

Houston's Amazing Place, Inc.

Financial Statements
and Independent Auditors' Report
for the years ended December 31, 2016 and 2015

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, 2016 and 2015 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, 2016 and 2015 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

March 21, 2017

Houston's Amazing Place, Inc.

Statements of Financial Position as of December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash (<i>Note 2</i>)	\$ 620,628	\$ 503,928
Prepaid and other assets	69,612	71,385
Operating pledges receivable	16,890	1,420
Investments (<i>Notes 3 and 4</i>)	131,079	206,079
Board-designated cash and investments (<i>Notes 2 and 7</i>)	167,350	108,718
Pledges receivable for capital additions	35,000	
Cash restricted for endowment (<i>Note 2</i>)	15,556	15,161
Investments restricted for endowment (<i>Notes 3 and 4</i>)	856,480	846,924
Property and equipment, net (<i>Note 5</i>)	<u>4,932,497</u>	<u>5,071,307</u>
TOTAL ASSETS	<u>\$ 6,845,092</u>	<u>\$ 6,824,922</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued liabilities	\$ 115,626	\$ 102,123
Deferred special event revenue		<u>81,000</u>
Total liabilities	<u>115,626</u>	<u>183,123</u>
Net assets:		
Unrestricted (<i>Note 7</i>)	5,811,814	5,705,264
Temporarily restricted (<i>Notes 8 and 9</i>)	191,770	210,653
Permanently restricted (<i>Note 9</i>)	<u>725,882</u>	<u>725,882</u>
Total net assets	<u>6,729,466</u>	<u>6,641,799</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 6,845,092</u>	<u>\$ 6,824,922</u>

See accompanying notes to financial statements.

Houston's Amazing Place, Inc.

Statement of Activities for the year ended December 31, 2016

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
REVENUE:				
Contributions	\$ 600,651	\$ 223,574		\$ 824,225
Participant revenue, net of scholarships of \$142,177	897,781			897,781
Special events	737,316			737,316
Direct donor benefit	(91,064)			(91,064)
Investment return, net (<i>Note 3</i>)	<u>6,610</u>	<u>42,951</u>		<u>49,561</u>
Total revenue	2,151,294	266,525		2,417,819
Net assets released from restrictions:				
Program expenditures	<u>285,408</u>	<u>(285,408)</u>		
Total	<u>2,436,702</u>	<u>(18,883)</u>		<u>2,417,819</u>
EXPENSES:				
Program services	1,497,390			1,497,390
Management and general	497,382			497,382
Development	<u>335,380</u>			<u>335,380</u>
Total expenses	<u>2,330,152</u>			<u>2,330,152</u>
CHANGES IN NET ASSETS	106,550	(18,883)		87,667
Net assets, beginning of year	<u>5,705,264</u>	<u>210,653</u>	<u>\$ 725,882</u>	<u>6,641,799</u>
Net assets, end of year	<u>\$ 5,811,814</u>	<u>\$ 191,770</u>	<u>\$ 725,882</u>	<u>\$ 6,729,466</u>

See accompanying notes to financial statements.

Houston's Amazing Place, Inc.

Statement of Activities for the year ended December 31, 2015

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
REVENUE:				
Contributions	\$ 682,513	\$ 206,583		\$ 889,096
Participant revenue, net of scholarships of \$190,832	857,272			857,272
Special events	329,350			329,350
Direct donor benefit	(39,894)			(39,894)
Investment return, net (<i>Note 3</i>)	<u>4,891</u>	<u>27,313</u>		<u>32,204</u>
Total revenue	1,834,132	233,896		2,068,028
Net assets released from restrictions:				
Program expenditures	354,838	(354,838)		
Capital expenditures	<u>33,524</u>	<u>(33,524)</u>		
Total	<u>2,222,494</u>	<u>(154,466)</u>		<u>2,068,028</u>
EXPENSES:				
Program services	1,513,208			1,513,208
Management and general	519,804			519,804
Development	<u>249,472</u>			<u>249,472</u>
Total expenses	<u>2,282,484</u>			<u>2,282,484</u>
CHANGES IN NET ASSETS	(59,990)	(154,466)		(214,456)
Net assets, beginning of year	<u>5,765,254</u>	<u>365,119</u>	<u>\$ 725,882</u>	<u>6,856,255</u>
Net assets, end of year	<u>\$ 5,705,264</u>	<u>\$ 210,653</u>	<u>\$ 725,882</u>	<u>\$ 6,641,799</u>

See accompanying notes to financial statements.

Houston's Amazing Place, Inc.

Statements of Functional Expenses for the years ended December 31, 2016 and 2015

	PROGRAM SERVICES	MANAGEMENT AND GENERAL	DEVELOPMENT	2016 TOTAL EXPENSES
Payroll and related benefits	\$ 958,390	\$ 351,198	\$ 219,234	\$ 1,528,822
Depreciation	142,399	28,493	11,201	182,093
Building maintenance	124,699	29,548	10,556	164,803
Postage, printing, and reproduction	13,141	10,096	75,949	99,186
Food service	99,082			99,082
Office supplies and expenses	36,790	12,992	9,314	59,096
Utilities	37,748	9,719	3,689	51,156
Insurance	33,571	8,814	2,723	45,108
Marketing and advertising	5,863	22,844	532	29,239
Program equipment and supplies	24,941			24,941
Professional services		19,638	2,182	21,820
Transportation	18,370			18,370
Other	2,396	4,040		6,436
Total expenses	<u>\$ 1,497,390</u>	<u>\$ 497,382</u>	<u>\$ 335,380</u>	2,330,152
Direct donor benefit				91,064
Investment management fees				6,554
Total				<u>\$ 2,427,770</u>

	PROGRAM SERVICES	MANAGEMENT AND GENERAL	DEVELOPMENT	2015 TOTAL EXPENSES
Payroll and related benefits	\$ 941,906	\$ 346,194	\$ 173,676	\$ 1,461,776
Depreciation	146,959	25,405	10,837	183,201
Building maintenance	132,121	29,739	12,954	174,814
Postage, printing, and reproduction	13,068	8,306	35,571	56,945
Food service	107,867			107,867
Office supplies and expenses	37,998	9,383	9,811	57,192
Utilities	36,463	7,943	1,318	45,724
Insurance	31,282	7,946	2,427	41,655
Marketing and advertising	9,553	18,935	697	29,185
Program equipment and supplies	32,693			32,693
Professional services		58,562	2,181	60,743
Transportation	21,746			21,746
Other	1,552	7,391		8,943
Total expenses	<u>\$ 1,513,208</u>	<u>\$ 519,804</u>	<u>\$ 249,472</u>	2,282,484
Direct donor benefit				39,894
Investment management fees				6,805
Total				<u>\$ 2,329,183</u>

See accompanying notes to financial statements.

Houston's Amazing Place, Inc.

Statements of Cash Flows for the years ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 87,667	\$ (214,456)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	182,093	183,201
Contributions restricted for property and equipment	(35,000)	(35,890)
Loss on disposal of property and equipment	764	6,178
Net realized and unrealized gain on investments	(22,842)	(3,664)
Changes in operating assets and liabilities:		
Prepaid and other assets	1,773	6,143
Operating pledges receivable	(15,470)	
Accounts payable and accrued liabilities	13,503	(423)
Deferred special event revenue	<u>(81,000)</u>	<u>81,000</u>
Net cash provided by operating activities	<u>131,488</u>	<u>22,089</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(74,964)	(335,687)
Net change in money market mutual funds held as investments	10,984	33,199
Proceeds from sales and maturities of investments	145,658	326,167
Net change in designated and restricted cash	(52,419)	(32,719)
Purchase of property and equipment	<u>(44,047)</u>	<u>(60,025)</u>
Net cash used by investing activities	<u>(14,788)</u>	<u>(69,065)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from contributions restricted for property and equipment		<u>35,890</u>
NET CHANGE IN CASH	116,700	(11,086)
Cash, beginning of year	<u>503,928</u>	<u>515,014</u>
Cash, end of year	<u>\$ 620,628</u>	<u>\$ 503,928</u>

See accompanying notes to financial statements.

Houston's Amazing Place, Inc.

Notes to Financial Statements for the years ended December 31, 2016 and 2015

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 provides a day center for adults with mild to moderate dementia. The mission of Amazing Place is to provide fellowship, memory care and wellness for adults with mild to moderate memory loss and support to their families and the community. Participants range in age from 52 to 100 and come from all walks of life. Research has shown that those with dementia benefit from structure, stimulation and socialization. Amazing Place offers programs that include cognitive stimulation, creative arts, fitness, spirituality, cultural arts and games. The needs of the person living with mild to moderate dementia are targeted in this unique environment to assist them in improving the quality of their life. Amazing Place also offers support and education for families and caregivers through support groups and classes and educational outreach to the community through speakers.

Amazing Place is governed by a Board of Directors which is comprised of representatives from local churches, referred to as the sponsoring churches. 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. Michael Catholic
- St. Paul's United Methodist
- St. Philip Presbyterian
- St. Stephen's Episcopal
- Memorial Drive Presbyterian

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).

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

Pledges 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. Pledges receivable at December 31, 2016 are expected to be received within one year.

Allowance for uncollectible accounts – An allowance for accounts receivable and pledges 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 pledges 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 pledges receivable balances each period.

Investments are reported at fair value. Investment return is reported in the statement of activities as an increase in unrestricted net assets unless the use of the income is limited by donor-imposed restrictions. Investment return whose use is restricted by the donor is reported as a change in temporarily restricted net assets until expended in accordance with donor-imposed restrictions.

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 – Contributions, investment return and the related net assets are classified based on the existence or absence of donor-imposed restrictions, as follows:

- *Unrestricted net assets* include those net assets whose use is not restricted by donor-imposed stipulations even though their use may be limited in other respects such as by contract or board designation.
- *Temporarily restricted net assets* include contributions and investment return restricted by the donor for specific purposes or time periods. When a purpose restriction is accomplished or a time restriction ends, temporarily restricted net assets are released to unrestricted net assets.
- *Permanently restricted net assets* include contributions that donors have restricted in perpetuity. The related investment return is temporarily restricted to support purposes stipulated by the donor.

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. Amazing Place recognizes gifts of property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are classified as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, Amazing Place reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

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 5,400 volunteer hours a 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 in advance are reported as deferred revenue until earned.

Advertising costs are expensed as incurred.

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 August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The amendments in this ASU are the first phase of changes aimed at providing more useful information to users of not-for-profit financial statements. Under this ASU, net assets will be presented in two classes: *net assets with donor restrictions* and *net assets without donor restrictions* and underwater endowments will be grouped with *net assets with donor restrictions*. New or enhanced disclosures will be required about the nature and composition of net assets, and the liquidity and availability of resources for general operating expenditures within one year of the balance sheet date. Expenses will be required to be presented by both nature and function and investment return will be presented net of external and direct internal investment expenses. Absent explicit donor stipulations, restrictions on long-lived assets will expire when assets are placed in service. The ASU is effective for fiscal periods beginning after December 15, 2017. Amazing Place plans to adopt this ASU for its fiscal year ending December 31, 2018. Adoption of this ASU will impact the presentation and disclosures of 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. Qualitative and quantitative disclosures are required 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 its fiscal year ending December 31, 2020. Amazing Place has not yet determined the impact adoption of this ASU will have on the financial statements.

NOTE 2 – CASH

Cash consists of the following:

	<u>2016</u>	<u>2015</u>
Demand deposits	\$ 796,926	\$ 627,807
Less: Board-designated cash	(160,742)	(108,718)
Less: Cash restricted for endowment	<u>(15,556)</u>	<u>(15,161)</u>
Total cash	<u>\$ 620,628</u>	<u>\$ 503,928</u>

NOTE 3 – INVESTMENTS

Investments consist of the following:

	<u>2016</u>	<u>2015</u>
Common stock	\$ 585,480	\$ 603,609
Corporate bonds	317,571	364,392
Preferred stock	36,265	19,656
Real estate investment trusts	25,563	29,819
Money market mutual funds	24,543	35,527
Equity mutual funds	<u>4,745</u>	<u> </u>
Total investments	994,167	1,053,003
Less: Investments restricted for endowment	(856,480)	(846,924)
Less: Investments board-designated for scholarship reserve	<u>(6,608)</u>	<u> </u>
Operating investments	<u>\$ 131,079</u>	<u>\$ 206,079</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.

Investment return includes earnings on cash and consists of the following:

	<u>2016</u>	<u>2015</u>
Interest and dividends	\$ 33,273	\$ 35,345
Net realized and unrealized gain on investments	22,842	3,664
Investment management fees	<u>(6,554)</u>	<u>(6,805)</u>
Investment return, net	<u>\$ 49,561</u>	<u>\$ 32,204</u>

NOTE 4 – 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, 2016 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
Investments:				
Common stock:				
Consumer	\$ 144,553			\$ 144,553
Industrial and materials	120,109			120,109
Healthcare	105,597			105,597
Information technology	95,382			95,382
Energy	56,445			56,445
Financial	32,406			32,406
Utilities and telecommunication	30,988			30,988
Corporate bonds:				
Maturity dates of 1-5 years		\$ 246,144		246,144
Maturity dates of 6-10 years		49,464		49,464
Maturity dates of 11 or more years		21,963		21,963
Preferred stock	36,265			36,265
Real estate investment trusts	25,563			25,563
Money market mutual funds	24,543			24,543
Equity mutual funds	<u>4,745</u>			<u>4,745</u>
Total assets measured at fair value	<u>\$ 676,596</u>	<u>\$ 317,571</u>	<u>\$ 0</u>	<u>\$ 994,167</u>

Assets measured at fair value at December 31, 2015 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
Investments:				
Common stock:				
Consumer	\$ 154,371			\$ 154,371
Industrial and materials	118,034			118,034
Healthcare	132,022			132,022
Information technology	88,004			88,004
Energy	42,751			42,751
Financial	36,069			36,069
Utilities and telecommunication	32,358			32,358
Corporate bonds:				
Maturity dates of 1-5 years		\$ 224,338		224,338
Maturity dates of 6-10 years		102,167		102,167
Maturity dates of 11 or more years		37,887		37,887
Preferred stock	19,656			19,656
Real estate investment trusts	29,819			29,819
Money market mutual funds	<u>35,527</u>			<u>35,527</u>
Total assets measured at fair value	<u>\$ 688,611</u>	<u>\$ 364,392</u>	<u>\$ 0</u>	<u>\$ 1,053,003</u>

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

- *Common stock, real estate investment trusts and preferred stock* are 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.
- *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 5 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	<u>2016</u>	<u>2015</u>
Land	\$ 903,813	\$ 903,813
Building and improvements	4,467,458	4,456,569
Office equipment	149,664	144,169
Furniture and fixtures	421,725	400,466
Vehicles	<u>61,938</u>	<u>61,938</u>
Total property and equipment, at cost	6,004,598	5,966,955
Accumulated depreciation	<u>(1,072,101)</u>	<u>(895,648)</u>
Property and equipment, net	<u>\$ 4,932,497</u>	<u>\$ 5,071,307</u>

NOTE 6 – LINE OF CREDIT

Amazing Place had a \$250,000 revolving line of credit with a bank with interest at prime rate, which expires on January 26, 2019. There were no amounts outstanding on this line of credit at December 31, 2016. 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 7 – UNRESTRICTED NET ASSETS

Unrestricted net assets are comprised of the following:

	<u>2016</u>	<u>2015</u>
Property and equipment, net	\$ 4,932,497	\$ 5,071,307
Undesignated	711,967	525,239
Board-designated reserves for:		
Operating	84,164	48,529
Capital	46,578	30,189
Maintenance	30,000	30,000
Scholarship	<u>6,608</u>	<u> </u>
Total unrestricted net assets	<u>\$ 5,811,814</u>	<u>\$ 5,705,264</u>

NOTE 8 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	<u>2016</u>	<u>2015</u>
Accumulated earnings on general endowment	\$ 146,154	\$ 136,203
Renovation of facilities	35,000	
Participant scholarships	5,199	36,957
Memory Prevention Nutrition Program		18,465
Information technology		12,000
Other	<u>5,417</u>	<u>7,028</u>
Total temporarily restricted net assets	<u>\$ 191,770</u>	<u>\$ 210,653</u>

NOTE 9 – 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 permanent endowment as permanently restricted net assets. The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets 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 unrestricted net assets, if any.

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

	<u>UNRESTRICTED</u>	TEMPORARILY <u>RESTRICTED</u>	PERMANENTLY <u>RESTRICTED</u>	<u>TOTAL</u>
Endowment net assets, December 31, 2014	\$ 0	\$ 159,570	\$ 725,882	\$ 885,452
Investment return:				
Interest and dividends		28,606		28,606
Net realized and unrealized gain		4,212		4,212
Investment management fees		<u>(5,505)</u>		<u>(5,505)</u>
Total investment return		<u>27,313</u>		<u>27,313</u>
Distributions		<u>(50,680)</u>		<u>(50,680)</u>
Endowment net assets, December 31, 2015	<u>0</u>	<u>136,203</u>	<u>725,882</u>	<u>862,085</u>
Investment return:				
Interest and dividends		28,017		28,017
Net realized and unrealized loss		20,357		20,357
Investment management fees		<u>(5,423)</u>		<u>(5,423)</u>
Total investment return		<u>42,951</u>		<u>42,951</u>
Distributions		<u>(33,000)</u>		<u>(33,000)</u>
Endowment net assets, December 31, 2016	<u>\$ 0</u>	<u>\$ 146,154</u>	<u>\$ 725,882</u>	<u>\$ 872,036</u>

NOTE 10 – 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 2016 and 2015. Future minimum rental payments due under the lease are as follows:

2017	\$ 3,550
2018	3,550
2019	3,550
2020	3,550
2021	3,550
Thereafter through 2067	<u>160,340</u>
Total	<u>\$ 178,090</u>

NOTE 11 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 21, 2017, which is the date that the financial statements were available for issuance. As a result of this evaluation, no events other than the renewal of the line of credit as described in Note 6, were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.
