

Houston's Amazing Place, Inc.

Financial Statements
and Independent Auditors' Report
for the years ended December 31, 2014 and 2013

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, 2014 and 2013 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, 2014 and 2013 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 19, 2015

Houston's Amazing Place, Inc.

Statements of Financial Position as of December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
Cash (Note 2)	\$ 515,014	\$ 477,349
Prepaid and other assets	78,948	69,229
Investments (Notes 3 and 4)	213,254	199,185
Cash designated for maintenance and replacement of property and equipment (Note 2)	65,472	41,266
Cash restricted for property and endowment (Note 2)	25,688	33,042
Pledges receivable restricted for endowment, net		1,665
Investments restricted for endowment (Notes 3 and 4)	859,764	815,164
Property and equipment, net (Note 5)	<u>5,200,661</u>	<u>5,268,089</u>
TOTAL ASSETS	<u>\$ 6,958,801</u>	<u>\$ 6,904,989</u>
LIABILITIES AND NET ASSETS		
Liabilities – accounts payable and accrued liabilities	<u>\$ 102,546</u>	<u>\$ 120,549</u>
Net assets (Note 9):		
Unrestricted (Note 7)	5,765,254	5,685,003
Temporarily restricted (Note 8)	365,119	376,167
Permanently restricted	<u>725,882</u>	<u>723,270</u>
Total net assets	<u>6,856,255</u>	<u>6,784,440</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 6,958,801</u>	<u>\$ 6,904,989</u>

See accompanying notes to financial statements.

Houston's Amazing Place, Inc.

Statement of Activities for the year ended December 31, 2014

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
REVENUE:				
Contributions	\$ 648,468	\$ 271,719	\$ 2,612	\$ 922,799
Participant revenue, net of scholarships of \$151,722	850,163			850,163
Special events	473,860			473,860
Direct donor benefit	(46,599)			(46,599)
Investment return, net (<i>Note 3</i>)	<u>14,124</u>	<u>59,776</u>		<u>73,900</u>
Total revenue	1,940,016	331,495	2,612	2,274,123
Net assets released from restrictions:				
Program expenditures	264,790	(264,790)		
Capital expenditures	<u>77,753</u>	<u>(77,753)</u>		
Total	<u>2,282,559</u>	<u>(11,048)</u>	<u>2,612</u>	<u>2,274,123</u>
EXPENSES:				
Program services	1,409,638			1,409,638
Management and general	533,217			533,217
Development	<u>259,453</u>			<u>259,453</u>
Total expenses	<u>2,202,308</u>			<u>2,202,308</u>
CHANGES IN NET ASSETS	80,251	(11,048)	2,612	71,815
Net assets, beginning of year	<u>5,685,003</u>	<u>376,167</u>	<u>723,270</u>	<u>6,784,440</u>
Net assets, end of year	<u>\$ 5,765,254</u>	<u>\$ 365,119</u>	<u>\$ 725,882</u>	<u>\$ 6,856,255</u>

See accompanying notes to financial statements.

Houston's Amazing Place, Inc.

Statement of Activities for the year ended December 31, 2013

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
REVENUE:				
Contributions	\$ 580,708	\$ 265,602		\$ 846,310
Participant revenue, net of scholarships of \$117,704	679,354			679,354
Special events	357,496			357,496
Direct donor benefit	(35,774)			(35,774)
Investment return, net (<i>Note 3</i>)	<u>27,100</u>	<u>98,095</u>		<u>125,195</u>
Total revenue	1,608,884	363,697		1,972,581
Net assets released from restrictions:				
Program expenditures	387,481	(387,481)		
Capital expenditures	<u>31,917</u>	<u>(31,917)</u>		
Total	<u>2,028,282</u>	<u>(55,701)</u>		<u>1,972,581</u>
EXPENSES:				
Program services	1,236,811			1,236,811
Management and general	479,838			479,838
Development	<u>258,154</u>			<u>258,154</u>
Total expenses	<u>1,974,803</u>			<u>1,974,803</u>
CHANGES IN NET ASSETS	53,479	(55,701)		(2,222)
Net assets, beginning of year	<u>5,631,524</u>	<u>431,868</u>	<u>\$ 723,270</u>	<u>6,786,662</u>
Net assets, end of year	<u>\$ 5,685,003</u>	<u>\$ 376,167</u>	<u>\$ 723,270</u>	<u>\$ 6,784,440</u>

See accompanying notes to financial statements.

Houston's Amazing Place, Inc.

Statements of Functional Expenses for the years ended December 31, 2014 and 2013

	PROGRAM SERVICES	MANAGEMENT AND GENERAL	DEVELOPMENT	2014 TOTAL EXPENSES
Payroll and related payroll expenses	\$ 872,858	\$ 366,218	\$ 182,604	\$ 1,421,680
Depreciation	143,356	25,005	10,008	178,369
Building maintenance	123,713	29,959	10,118	163,790
Food service	108,857			108,857
Postage, printing, and reproduction	10,477	14,653	25,541	50,671
Utilities	37,095	8,996	3,486	49,577
Office supplies and expenses	29,673	8,312	10,146	48,131
Marketing and advertising	4,634	40,930	773	46,337
Insurance	29,501	10,425	2,416	42,342
Program equipment and supplies	25,788			25,788
Transportation	22,111			22,111
Professional services		19,514	2,102	21,616
Other	1,575	9,205	12,259	23,039
Total expenses	<u>\$ 1,409,638</u>	<u>\$ 533,217</u>	<u>\$ 259,453</u>	2,202,308
Direct donor benefit				<u>46,599</u>
Total				<u>\$ 2,248,907</u>

	PROGRAM SERVICES	MANAGEMENT AND GENERAL	DEVELOPMENT	2013 TOTAL EXPENSES
Payroll and related payroll expenses	\$ 751,875	\$ 302,075	\$ 156,662	\$ 1,210,612
Depreciation	136,792	27,711	9,475	173,978
Building maintenance	105,724	27,452	8,411	141,587
Food service	91,934			91,934
Postage, printing, and reproduction	7,470	2,730	36,207	46,407
Utilities	34,810	8,038	3,663	46,511
Office supplies and expenses	28,803	9,078	9,883	47,764
Marketing and advertising	6,299	64,044	14,267	84,610
Insurance	26,912	9,988	2,378	39,278
Program equipment and supplies	28,326			28,326
Transportation	15,607			15,607
Professional services		18,815		18,815
Other	2,259	9,907	17,208	29,374
Total expenses	<u>\$ 1,236,811</u>	<u>\$ 479,838</u>	<u>\$ 258,154</u>	1,974,803
Direct donor benefit				<u>35,774</u>
Total				<u>\$ 2,010,577</u>

See accompanying notes to financial statements.

Houston's Amazing Place, Inc.

Statements of Cash Flows for the years ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 71,815	\$ (2,222)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	178,369	173,978
Contributions restricted for property and equipment	(104,750)	(21,059)
Contributions restricted for endowment	(2,612)	
Loss on disposal of property and equipment	1,344	3,193
Net realized and unrealized gain on investments	(45,369)	(98,887)
Changes in operating assets and liabilities:		
Prepaid and other assets	(10,609)	(24,024)
Operating pledges receivable	890	86,728
Accounts payable and accrued liabilities	<u>(18,003)</u>	<u>44,858</u>
Net cash provided by operating activities	<u>71,075</u>	<u>162,565</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(187,429)	(274,848)
Net change in money market mutual funds held as investments	1,852	84,797
Proceeds from sales and maturities of investments	172,277	147,372
Proceeds from sale of fixed assets		1,901
Net change in restricted and designated cash	(16,852)	33,507
Purchase of property and equipment	<u>(112,285)</u>	<u>(56,215)</u>
Net cash used by investing activities	<u>(142,437)</u>	<u>(63,486)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from contributions restricted for property and equipment	104,750	21,059
Proceeds from contributions restricted for endowment	<u>4,277</u>	<u>4,168</u>
Net cash provided by financing activities	<u>109,027</u>	<u>25,227</u>
NET CHANGE IN CASH	37,665	124,306
Cash, beginning of year	<u>477,349</u>	<u>353,043</u>
Cash, end of year	<u>\$ 515,014</u>	<u>\$ 477,349</u>

See accompanying notes to financial statements.

Houston's Amazing Place, Inc.

Notes to Financial Statements for the years ended December 31, 2014 and 2013

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 and 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. Amazing Place offers 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
- The Church of 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

In January 2015, Christ Church Cathedral became a sponsoring church.

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). Amazing Place files annual federal information returns that are subject to routine examination; however, there are no examinations for any tax periods currently in progress. Amazing Place believes it is no longer subject to examinations of returns for tax years ended before December 31, 2011.

Cash includes highly liquid financial instruments with original maturities of three months or less. At times, bank deposits exceed the federally insured limit per depositor per institution.

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 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.

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.

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 reported 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 5,500 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.

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.

Reclassifications – Certain reclassifications have been made to the prior year financial statements to conform with the current presentation.

NOTE 2 – CASH

Cash consists of the following:

	<u>2014</u>	<u>2013</u>
Demand deposits	\$ 606,174	\$ 551,657
Less: Cash designated for maintenance and replacement of property and equipment	(65,472)	(41,266)
Less: Cash restricted for property and endowment	<u>(25,688)</u>	<u>(33,042)</u>
Total cash	<u>\$ 515,014</u>	<u>\$ 477,349</u>

NOTE 3 – INVESTMENTS

Investments consist of the following:

	<u>2014</u>	<u>2013</u>
Common stock	\$ 583,029	\$ 557,647
Corporate bonds	327,770	336,083
Money market mutual funds	68,726	70,578
Real estate investment trusts	57,474	16,405
Preferred stock	<u>36,019</u>	<u>33,636</u>
Total investments	1,073,018	1,014,349
Less: Investments restricted for endowment	<u>(859,764)</u>	<u>(815,164)</u>
Operating investments	<u>\$ 213,254</u>	<u>\$ 199,185</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>2014</u>	<u>2013</u>
Interest and dividends	\$ 35,211	\$ 32,501
Net realized and unrealized gain on investments	45,369	98,887
Investment management fees	<u>(6,680)</u>	<u>(6,193)</u>
Investment return, net	<u>\$ 73,900</u>	<u>\$ 125,195</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, 2014 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
Investments:				
Common stock:				
Industrial and materials	\$ 141,944			\$ 141,944
Consumer	135,433			135,433
Healthcare	101,029			101,029
Information technology	94,459			94,459
Financial	40,386			40,386
Energy	37,380			37,380
Utilities and telecommunication	32,398			32,398
Corporate bonds:				
Maturity dates of 1-5 years		\$ 222,803		222,803
Maturity dates of 6-10 years		45,274		45,274
Maturity dates of 11 or more years		59,693		59,693
Money market mutual funds	68,726			68,726
Real estate investment trusts	57,474			57,474
Preferred stock	36,019			36,019
Total assets measured at fair value	<u>\$ 745,248</u>	<u>\$ 327,770</u>	<u>\$ 0</u>	<u>\$ 1,073,018</u>

Assets measured at fair value at December 31, 2013 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
Investments:				
Common stock:				
Industrial and materials	\$ 175,633			\$ 175,633
Consumer	119,208			119,208
Healthcare	63,748			63,748
Information technology	80,751			80,751
Financial	39,945			39,945
Energy	67,142			67,142
Utilities and telecommunication	11,220			11,220
Corporate bonds:				
Maturity dates of 1-5 years		\$ 203,835		203,835
Maturity dates of 11 or more years		57,695		57,695
Maturity dates of 6-10 years		74,553		74,553
Money market mutual funds	70,578			70,578
Real estate investment trusts	16,405			16,405
Preferred stock	33,636			33,636
Total assets measured at fair value	<u>\$ 678,266</u>	<u>\$ 336,083</u>	<u>\$ 0</u>	<u>\$ 1,014,349</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.
- *Money market mutual funds* are valued at the reported 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>2014</u>	<u>2013</u>
Land	\$ 903,813	\$ 903,813
Building and improvements	4,439,812	4,413,142
Office equipment	158,052	122,554
Furniture and fixtures	393,273	387,507
Vehicles	61,938	61,938
Total property and equipment, at cost	5,956,888	5,888,954
Accumulated depreciation	(756,227)	(620,865)
Property and equipment, net	<u>\$ 5,200,661</u>	<u>\$ 5,268,089</u>

NOTE 6 – LINE OF CREDIT

In January 2014, Amazing Place entered into a \$250,000 revolving line of credit with a bank with interest at prime rate. There were no amounts outstanding on this line of credit at December 31, 2014. The line of credit expires on January 30, 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>2014</u>	<u>2013</u>
Property and equipment, net	\$ 5,200,661	\$ 5,268,089
Undesignated	499,121	375,648
Board-designated maintenance reserve	40,402	22,462
Board-designated capital reserve	<u>25,070</u>	<u>18,804</u>
Total unrestricted net assets	<u>\$ 5,765,254</u>	<u>\$ 5,685,003</u>

NOTE 8 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	<u>2014</u>	<u>2013</u>
Accumulated earnings on general endowment	\$ 159,570	\$ 122,724
Participant scholarships	154,324	197,177
Information technology	28,382	
Memory Prevention Nutrition Program	16,884	25,330
Marketing		24,842
Other	<u>5,959</u>	<u>6,094</u>
Total temporarily restricted net assets	<u>\$ 365,119</u>	<u>\$ 376,167</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.

Changes in the donor-restricted endowment fund at December 31, 2014 and 2013 are as follows:

	<u>UNRESTRICTED</u>	TEMPORARILY <u>RESTRICTED</u>	PERMANENTLY <u>RESTRICTED</u>	<u>TOTAL</u>
Endowment net assets, December 31, 2012	\$ 0	\$ 39,290	\$ 723,270	\$ 762,560
Investment return:				
Interest and dividends		26,509		26,509
Net realized and unrealized gain		76,613		76,613
Investment management fees		<u>(5,027)</u>		<u>(5,027)</u>
Total investment return		<u>98,095</u>		<u>98,095</u>
Distributions		<u>(14,661)</u>		<u>(14,661)</u>
Endowment net assets, December 31, 2013	<u>0</u>	<u>122,724</u>	<u>723,270</u>	<u>845,994</u>
Investment return:				
Interest and dividends		28,910		28,910
Net realized and unrealized gain		36,281		36,281
Investment management fees		<u>(5,415)</u>		<u>(5,415)</u>
Total investment return		<u>59,776</u>		<u>59,776</u>
Contributions			2,612	2,612
Distributions		<u>(22,930)</u>		<u>(22,930)</u>
Endowment net assets, December 31, 2014	<u>\$ 0</u>	<u>\$ 159,570</u>	<u>\$ 725,882</u>	<u>\$ 885,452</u>

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.

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 2014 and 2013. Future minimum rental payments due under the lease are as follows:

2015	\$ 3,550
2016	3,550
2017	3,550
2018	3,550
2019	3,550
Thereafter through 2067	<u>167,440</u>
Total	<u>\$ 185,190</u>

NOTE 11 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 19, 2015, 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.