropriation and spending. The portion of the endowment not required to be maintained in perpetuity is classified as *net assets with donor restrictions* until appropriated in accordance with spending policies and used for the stipulated purpose, if any.

An endowment fund is *underwater* if the fair value of the fund's investments falls below the amount required to be maintained in perpetuity because of declines in the fair value of investments and/or continued appropriation and spending in accordance with prudent spending. There were no such deficiencies at December 31, 2020 and 2019.

Investment Policies and Strategy

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, the investments may be invested in mutual funds, index funds, common trust funds, or actively managed in stocks, bonds and other securities.

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.

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

	<u>WITH DONOR RESTRICTIONS</u>		<u>TOTAL</u>
	<u>ACCUMULATED NET INVESTMENT RETURN</u>	<u>REQUIRED TO BE MAINTAINED IN PERPETUITY</u>	
Endowment net assets, December 31, 2018	\$ 164,693	\$ 725,882	\$ 890,575
Net investment return	201,219		201,219
Distributions	<u>(36,500)</u>		<u>(36,500)</u>
Endowment net assets, December 31, 2019	<u>329,412</u>	<u>725,882</u>	<u>1,055,294</u>
Net investment return	59,454		59,454
Distributions	<u>(38,369)</u>		<u>(38,369)</u>
Endowment net assets, December 31, 2020	<u>\$ 350,497</u>	<u>\$ 725,882</u>	<u>\$ 1,076,379</u>

Endowment net assets are comprised of the following:

	<u>2020</u>	<u>2019</u>
Investments	\$ 1,076,379	\$ 1,039,787
Cash		<u>15,507</u>
Total endowment net assets	<u>\$ 1,076,379</u>	<u>\$ 1,055,294</u>

NOTE 11 – GOVERNMENT GRANT CONTRIBUTIONS

In April 2020, Amazing Place received an unsecured bank loan of \$314,280 funded under the Small Business Administration’s Paycheck Protection Program (PPP). The loan bore interest at 1%. The PPP loan principal and accrued interest of \$316,305 was forgiven in December 2020 as Amazing Place met the eligibility requirements and used the loan to fund qualified payroll and other eligible costs.

In 2017, Amazing Place was awarded a grant from the Administration for Community Living, 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 three-year period. During this three-year period, the organization developed a long-term sustainability plan to maintain these expanded services. During 2020, Amazing Place was awarded a COVID-19 adaption of \$15,000 from part of the original grant. This allowed use of grant funds for scholarships for the virtual activity program. During 2020 and 2019, Amazing Place recognized approximately \$256,000 and \$314,000, respectively, in government grant revenue under this cooperative agreement as it incurred expenditures in compliance with grant provisions and met the match. At December 31, 2020, Amazing Place has \$10,000 of conditional contributions from government services agencies which have not been recognized in the accompanying financial statements because the conditions have not been met.

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.

NOTE 12 – DAY PROGRAM REVENUE

Amazing Place disaggregates revenue from contracts with customers by type of services and 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, consists of the following for the years ended December 31, 2020 and 2019:

	2020			
	OVER TIME		POINT-IN-TIME	
	IN-PERSON PROGRAMS	VIRTUAL ACTIVITY PROGRAM	NUTRITIONAL MEALS	TOTAL
Private pay	\$ 215,390	\$ 42,876	\$ 31,726	\$ 289,992
U. S. Department of Veterans Affairs	30,080	39,368		69,448
Commercial insurance	<u>34,280</u>	<u>10,305</u>		<u>44,585</u>
Total	<u>\$ 279,750</u>	<u>\$ 92,549</u>	<u>\$ 31,726</u>	<u>\$ 404,025</u>
	2019			
	OVER TIME		POINT-IN-TIME	
	IN-PERSON PROGRAMS	VIRTUAL ACTIVITY PROGRAM	NUTRITIONAL MEALS	TOTAL
Private pay	\$ 862,878			\$ 862,878
U. S. Department of Veterans Affairs	113,319			113,319
Commercial insurance	<u>128,223</u>			<u>128,223</u>
Total	<u>\$ 1,104,420</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,104,420</u>

An amended services plan with the U. S. Department of Veterans Affairs was executed in fiscal year 2020 to allow for reimbursement for the virtual activity program. This includes monthly in-home wellness checks, meals, weekly check-in calls, and the virtual activity program.

Amazing Place awarded scholarships to participants of \$51,839 and \$125,590 in fiscal years 2020 and 2019, respectively.

NOTE 13 – 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 2020 and 2019. Future minimum rental payments due under the lease are as follows:

2021	\$ 3,550
2022	3,550
2023	3,550
2024	3,550
2025	3,550
Thereafter through 2067	<u>146,140</u>
Total	<u>\$ 163,890</u>

NOTE 14 – CONCENTRATIONS

At December 31, 2020 and 2019, approximately 75% and 72% of contributions receivable, respectively, are due from four donors. During 2020, contributions from two donors comprised 42% of total contributions. During 2019, contributions from five donors comprised 55% of total contributions.

NOTE 15 – SUBSEQUENT EVENTS

In March 2020, the Director-General of the World Health Organization declared a pandemic related to the global outbreak of the new coronavirus COVID-19 and a national emergency was declared in the United States. As a result of stay-at-home orders and other restrictions, Amazing Place converted its luncheon to a virtual event, temporarily closed for in-person programming and converted to virtual programming and established a frozen meal program. Amazing Place re-opened the in-person Day Program on April 15, 2021. The extent of the impact of COVID-19 on Amazing Place's future operational and financial performance will depend on developments such as the duration and spread of the outbreak, as well as Amazing Place's donors, employees, and participants, all of which are uncertain and cannot be predicted. 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.

In March 2021, Amazing Place was approved for a \$387,764 Second Draw PPP loan. The unsecured loan is considered to be a conditional contribution and will be recognized as contribution revenue upon using the funds for payroll and qualified expenses and upon forgiveness by the bank. Any amounts not forgiven will be treated as debt bearing interest of 1% and will be due in March 2026.

Management has evaluated subsequent events through April 22, 2021, 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.
