Houston's Amazing Place, Inc.

Financial Statements
and Independent Auditors' Report
for the years ended December 31, 2018 and 2017

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, 2018 and 2017 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, 2018 and 2017 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.

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

Adoption of New Accounting Standard

As discussed in Note 2 to the financial statements, Houston's Amazing Place, Inc. adopted the amendments of Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities,* as of and for the year ended December 31, 2018. These amendments have been applied on a retrospective basis to the financial statements as of and for the year ended December 31, 2017, except that certain information has been omitted as permitted by the ASU. Our opinion is not modified with respect to this matter.

Blazek & Vetterling

March 20, 2019

Houston's Amazing Place, Inc.

Statements of Financial Position as of December 31, 2018 and 2017

	2018	2017
ASSETS		
Operating cash *(Note 4)*	$ 714,950	$ 765,469
Accounts receivable	80,152	81,452
Prepaid and other assets	17,095	36,509
Operating contributions receivable, net *(Note 5)*	85,100	
Board-designated cash and investments *(Notes 4, 6, 7, and 10)*	140,475	218,117
Cash restricted for capital additions *(Note 4)*	372,777	
Contributions receivable for capital additions, net *(Note 5)*	206,464	
Investments restricted for endowment *(Notes 6, 7, and 12)*	890,575	953,044
Property and equipment, net *(Note 8)*	4,981,524	4,934,878
TOTAL ASSETS	$ 7,489,112	$ 6,989,469
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and other accrued liabilities	$ 70,271	$ 120,457
Accrued salaries and benefits	85,787	68,317
Total liabilities	156,058	188,774
Net assets:		
Without donor restrictions *(Note 10)*	5,728,053	5,816,093
With donor restrictions *(Note 11)*	1,605,001	984,602
Total net assets	7,333,054	6,800,695
TOTAL LIABILITIES AND NET ASSETS	$ 7,489,112	$ 6,989,469

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
Participant revenue, net of scholarships of $98,337	972,052		972,052
Special events	435,815		435,815
Direct donor benefit	(42,148)		(42,148)
Government grant revenue	219,695		219,695
Net investment return	393	(27,469)	(27,076)
Other income	8,664		8,664
Total revenue	2,420,932	1,118,815	3,539,747
Net assets released from restrictions:			
Program expenditures	139,481	(139,481)	
Capital campaign	259,833	(259,833)	
Capital additions	99,102	(99,102)	
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.

Statement of Activities for the year ended December 31, 2017

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Contributions	$ 733,778	$ 276,028	$ 1,009,806
Participant revenue, net of scholarships of $97,397	980,332		980,332
Special events	391,637		391,637
Direct donor benefit	(52,328)		(52,328)
Government grant revenue	31,613		31,613
Net investment return	16,933	115,008	131,941
Total revenue	2,101,965	391,036	2,493,001
Net assets released from restrictions:			
Program expenditures	189,086	(189,086)	
Capital additions	135,000	(135,000)	
Total	2,426,051	66,950	2,493,001
EXPENSES:			
Program services	1,532,715		1,532,715
Management and general	587,057		587,057
Fundraising	302,000		302,000
Total expenses	2,421,772		2,421,772
CHANGES IN NET ASSETS	4,279	66,950	71,229
Net assets, beginning of year *(Note 2)*	5,811,814	917,652	6,729,466
Net assets, end of year	$ 5,816,093	$ 984,602	$ 6,800,695

See accompanying notes to financial statements.

Houston's Amazing Place, Inc.

Statements of Functional Expenses for the years ended December 31, 2018 and 2017

	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
Professional services		57,766	111,366	169,132
Depreciation	127,689	19,005	8,718	155,412
Postage, printing, and reproduction	18,902	25,861	53,785	98,548
Office supplies and expenses	65,881	16,423	14,967	97,271
Food service	97,098			97,098
Utilities	42,274	7,059	3,594	52,927
Insurance	38,914	9,570	2,946	51,430
Marketing and advertising	6,993	40,390		47,383
Program equipment and supplies	31,868	317		32,185
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

	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	2017 TOTAL EXPENSES
Payroll and related benefits	$ 1,001,191	$ 334,787	$ 222,243	$ 1,558,221
Building maintenance	138,368	32,993	11,628	182,989
Professional services		126,801	2,300	129,101
Depreciation	128,646	24,885	9,531	163,062
Postage, printing, and reproduction	17,791	12,393	36,680	66,864
Office supplies and expenses	51,802	18,534	13,823	84,159
Food service	90,938			90,938
Utilities	35,153	7,477	3,062	45,692
Insurance	34,057	8,831	2,733	45,621
Marketing and advertising	7,235	16,912		24,147
Program equipment and supplies	19,171	316		19,487
Transportation	6,716			6,716
Other	1,647	3,128		4,775
Total expenses	$ 1,532,715	$ 587,057	$ 302,000	2,421,772
Direct donor benefit				52,328
Total				$ 2,474,100

See accompanying notes to financial statements.

Houston's Amazing Place, Inc.

Statements of Cash Flows for the years ended December 31, 2018 and 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	$ 532,359	$ 71,229
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Depreciation	155,412	163,062
Contributions restricted for capital additions	(698,066)	(100,000)
Net realized and unrealized (gain) loss on investments	50,204	(105,732)
Changes in operating assets and liabilities:		
Accounts receivable	1,300	(30,053)
Prepaid and other assets	19,414	(18,296)
Operating contributions receivable	(85,100)	16,890
Accounts payable and other accrued liabilities	(50,186)	68,327
Accrued salaries and benefits	17,470	4,821
Net cash provided (used) by operating activities	(57,193)	70,248
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(272,466)	(281,100)
Net change in money market mutual funds held as investments	91,597	(70,068)
Proceeds from sales and maturities of investments	286,726	324,962
Purchase of property and equipment	(202,058)	(165,443)
Net cash used by investing activities	(96,201)	(191,649)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from contributions restricted for capital additions	491,602	135,000
NET CHANGE IN CASH	338,208	13,599
Cash, beginning of year *(Note 4)*	810,525	796,926
Cash, end of year *(Note 4)*	$ 1,148,733	$ 810,525

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 our 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, Amazing Place 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 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 our 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 three year campaign includes building and launching our first satellite location, Amazing Place West, creating Amazing Place Connections, which encompasses the many programs/services provided by Amazing Place outside of our day program throughout greater Houston, and increasing our endowment and scholarships 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).

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 the present value of their estimated future cash flows.

Allowance for uncollectible accounts – An allowance for accounts receivable and contributions receivable is provided when it is believed accounts may not be collected in full. It is Amazing Place's policy to write off receivables against the allowance when management determines the receivable will not be collected. The amount of bad debt expense or loss on valuation of contributions receivable recognized each period and the resulting adequacy of the allowance at the end of each period are determined using a combination of historical loss experience and account-by-account analysis of accounts receivable and contributions receivable balances each period.

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 $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.

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 are recognized at fair value when an unconditional commitment is received from the donor. Contributions received with donor stipulations that limit their use are classified as restricted support. Conditional contributions are recognized in the same manner when the conditions are substantially 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 provide more than 8,465 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.

Participant revenue is recognized when services are provided and is shown net of scholarships which are available to participants who otherwise cannot afford to attend.

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.

Government grant revenue is recognized when the related services are provided.

Advertising costs are expensed as incurred.

Functional allocation of expenses – Expenses are reported by their functional classification as program services or supporting activities. 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 one or more program or supporting activities 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 pronouncements – In June 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (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. This ASU could impact the timing of revenue recognition and the financial statement disclosures related to such transactions. Amazing Place is required to apply the amendments in its December 31, 2019 financial statements. The amendments should be applied on a modified prospective basis, but retrospective application also is permitted. Management has not determined the eventual method of adoption of the ASU or the impact on the financial statements.

In February 2016, the FASB issued 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, 2019. Amazing Place plans to adopt this ASU for fiscal year ending December 31, 2020. Management has not yet determined the impact adoption of this ASU will have on the financial statements.

NOTE 2 – ADOPTION OF ACCOUNTING STANDARDS UPDATE 2016-14 AND 2016-18

Amazing Place adopted the amendments of ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities,* as of and for the year ended December 31, 2018. These amendments have been applied on a retrospective basis to the financial statements for the year ended December 31, 2017, except that information regarding liquidity and availability of resources has been omitted as permitted by the ASU. Adoption of this ASU resulted in reclassification of previously reported activities and net assets to conform to the 2018 presentation but had no impact on total net assets or total changes in net assets for 2017.

During 2018, Amazing Place also adopted ASU 2016-18, *Statement of Cash Flows – Restricted Cash*, which requires the statement of cash flows to explain the change in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Prior to adoption, board-designated cash was excluded from beginning and ending cash in the statement of cash flows. The statement of cash flows for the year ended December 31, 2017 was restated to reflect the retrospective adoption. This change had no impact on net assets or changes in net assets.

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, 2018 comprise the following:

Financial assets at December 31, 2018:	
Cash	$ 1,148,733
Accounts receivable	80,152
Contributions receivable, net	291,564
Investments	970,044
Total financial assets	2,490,493
Less financial assets not available for general expenditure:	
Endowment investments less amounts appropriated for 2019	854,075
Operating contributions receivable due in more than one year	60,000
Board-designated cash and investments	140,475
Cash restricted for capital additions	372,777
Contributions receivable for capital additions	206,464
Total financial assets available for general expenditure	$ 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 intends to renew its line of credit of $250,000, all of which could be drawn upon. Additionally, Amazing Place has board-designated cash and investments of $140,475. 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 reported in the statements of cash flows consists of the following:

	2018	2017
Operating cash	$ 714,950	$ 765,469
Board-designated cash	61,006	45,056
Cash restricted for capital additions	372,777	
Total cash	$ 1,148,733	$ 810,525

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

NOTE 5 – CONTRIBUTIONS RECEIVABLE

Contributions receivable at December 31, 2018 are as follows:

Contributions receivable	$ 293,900
Discount to net present value at 2.46%	(2,336)
Total contributions receivable, net	291,564
Contributions receivable for capital additions, net	(206,464)
Operating contributions receivable, net	$ 85,100

Contributions receivable at December 31, 2018 are expected to be collected as follows:

Less than one year	$ 117,700
One to five years	176,200
Total contributions receivable	$ 293,900

NOTE 6 – INVESTMENTS

Investments consist of the following:

	2018	2017
Common stock	$ 562,425	$ 640,319
Corporate bonds	352,781	322,205
Preferred stock	29,666	37,833
Real estate mutual fund	22,158	31,137
Money market mutual funds	3,014	94,611
Total investments	970,044	1,126,105
Less: Investments restricted for endowment	(890,575)	(953,044)
Board-designated investments	$ 79,469	$ 173,061

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.

NOTE 7 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

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, 2018 are as follows:

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

Assets measured at fair value at December 31, 2017 are as follows:

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Investments:				
Common stock:				
Information technology	$ 152,866			$ 152,866
Healthcare	68,250			68,250
Consumer	157,001			157,001
Utilities and telecommunication	18,221			18,221
Industrial and materials	93,305			93,305
Financial	92,446			92,446
Energy	58,230			58,230
Corporate bonds		$ 322,205		322,205
Preferred stock	17,511	20,322		37,833
Real estate mutual fund	31,137			31,137
Money market mutual funds	94,611			94,611
Total assets measured at fair value	$ 783,578	$ 342,527	$ 0	$ 1,126,105

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.
- *Preferred stocks* are valued at the closing price reported on the active market on which they are traded for Level 1 securities. Level 2 values are obtained from independent quotation bureaus that use computerized valuation formulas to calculate fair value.
- *Mutual funds* are valued at the net asset value of shares held at year end.

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 8 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	2018	2017
Land	$ 903,813	$ 903,813
Building and improvements	4,605,926	4,596,464
Furniture and fixtures	456,780	436,888
Office equipment	237,608	170,938
Vehicles	61,938	61,938
Construction in progress	40,000	
Total property and equipment, at cost	6,306,065	6,170,041
Accumulated depreciation	(1,324,541)	(1,235,163)
Property and equipment, net	$ 4,981,524	$ 4,934,878

NOTE 9 – LINE OF CREDIT

Amazing Place had a $250,000 revolving line of credit with a bank with interest at prime rate plus 0.5 percentage points (6.0% at December 31, 2018), which expired on January 26, 2019. Amazing Place intends to renew the line of credit. There are no amounts outstanding on this line of credit at December 31, 2018. 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.

NOTE 10 – NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions are comprised of the following:

	2018	2017
Property and equipment, net	$ 4,941,524	$ 4,934,878
Undesignated	646,054	663,098
Board-designated reserves:		
Capital	61,806	62,884
Maintenance	30,000	30,000
Operating	24,742	101,695
Scholarship	23,927	23,538
Total net assets without donor restrictions	$ 5,728,053	$ 5,816,093

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:

- 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.
- 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.
- 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.
- 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.

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

NOTE 11 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as follows:

	2018	2017
Subject to expenditure for specified purpose:		
Amazing Together Campaign	$ 614,682	
Participant scholarships	5,199	$ 5,199
Website development	2,281	18,000
Other	7,264	8,359
Total subject to expenditure for specified purpose	629,426	31,558
Subject to passage of time:		
Contributions receivable that are not restricted by donors, but which are unavailable for expenditures until due	85,000	
Endowments:		
Subject to spending policy and appropriation:		
General operations	890,575	953,044
Total net assets with donor restrictions	$ 1,605,001	$ 984,602

NOTE 12 – 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* not subject to appropriation or expenditure. The remaining portion of the donor-restricted endowment fund that is not classified as *net assets with donor restrictions* not subject to appropriation or expenditure is classified as *net assets with donor restrictions* subject to spending policy and appropriation 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, 2016	$ 146,154	$ 725,882	$ 872,036
Net investment return	115,008		115,008
Distributions	(34,000)		(34,000)
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

Endowment net assets consist of the following:

	2018 WITH DONOR RESTRICTIONS	2017 WITH DONOR RESTRICTIONS
Donor-restricted endowment fund:		
Original donor-restricted gift and amounts required to be maintained in perpetuity	$ 725,882	$ 725,882
Accumulated net investment return	164,693	227,162
Endowment net assets	$ 890,575	$ 953,044

NOTE 13 – GOVERNMENT GRANT

Amazing Place was awarded a cooperative agreement 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 award is $832,952 with $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. During 2018 and 2017, Amazing Place recognized approximately $220,000 and $32,000 in government grant revenue under this cooperative agreement.

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 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 2018 and 2017. Future minimum rental payments due under the lease are as follows:

2019	$ 3,550
2020	3,550
2021	3,550
2022	3,550
2023	3,550
Thereafter through 2067	153,240
Total	$ 170,990

NOTE 15 – CONCENTRATIONS

In 2018, contributions from one donor accounted for 25% of total contributions.

NOTE 16 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 20, 2019, which is the date that the financial statements were available for issuance. As a result of this evaluation, no events were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.