

Houston's Amazing Place, Inc.

Financial Statements
and Independent Auditors' Report
for the years ended December 31, 2009 and 2008

Independent Auditors' Report

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

We have audited the accompanying statements of financial position of Houston's Amazing Place, Inc. (formerly The Seniors Place, Inc.) as of December 31, 2009 and 2008 and the related statements of activities, of functional expenses, and of cash flows for the years then ended. These financial statements are the responsibility of Houston's Amazing Place, Inc.'s management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2009 and 2008 and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Blazek & Vetterling

June 21, 2010

Houston's Amazing Place, Inc.

Statements of Financial Position as of December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
ASSETS		
Cash and cash equivalents <i>(Notes 2 and 3)</i>	\$ 507,276	\$ 501,285
Prepaid and other assets	126,794	10,832
Pledges receivable, net <i>(Note 4)</i>	562,140	2,030,136
Restricted cash and cash equivalents <i>(Notes 2 and 3)</i>	2,184,212	3,047,115
Property and equipment, net <i>(Note 5)</i>	<u>4,254,872</u>	<u>1,385,450</u>
 TOTAL ASSETS	 <u>\$ 7,635,294</u>	 <u>\$ 6,974,818</u>

LIABILITIES AND NET ASSETS

Liabilities:

Accounts payable and accrued liabilities	\$ 55,251	\$ 59,119
Construction payables	<u>386,828</u>	<u>20,051</u>
Total liabilities	<u>442,079</u>	<u>79,170</u>

Net assets:

Unrestricted net assets	1,576,919	1,559,819
Temporarily restricted net assets <i>(Note 7)</i>	4,919,296	4,638,829
Permanently restricted net assets <i>(Note 8)</i>	<u>697,000</u>	<u>697,000</u>
Total net assets	<u>7,193,215</u>	<u>6,895,648</u>

TOTAL LIABILITIES AND NET ASSETS	<u>\$ 7,635,294</u>	<u>\$ 6,974,818</u>
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See accompanying notes to financial statements.

Houston's Amazing Place, Inc.

Statement of Activities for the year ended December 31, 2009

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
REVENUE:				
Contributions (<i>Note 10</i>)	\$ 476,396	\$ 352,455		\$ 828,851
Participant revenue, net of scholarships of \$28,059	354,045			354,045
Special events	177,605			177,605
Less direct donor benefit	(29,188)			(29,188)
Investment income	<u>1,731</u>	<u>7,096</u>		<u>8,827</u>
Total revenue	980,589	359,551		1,340,140
Net assets released from restrictions	<u>79,084</u>	<u>(79,084)</u>		
Total	<u>1,059,673</u>	<u>280,467</u>		<u>1,340,140</u>
EXPENSES:				
Program services	552,088			552,088
Management and general	247,838			247,838
Development	<u>242,647</u>			<u>242,647</u>
Total expenses	<u>1,042,573</u>			<u>1,042,573</u>
CHANGES IN NET ASSETS	17,100	280,467		297,567
Net assets, beginning of year	<u>1,559,819</u>	<u>4,638,829</u>	<u>\$ 697,000</u>	<u>6,895,648</u>
Net assets, end of year	<u>\$ 1,576,919</u>	<u>\$ 4,919,296</u>	<u>\$ 697,000</u>	<u>\$ 7,193,215</u>

See accompanying notes to financial statements.

Houston's Amazing Place, Inc.

Statement of Activities for the year ended December 31, 2008

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
REVENUE:				
Contributions (<i>Note 10</i>)	\$ 229,619	\$ 2,899,334	\$ 697,000	\$ 3,825,953
Participant revenue, net of scholarships of \$28,027	324,750			324,750
Special events	164,605			164,605
Less direct donor benefit	(22,447)			(22,447)
Investment income	4,890	20,155		25,045
Rental income	<u>15,000</u>	<u></u>	<u></u>	<u>15,000</u>
Total revenue	716,417	2,919,489	697,000	4,332,906
Net assets released from restrictions	<u>192,470</u>	<u>(192,470)</u>	<u></u>	<u></u>
Total	<u>908,887</u>	<u>2,727,019</u>	<u>697,000</u>	<u>4,332,906</u>
EXPENSES:				
Program services	507,977			507,977
Management and general	215,141			215,141
Development	<u>237,844</u>			<u>237,844</u>
Total expenses	<u>960,962</u>	<u></u>	<u></u>	<u>960,962</u>
CHANGES IN NET ASSETS	(52,075)	2,727,019	697,000	3,371,944
Net assets, beginning of year	<u>1,611,894</u>	<u>1,911,810</u>	<u></u>	<u>3,523,704</u>
Net assets, end of year	<u>\$ 1,559,819</u>	<u>\$ 4,638,829</u>	<u>\$ 697,000</u>	<u>\$ 6,895,648</u>

See accompanying notes to financial statements.

Houston's Amazing Place, Inc.

Statement of Functional Expenses for the year ended December 31, 2009

	<u>PROGRAM SERVICES</u>	<u>MANAGEMENT AND GENERAL</u>	<u>DEVELOPMENT</u>	<u>TOTAL EXPENSES</u>
Payroll and related payroll expenses	\$ 350,966	\$ 122,575	\$ 148,723	\$ 622,264
Marketing and advertising	8,006	40,299	6,030	54,335
Food service	47,411			47,411
Rent	27,000	12,731	5,290	45,021
Depreciation	29,578	5,450	6,004	41,032
Postage, printing, and reproduction	1,658	1,400	33,176	36,234
Office supplies and expenses	15,513	8,112	7,502	31,127
Taxes and utilities for site of new facility		23,242		23,242
Professional services		21,155	337	21,492
Utilities	18,970	2,108		21,078
Transportation	20,627			20,627
Insurance	5,692	6,917	1,632	14,241
Building maintenance	11,690	1,299		12,989
Program equipment and supplies	10,988			10,988
Other	<u>3,989</u>	<u>2,550</u>	<u>2,323</u>	<u>8,862</u>
Subtotal	552,088	247,838	211,017	1,010,943
Building for Generations:				
Professional services			25,500	25,500
Printing			4,806	4,806
Other			<u>1,324</u>	<u>1,324</u>
Total	<u>\$ 552,088</u>	<u>\$ 247,838</u>	<u>\$ 242,647</u>	1,042,573
Direct donor benefit				<u>29,188</u>
Total expenses				<u>\$1,071,761</u>

See accompanying notes to financial statements.

Houston's Amazing Place, Inc.

Statement of Functional Expenses for the year ended December 31, 2008

	<u>PROGRAM SERVICES</u>	<u>MANAGEMENT AND GENERAL</u>	<u>DEVELOPMENT</u>	<u>TOTAL EXPENSES</u>
Payroll and related payroll expenses	\$ 319,079	\$ 96,666	\$ 112,722	\$ 528,467
Marketing and advertising	7,495	9,500	2,475	19,470
Food service	43,913			43,913
Rent	27,000	10,291	4,861	42,152
Depreciation	25,901	3,916	5,376	35,193
Postage, printing, and reproduction	5,561	1,385	27,315	34,261
Office supplies and expenses	13,424	8,421	9,247	31,092
Taxes and utilities for site of new facility		62,333		62,333
Professional services		9,666	2,416	12,082
Utilities	21,684	2,409		24,093
Transportation	18,525			18,525
Insurance	5,629	5,020	2,150	12,799
Building maintenance	10,385	1,790		12,175
Program equipment and supplies	6,359			6,359
Other	<u>3,022</u>	<u>3,744</u>	<u>1,436</u>	<u>8,202</u>
Subtotal	507,977	215,141	167,998	891,116
Building for Generations:				
Professional services			44,450	44,450
Printing			18,565	18,565
Other			<u>6,831</u>	<u>6,831</u>
Total	<u>\$ 507,977</u>	<u>\$ 215,141</u>	<u>\$ 237,844</u>	960,962
Direct donor benefit				<u>22,447</u>
Total expenses				<u>\$ 983,409</u>

See accompanying notes to financial statements.

Houston's Amazing Place, Inc.

Statements of Cash Flows for the years ended December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 297,567	\$ 3,371,944
Adjustments to reconcile changes in net assets to net cash used by operating activities:		
Depreciation	41,032	35,193
Contributions restricted for Building for Generations Campaign	(248,150)	(2,844,594)
Contributions restricted for endowment		(697,000)
Provision for uncollectible pledges receivable		30,000
Changes in operating assets and liabilities:		
Pledges receivable (excluding capital campaign)	28,395	(29,370)
Prepaid and other assets	(115,962)	25,591
Accounts payable and accrued liabilities	<u>(3,868)</u>	<u>(9,756)</u>
Net cash used by operating activities	<u>(986)</u>	<u>(117,992)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(2,543,677)	(157,050)
Net change in restricted cash and cash equivalents	<u>862,903</u>	<u>(2,535,641)</u>
Net cash used by investing activities	<u>(1,680,774)</u>	<u>(2,692,691)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from contributions restricted for Building for Generations Campaign	1,682,751	2,974,332
Proceeds from contributions restricted for endowments	<u>5,000</u>	<u>10,000</u>
Net cash provided by financing activities	<u>1,687,751</u>	<u>2,984,332</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	5,991	173,649
Cash and cash equivalents, beginning of year	<u>501,285</u>	<u>327,636</u>
Cash and cash equivalents, end of year	<u>\$ 507,276</u>	<u>\$ 501,285</u>

See accompanying notes to financial statements.

Houston's Amazing Place, Inc.

Notes to Financial Statements for the years ended December 31, 2009 and 2008

NOTE 1 – ORGANIZATION AND SUMMARY OF ACCOUNTING POLICIES

Organization – Houston's Amazing Place, Inc., formerly The Seniors Place, Inc. is a Texas non-profit member corporation chartered in September 1998 and located in Houston, Texas. In May 2009, the Board of Directors approved changing the name of The Seniors Place, Inc. to Houston's Amazing Place, Inc. to do business as Amazing Place effective October 14, 2009. 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. Amazing Place provides a faith-based professional day program specifically focused upon the needs of individuals with early to moderate memory loss in a structured, holistic environment with enriching social interaction, physical movement and cognitive activities recommended by physicians.

Amazing Place is governed by a board of directors which is comprised of representatives from local area churches, referred to as the sponsoring churches. The following churches are represented on the board of Amazing Place: Bellaire United Methodist, Bethany Christian, Central Presbyterian, Chapelwood United Methodist, South Main Baptist, St. Anne Catholic, St. John the Divine Episcopal, St. Luke's United Methodist, St. Martin's Episcopal, St. Michael Catholic, St. Paul's United Methodist, St. Philip's Presbyterian, and St. Stephen's Episcopal.

Beginning in the fall of 2006, Amazing Place launched a \$7.2 million campaign named "Building for Generations." The purpose of the campaign is to (a) build a non-residential, 13,700 square foot facility, (b) establish an endowment fund to be used to supplement operating income, and (c) create a scholarship fund so Amazing Place can continue to provide financial assistance to participants. In June 2010, Amazing Place moved into its new facility.

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 §509(a)(2).

Cash equivalents include highly liquid financial instruments with original maturities of three months or less.

Pledges receivable that are expected to be collected within one year are recorded 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 is stated 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 four to seven years.

Net asset classification – Contributions 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 investment return is available to support the operations of Amazing Place.

Contributions are recorded at fair value when an unconditional commitment is received from the donor. Contributions received with donor stipulations that limit their use are recorded as restricted support. Conditional contributions are recognized when the conditions are substantially met.

In-kind contributions – Donated materials, use of facilities and services are recorded 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 3,000 volunteer hours a year to assist Amazing Place in providing program services. No amounts related to contribution of services have been reflected in the financial statements for 2009 and 2008.

Participant revenue is recognized when services are provided to the participant.

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 amounts in the prior year financial statements have been reclassified to conform to the current year presentation. Reclassifications made in the prior year have no impact on total net assets or in changes in net assets.

NOTE 2 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

	<u>2009</u>	<u>2008</u>
Demand deposits	\$ 2,468,441	\$ 894,653
Money market mutual funds	<u>223,047</u>	<u>2,653,747</u>
Total cash and cash equivalents	<u>\$ 2,691,488</u>	<u>\$ 3,548,400</u>

Bank deposits exceed the federally insured limits per depositor per institution. Amazing Place monitors such balances on a regular basis.

NOTE 3 – FAIR VALUE MEASUREMENT

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, 2009 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
Money market mutual funds	\$ 223,047	_____	_____	\$ 223,047
Total assets measured at fair value	<u>\$ 223,047</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 223,047</u>

Assets measured at fair value at December 31, 2008 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
Money market mutual funds	\$ 2,653,747	_____	_____	\$ 2,653,747
Total assets measured at fair value	<u>\$ 2,653,747</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,653,747</u>

Money market mutual funds are valued at the net asset value of shares held at year end. There has been no change in the valuation methodology used at December 31, 2009 and 2008. The valuation method used 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 method is appropriate, the use of different methods or assumptions could result in a different fair value measurement at the reporting date.

NOTE 4 – PLEDGES RECEIVABLE

Pledges receivable are as follows:

	<u>2009</u>	<u>2008</u>
Pledges receivable	\$ 611,063	\$ 2,099,536
Discount to net present value at 1.55% to 3.25%	(18,923)	(39,400)
Allowance for uncollectible accounts	<u>(30,000)</u>	<u>(30,000)</u>
Pledges receivable, net	<u>\$ 562,140</u>	<u>\$ 2,030,136</u>

Pledges receivable at December 31, 2009 are expected to be collected as follows:

2010	\$ 389,040
2011	176,523
2012	34,500
2013	<u>11,000</u>
Total pledges receivable	<u>\$ 611,063</u>

At December 31, 2009, approximately 49% of pledges are due from one foundation.

NOTE 5 – PROPERTY

Property consists of the following:

	<u>2009</u>	<u>2008</u>
Construction in progress	\$ 3,290,716	\$ 412,648
Land	903,813	903,813
Leasehold improvements	99,218	96,838
Office equipment	75,001	48,248
Furniture and fixtures	<u>39,073</u>	<u>36,963</u>
Total property, at cost	4,407,821	1,498,510
Accumulated depreciation	<u>(152,949)</u>	<u>(113,060)</u>
Property, net	<u>\$ 4,254,872</u>	<u>\$ 1,385,450</u>

In 2009, Amazing Place entered into a contract for the construction of a memory-care day center. At December 31, 2009, construction commitments of approximately \$910,000 were outstanding.

NOTE 6 – LINE OF CREDIT

On December 31, 2008, Amazing Place entered into a \$1 million revolving line of credit with a bank with an interest rate of prime less .3%. The line expires on December 18, 2011 and is collateralized by pledges receivable. The revolving line of credit is to be used solely for construction purposes. There were no amounts outstanding on this line of credit at December 31, 2009 and December 31, 2008.

NOTE 7 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	<u>2009</u>	<u>2008</u>
Building for Generations Campaign	\$ 4,811,971	\$ 4,594,450
Tuition scholarships	7,325	24,984
Time restricted	<u>100,000</u>	<u>19,395</u>
Total	<u>\$ 4,919,296</u>	<u>\$ 4,638,829</u>

NOTE 8 – PERMANENTLY RESTRICTED NET ASSETS

Amazing Place has a donor-restricted endowment fund to support the operations of Amazing Place 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 funds absent explicit donor stipulations to the contrary. As a result of this interpretation, Amazing Place classifies the original value of all gifts donated to the permanent endowment as permanently restricted net assets. The portion of the donor-restricted endowment fund that is not classified in 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, the organization 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 investment and spending policies for endowment assets that attempt to provide for preservation of its endowment assets. Under this policy, as approved by the Board of Directors, the endowment assets are invested in U. S. Treasuries, government agencies and certificates of deposit with maturities of less than three years. Given the current market conditions, the anticipated earnings rate of these investments is expected to be 1% to 2%.

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 of the endowment funds, not to exceed 4% of the endowment funds average market value for the previous twelve quarters. It is expected that there will be minimal or no distributions in the first three years. 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 funds are as follows:

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
Endowment net assets, January 1, 2008	\$ 0	\$ 0	\$ 0	\$ 0
Contributions			<u>697,000</u>	<u>697,000</u>
Endowment net assets, December 31, 2008	<u>0</u>	<u>0</u>	<u>697,000</u>	<u>697,000</u>
Endowment net assets, December 31, 2009	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 697,000</u>	<u>\$ 697,000</u>

NOTE 9 – COMMITMENTS

In February 2007, Amazing Place entered into a long-term ground-lease. The total ground-lease payments were approximately \$3,550 in 2009 and 2008. Future minimum rental payments due under the lease are as follows:

2010	\$ 3,550
2011	3,550
2012	3,550
2013	3,550
2014	3,550
Thereafter through 2067	<u>185,190</u>
Total	<u>\$ 202,940</u>

NOTE 10 – CONTRIBUTIONS FROM SPONSORING CHURCHES

In 2009 and 2008, contributions from the sponsoring churches were \$82,265 and \$197,985 respectively. In 2009 and 2008, Amazing Place paid St. Luke's United Methodist Church, one of the sponsoring churches, rent of \$36,000 in each year.

NOTE 11 – SUBSEQUENT EVENTS

Beginning January 2010, River Oaks Baptist Church became a sponsoring church. In February 2010, the board of directors approved a \$50,000 allocation from the Building for Generations campaign to the scholarship fund, one of the three purposes of the campaign.

Management has evaluated subsequent events through June 21, 2010, which is the date that the financial statements were available for issuance.
