

Houston's Amazing Place, Inc.

Financial Statements
and Independent Auditors' Report
for the years ended December 31, 2022 and 2021

Houston's Amazing Place, Inc.

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Independent Auditors' Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Houston's Amazing Place, Inc., which comprise the statements of financial position as of December 31, 2022 and 2021, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Houston's Amazing Place, Inc. as of December 31, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of Houston's Amazing Place, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Houston's Amazing Place, Inc.'s ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and

therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Houston's Amazing Place, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Houston's Amazing Place, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Blazek & Vetterling

April 26, 2023

Houston's Amazing Place, Inc.

Statements of Financial Position as of December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Operating cash (Note 3)	\$ 524,798	\$ 840,670
Accounts receivable, net of allowance of \$22,549 and \$14,595 in 2022 and 2021	49,609	38,277
Prepaid and other assets	32,952	29,884
Restricted and designated cash (Note 3)	1,352,381	3,497,254
Contributions receivable, net (Notes 4 and 14)	2,575,217	1,694,981
Investments (Notes 5 and 11)	6,356,737	1,181,218
Operating right-of-use assets (Note 6)	148,614	
Property and equipment, net (Note 7)	<u>7,709,662</u>	<u>6,172,490</u>
TOTAL ASSETS	<u>\$ 18,749,970</u>	<u>\$ 13,454,774</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and other accrued liabilities	\$ 68,632	\$ 63,714
Accrued salaries and benefits	13,809	47,400
Construction payable	72,178	
Deferred revenue – special event	15,000	
Operating lease liabilities (Note 6)	148,614	
Interest payable (Note 8)	10,457	10,457
Notes payable (Note 8)	<u>800,000</u>	<u>800,000</u>
Total liabilities	<u>1,128,690</u>	<u>921,571</u>
Commitments and contingencies (Notes 6 and 8)		
Net assets:		
Without donor restrictions (Note 9)	8,234,842	6,776,488
With donor restrictions (Notes 10 and 11)	<u>9,386,438</u>	<u>5,756,715</u>
Total net assets	<u>17,621,280</u>	<u>12,533,203</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 18,749,970</u>	<u>\$ 13,454,774</u>

See accompanying notes to financial statements.

Houston's Amazing Place, Inc.

Statement of Activities for the year ended December 31, 2022

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Contributions <i>(Notes 2, 12 and 14)</i>	\$ 982,720	\$ 6,613,755	\$ 7,596,475
Program revenue <i>(Note 13)</i>	950,663		950,663
Special events	700,462		700,462
Direct donor benefit	(146,979)		(146,979)
Net investment return	20,180	(112,173)	(91,993)
Other income	950		950
	<hr/>	<hr/>	<hr/>
Total revenue	2,507,996	6,501,582	9,009,578
Net assets released from restrictions:			
Program expenditures	884,976	(884,976)	
Capital expenditures	1,463,469	(1,463,469)	
Capital campaign expenses	465,766	(465,766)	
Satisfaction of time restrictions	57,648	(57,648)	
	<hr/>	<hr/>	<hr/>
Total	5,379,855	3,629,723	9,009,578
EXPENSES:			
Program services	2,724,813		2,724,813
Management and general	622,029		622,029
Fundraising	574,659		574,659
	<hr/>		<hr/>
Total expenses	3,921,501		3,921,501
CHANGES IN NET ASSETS	1,458,354	3,629,723	5,088,077
Net assets, beginning of year	<hr/> 6,776,488	<hr/> 5,756,715	<hr/> 12,533,203
Net assets, end of year	<hr/> \$ 8,234,842	<hr/> \$ 9,386,438	<hr/> \$ 17,621,280

See accompanying notes to financial statements.

Houston's Amazing Place, Inc.

Statement of Activities for the year ended December 31, 2021

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Contributions (Notes 2, 12 and 14)	\$ 899,409	\$ 1,703,651	\$ 2,603,060
Program revenue (Note 13)	628,540		628,540
Special events	753,380		753,380
Direct donor benefit	(114,423)		(114,423)
Net investment return	(1,002)	104,790	103,788
Other income	<u>2,039</u>		<u>2,039</u>
Total revenue	2,167,943	1,808,441	3,976,384
Net assets released from restrictions:			
Program expenditures	709,118	(709,118)	
Capital campaign expenses	202,810	(202,810)	
Satisfaction of time restrictions	<u>70,000</u>	<u>(70,000)</u>	
Total	<u>3,149,871</u>	<u>826,513</u>	<u>3,976,384</u>
EXPENSES:			
Program services	2,010,935		2,010,935
Management and general	718,227		718,227
Fundraising	<u>521,479</u>		<u>521,479</u>
Total expenses	<u>3,250,641</u>		<u>3,250,641</u>
CHANGES IN NET ASSETS	(100,770)	826,513	725,743
Net assets, beginning of year	<u>6,877,258</u>	<u>4,930,202</u>	<u>11,807,460</u>
Net assets, end of year	<u>\$ 6,776,488</u>	<u>\$ 5,756,715</u>	<u>\$ 12,533,203</u>

See accompanying notes to financial statements.

Houston's Amazing Place, Inc.

Statements of Functional Expenses for the years ended December 31, 2022 and 2021

	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	2022 TOTAL EXPENSES
Payroll and related benefits	\$ 1,907,298	\$ 410,106	\$ 306,895	\$ 2,624,299
Building maintenance	195,799	34,888	18,503	249,190
Professional services	8,900	72,000	125,474	206,374
Depreciation	137,083	22,001	10,154	169,238
Marketing and advertising	92,027	20,573	30,255	142,855
Food service	122,491			122,491
IT consulting and maintenance	67,360	14,969	11,227	93,556
Utilities	61,104	11,400	6,916	79,420
Office supplies and expenses	35,104	7,801	31,279	74,184
Insurance	40,854	9,987	3,026	53,867
Postage, printing, and reproduction	18,694	4,154	30,430	53,278
Program equipment and supplies	38,099			38,099
Bad debt expense		7,954		7,954
Other		6,196	500	6,696
Total expenses	<u>\$ 2,724,813</u>	<u>\$ 622,029</u>	<u>\$ 574,659</u>	3,921,501
Direct donor benefit				<u>146,979</u>
Total				<u>\$ 4,068,480</u>

	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	2021 TOTAL EXPENSES
Payroll and related benefits	\$ 1,384,189	\$ 532,299	\$ 218,623	\$ 2,135,111
Building maintenance	168,232	25,307	9,426	202,965
Professional services	1,683	55,999	160,793	218,475
Depreciation	132,019	18,859	6,287	157,165
Marketing and advertising	31,811	17,018	59,625	108,454
Food service	88,054			88,054
IT consulting and maintenance	60,592	21,574	9,640	91,806
Utilities	45,833	6,548	2,183	54,564
Office supplies and expenses	29,531	10,515	4,698	44,744
Insurance	36,320	5,188	1,729	43,237
Postage, printing, and reproduction	14,286	5,087	32,727	52,100
Program equipment and supplies	18,108			18,108
Bad debt expense		18,998		18,998
Other	277	835	15,748	16,860
Total expenses	<u>\$ 2,010,935</u>	<u>\$ 718,227</u>	<u>\$ 521,479</u>	3,250,641
Direct donor benefit				<u>114,423</u>
Total				<u>\$ 3,365,064</u>

See accompanying notes to financial statements.

Houston's Amazing Place, Inc.

Statements of Cash Flows for the years ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 5,088,077	\$ 725,743
Adjustments to reconcile changes in net assets to net cash used by operating activities:		
Depreciation	169,238	157,165
Amortization of operating right-of-use assets	24,033	
Contributions restricted for capital additions	(5,588,505)	(649,281)
Contributions restricted for endowment	(150,000)	
Net realized and unrealized (gain) loss on investments	102,775	(99,039)
Changes in operating assets and liabilities:		
Accounts receivable	(11,332)	(2,284)
Prepaid and other assets	(3,068)	3,270
Contributions receivable for operations	(300,105)	(201,032)
Accounts payable and other accrued liabilities	4,918	(54,269)
Accrued salaries and benefits	(33,591)	96
Deferred revenue	15,000	
Operating lease liabilities	(24,033)	
Net cash used by operating activities	<u>(706,593)</u>	<u>(119,631)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(5,555,318)	(59,842)
Net change in cash and money market mutual funds held as investments	167,132	(75,650)
Proceeds from sales and maturities of investments	109,892	129,740
Purchase of property and equipment	<u>(1,634,232)</u>	<u>(75,092)</u>
Net cash used by investing activities	<u>(6,912,526)</u>	<u>(80,844)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from contributions restricted for capital additions	5,008,374	1,376,825
Proceeds from contributions restricted for endowment	<u>150,000</u>	
Net cash provided by financing activities	<u>5,158,374</u>	<u>1,376,825</u>
NET CHANGE IN CASH	(2,460,745)	1,176,350
Cash, beginning of year	<u>4,337,924</u>	<u>3,161,574</u>
Cash, end of year <i>(Note 3)</i>	<u>\$ 1,877,179</u>	<u>\$ 4,337,924</u>
 <i>Supplemental disclosure of cash flow information:</i>		
Operating lease right-of-use asset financed by new lease liability	\$107,609	

See accompanying notes to financial statements.

Houston's Amazing Place, Inc.

Notes to Financial Statements for the years ended December 31, 2022 and 2021

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 at no 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
- West University United Methodist

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.

In 2021, Amazing Place received a collaborative grant from the Administration for Community Living to launch three new and expanded initiatives. The Faith Care Connection program was expanded into the West Houston/Katy community, working alongside churches to serve older adults living alone at risk, or with dementia. In addition, the Faith Care Connection team trains clergy, staff and lay leaders about how to become dementia-friendly congregations. The Star C program utilizes experienced volunteers as trained consultants to offer in-home interventions to caregivers, utilizing an evidence-based intervention to manage difficult behaviors. The third initiative is Amazing Place's first Spanish program – Cuidando con Respeto (Caring with Respect) – which is being delivered to family caregivers caring for a loved one with dementia in Spanish speaking congregations.

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. Cash held for long-term investment is grouped with investments and is excluded from cash reported in the statement of cash flows.

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 were \$49,609, \$38,277 and \$35,993 at December 31, 2022, 2021 and 2020, respectively.

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

	<u>2022</u>	<u>2021</u>
U. S. Department of Veterans Affairs	16%	38%
Private pay	84%	62%

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

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 5,706 volunteer hours with an estimated value of \$170,000 in 2022 and 4,215 volunteer hours with an estimated value of \$120,000 in 2021 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.

Program revenue is derived primarily from contracts with individuals or third-party payors to provide an in-person day center and virtual activity programs for adults from the greater Houston area with mild to moderate dementia. Additionally, nutritional meals were sold to program participants and to the Houston community at large. Revenue is 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, virtual activity programs, or a hybrid of the two, 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 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). Services rendered to participants referred by the Houston Area Agency on Aging (AAA) are paid at daily rates negotiated and agreed to by AAA and Amazing Place. 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.

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 2022, 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.

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>2022</u>	<u>2021</u>
Financial assets:		
Cash	\$ 1,877,179	\$ 4,337,924
Accounts receivable	49,609	38,277
Contributions receivable, net	2,575,217	1,694,981
Investments	<u>6,356,737</u>	<u>1,181,218</u>
Total financial assets	10,858,742	7,252,400
Less financial assets not available for general expenditure:		
Contributions receivable for capital additions	(1,922,604)	(1,342,473)
Endowment assets less amounts appropriated for upcoming year	(1,094,632)	(1,099,707)
Cash board-designated for capital campaign	(800,000)	(800,000)
Board-designated reserves less amounts to be used for upcoming year	(159,247)	(170,618)
Cash and investments restricted for capital campaign	(5,612,850)	(2,552,858)
Purpose-restricted net assets not expected to be satisfied in upcoming year	<u>(61,197)</u>	<u>(392,316)</u>
Total financial assets available for general expenditure	<u>\$ 1,208,212</u>	<u>\$ 894,428</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 \$159,247 at December 31, 2022. 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.

To enhance its liquidity, Amazing Place received an unsecured bank loan of \$387,764 in March 2021, funded under the Small Business Administration's Second Draw Paycheck Protection Program (PPP). The loan was forgiven as Amazing Place met the eligibility requirements and used the loan to fund qualified payroll and other eligible costs. The amount forgiven was recognized as contribution revenue in 2021. In addition, Amazing Place received Employee Retention Credit (ERC) grants under the Coronavirus Aid, Relief, and Economic Security Act in the amounts of \$424,502 and \$164,970 in 2022 and 2021, respectively.

NOTE 3 – CASH

Cash consists of the following:

	<u>2022</u>	<u>2021</u>
Operating cash	\$ 524,798	\$ 840,670
Board-designated reserves	159,247	144,396
Board-designated for capital campaign	800,000	800,000
Cash restricted for capital campaign	<u>393,134</u>	<u>2,552,858</u>
Total cash	<u>\$ 1,877,179</u>	<u>\$ 4,337,924</u>

NOTE 4 – CONTRIBUTIONS RECEIVABLE

Contributions receivable are as follows:

	<u>2022</u>	<u>2021</u>
Contributions receivable	\$ 2,642,268	\$ 1,722,846
Discount to net present value at 0.17% to 4.22%	(56,993)	(27,865)
Allowance for uncollectible contributions	<u>(10,058)</u>	<u> </u>
Contributions receivable, net	2,575,217	1,694,981
Contributions receivable for capital additions, net	<u>(1,922,604)</u>	<u>(1,342,473)</u>
Operating contributions receivable, net	<u>\$ 652,613</u>	<u>\$ 352,508</u>

Contributions receivable at December 31, 2022 are expected to be collected as follows:

Less than one year	\$ 1,588,268
One to five years	<u>1,054,000</u>
Total contributions receivable	<u>\$ 2,642,268</u>

NOTE 5 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

Investments consist of the following:

	<u>2022</u>	<u>2021</u>
U. S. Treasury securities	\$ 5,260,158	
Common stock	542,229	\$ 524,256
Money market mutual fund	301,423	481,298
Corporate bonds	227,304	158,290
Preferred stock	<u>12,880</u>	<u>17,374</u>
Total investments at fair value	6,343,994	1,181,218
Cash	<u>12,743</u>	<u> </u>
Total investments	6,356,737	1,181,218
Investments restricted for endowment	(1,137,021)	(1,139,194)
Investments restricted for capital campaign	<u>(5,219,716)</u>	<u> </u>
Investments held for board-designated reserves	<u>\$ 0</u>	<u>\$ 42,024</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, 2022 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
Investments:				
U. S. Treasury securities	\$ 5,260,158			\$ 5,260,158
Common stock:				
Information technology	124,760			124,760
Consumer	124,670			124,670
Healthcare	88,560			88,560
Industrial and materials	83,706			83,706
Utilities and telecommunication	69,233			69,233
Financial	41,270			41,270
Energy	10,030			10,030
Money market mutual fund	301,423			301,423
Corporate bonds		\$ 227,304		227,304
Preferred stock	<u>12,880</u>			<u>12,880</u>
Total assets measured at fair value	<u>\$ 6,116,690</u>	<u>\$ 227,304</u>	<u>\$ 0</u>	<u>\$ 6,343,994</u>

Assets measured at fair value at December 31, 2021 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
Investments:				
Common stock:				
Information technology	\$ 133,698			\$ 133,698
Consumer	137,495			137,495
Healthcare	59,203			59,203
Industrial and materials	59,631			59,631
Utilities and telecommunication	91,643			91,643
Financial	42,586			42,586
Money market mutual fund	481,298			481,298
Corporate bonds		\$ 158,290		158,290
Preferred stock	<u>17,374</u>			<u>17,374</u>
Total assets measured at fair value	<u>\$ 1,022,928</u>	<u>\$ 158,290</u>	<u>\$ 0</u>	<u>\$ 1,181,218</u>

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

- *U. S. Treasury securities* are valued using prices obtained from active market makers and inter-dealer brokers on a daily basis.
- *Common and preferred stock* are valued at the closing price reported on the active market on which the individual securities are traded.
- *Mutual fund* is 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.

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 – LEASES

Amazing Place adopted Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*, effective January 1, 2022, using a modified retrospective method recognizing the cumulative effect on the date of adoption without restating any prior year amounts or disclosures. Adoption of this ASU had no impact on total beginning net assets at January 1, 2022. The following accounting policy elections were made in connection with implementation of the new standard:

- *Short-term leases* – Amazing Place has elected to not apply the new guidance to leases with terms of 12 months or less. Instead, these leases are recognized as expense on a straight-line basis over the lease term.
- *Discount rates* – Amazing Place elected to use a risk-free discount rate as the discount rate when the rate implicit in a lease is not readily determinable.
- *Lease and non-lease components* – Amazing Place elected the practical expedient to choose whether to separate non-lease components from lease components by class of underlying assets or account for them as a single lease component. Amazing Place elected not to separate lease and non-lease components for office space leases and long-term ground leases.

At December 31, 2022, operating lease right-of-use assets and lease liabilities included a real estate lease for office space and a long-term ground lease for a portion of the land occupied by its facility. Right-of-use assets are recognized at the present value of the lease payments at the inception of the lease adjusted, as appropriate, for certain other payments and allowances related to obtaining the lease and placing the asset in service. Operating lease right-of-use assets are amortized so that lease costs remain constant over the lease term.

The components of lease costs for the year ended December 31, 2022 are as follows:

Operating lease costs	\$ 28,750
Short-term lease costs	<u>14,592</u>
Total lease costs	<u>\$ 43,342</u>

Lease costs recognized during the year ended December 31, 2021, prior to adoption of the new accounting standard, were \$10,454.

Cash paid for amounts included in the measurement of lease liabilities during the year ended December 31, 2022:

Operating leases – operating cash outflows	\$28,750
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The weighted-average term and discount rates for operating leases outstanding as of December 31, 2022:

Weighted-average remaining lease term	246 months
Weighted-average discount rate	0.31%

Undiscounted cash flows related to operating lease liabilities at December 31, 2022 are as follows:

2023	\$ 46,750
2024	46,750
2025	3,550
2026	3,550
2027	3,550
Thereafter	<u>140,519</u>
Total undiscounted cash flows	244,669
Less discount to present value	<u>(96,055)</u>
Total discounted present value of lease liabilities	<u>\$ 148,614</u>

NOTE 7 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>2022</u>	<u>2021</u>
Land	\$ 1,955,142	\$ 1,955,142
Building and improvements	6,111,994	4,700,239
Furniture and fixtures	605,885	508,271
Office equipment	281,374	289,210
Vehicles	61,938	61,938
Construction in progress	<u>665,609</u>	<u>468,567</u>
Total property and equipment, at cost	9,681,942	7,983,367
Accumulated depreciation	<u>(1,972,280)</u>	<u>(1,810,877)</u>
Property and equipment, net	<u>\$ 7,709,662</u>	<u>\$ 6,172,490</u>

NOTE 8 – NOTES PAYABLE

Amazing Place has a \$250,000 revolving line of credit with a bank with interest at prime rate plus 0.5 percentage points (8.0% at December 31, 2022), which expires on June 25, 2023. There are no amounts outstanding on this line of credit at December 31, 2022. 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 \$31,600 and \$31,593 was capitalized in 2022 and 2021, respectively.

Principal payments at December 31, 2022 are due as follows:

2023	\$	14,244
2024		29,346
2025		30,613
2026		31,845
2027		33,126
Thereafter		<u>660,826</u>
Total	\$	<u>800,000</u>

NOTE 9 – NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions are comprised of the following:

	<u>2022</u>	<u>2021</u>
Property and equipment, net	\$ 6,244,053	\$ 4,903,923
Undesignated	1,031,542	881,947
Designated for capital campaign	800,000	800,000
Board-designated reserves:		
Operating	101,225	92,488
Scholarships	36,315	36,315
Maintenance	12,254	30,000
Capital	<u>9,453</u>	<u>31,815</u>
Total net assets without donor restrictions	<u>\$ 8,234,842</u>	<u>\$ 6,776,488</u>

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

- Operating Reserve – 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.

- Maintenance Reserve – 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.
- Capital Reserve – 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.

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

NOTE 10 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as follows:

	<u>2022</u>	<u>2021</u>
Subject to expenditure for specified purpose:		
<i>Amazing Together</i> Campaign – capital	\$ 7,704,333	\$ 4,044,864
<i>Amazing Together</i> Campaign – scholarships	382,352	222,810
Participant scholarships	124,348	209,506
Connections Program	15,000	78,134
Other	<u>7,759</u>	<u>4,559</u>
Total subject to expenditure for specified purpose	8,233,792	4,559,873
Subject to passage of time:		
Contributions receivable that are not restricted by donors, but which are unavailable for expenditures until due	15,625	57,648
Endowments:		
Subject to spending policy and appropriation:		
General operations	<u>1,137,021</u>	<u>1,139,194</u>
Total net assets with donor restrictions	<u>\$ 9,386,438</u>	<u>\$ 5,756,715</u>

NOTE 11 – ENDOWMENT FUNDS

Amazing Place has a donor-restricted endowment fund to support operations, which is maintained in accordance with explicit donor stipulations and is 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 the 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, 2022 and 2021.

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>		
	ACCUMULATED NET INVESTMENT RETURN	REQUIRED TO BE MAINTAINED IN PERPETUITY	<u>TOTAL</u>
Endowment net assets, December 31, 2020	\$ 350,497	\$ 725,882	\$ 1,076,379
Net investment return	104,790		104,790
Distributions	<u>(41,975)</u>		<u>(41,975)</u>
Endowment net assets, December 31, 2021	<u>413,312</u>	<u>725,882</u>	<u>1,139,194</u>
Contribution		150,000	150,000
Net investment return	(112,173)		(112,173)
Distributions	<u>(40,000)</u>		<u>(40,000)</u>
Endowment net assets, December 31, 2022	<u>\$ 261,139</u>	<u>\$ 875,882</u>	<u>\$ 1,137,021</u>

Endowment net assets are comprised of investments at December 31, 2022 and 2021.

NOTE 12 – CONDITIONAL CONTRIBUTIONS

In addition to the PPP loan and ERC grants disclosed in Note 2, Amazing Place received two other conditional contributions. In October 2021, Amazing Place received a conditional contribution from a foundation totaling \$2,000,000 for the *Amazing Together* Campaign. The contribution was conditioned upon raising an additional \$2,420,202 for the *Amazing Together* Campaign by October 12, 2022. As of December 31, 2022, \$2,000,000 was recognized as contribution revenue as the conditions were met.

In September 2021, Amazing Place was awarded a grant from the Administration for Community Living, U. S. Department of Health and Human Services (ACL-DHHS) 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 \$985,883, with an additional \$328,627 of matching funds to be raised by Amazing Place over the three-year period. During 2022, Amazing Place recognized \$219,781 in contribution revenue under this cooperative agreement as it incurred expenditures in compliance with grant provisions and met the match. At December 31, 2022, Amazing Place has \$766,103 of conditional contributions from the ACL-DHHS 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 13 – 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, 2022 and 2021:

	2022			
	OVER TIME		POINT-IN-TIME	
	IN-PERSON PROGRAMS	VIRTUAL ACTIVITY PROGRAMS	NUTRITIONAL MEALS	TOTAL
Private pay	\$ 584,973	\$ 53,993	\$ 39,004	\$ 677,970
U. S. Department of Veterans Affairs	80,284			80,284
Harris County Area Agency on Aging	41,175			41,175
Commercial insurance	142,167	9,067		151,234
Total	\$ 848,599	\$ 63,060	\$ 39,004	\$ 950,663
	2021			
	OVER TIME		POINT-IN-TIME	
	IN-PERSON PROGRAMS	VIRTUAL ACTIVITY PROGRAMS	NUTRITIONAL MEALS	TOTAL
Private pay	\$ 314,084	\$ 94,329	\$ 49,285	\$ 457,698
U. S. Department of Veterans Affairs	62,315	26,178		88,493
Commercial insurance	69,719	12,630		82,349
Total	\$ 446,118	\$ 133,137	\$ 49,285	\$ 628,540

Amazing Place awarded scholarships to participants of \$75,805 and \$50,066 in fiscal years 2022 and 2021, respectively.

NOTE 14 – CONCENTRATIONS

At December 31, 2022 and 2021, approximately 74% and 66% of contributions receivable, respectively, are due from four donors. During 2022, contributions from three donors comprised 48% of total contributions. During 2021, contributions from four donors comprised 40% of total contributions.

NOTE 15 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 26, 2023, 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.
