

The Seniors Place, Inc.

Financial Statements
and Independent Auditors' Report
for the years ended December 31, 2008 and 2007

Independent Auditors' Report

To the Board of Directors of
The Seniors Place, Inc.:

We have audited the accompanying statement of financial position of The Seniors Place, Inc. as of December 31, 2008 and the related statements of activities, of functional expenses, and of cash flows for the year then ended. These financial statements are the responsibility of The Seniors Place, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of The Seniors Place, Inc. as of December 31, 2007 and for the year then ended were audited by other auditors whose report dated July 29, 2008, expressed an unqualified opinion on those statements.

We conducted our audit 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 audit provides 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 The Seniors Place, Inc. as of December 31, 2008 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Blazek & Vetterling

August 13, 2009

The Seniors Place, Inc.

Statements of Financial Position as of December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
ASSETS		
Cash and cash equivalents (<i>Notes 2 and 3</i>)	\$ 501,285	\$ 327,636
Prepaid and other assets	10,832	36,423
Pledges receivable, net (<i>Note 4</i>)	2,030,136	1,473,504
Restricted cash and cash equivalents (<i>Notes 2 and 3</i>)	3,047,115	511,474
Property and equipment, net (<i>Note 5</i>)	<u>1,385,450</u>	<u>1,243,542</u>
 TOTAL ASSETS	 <u>\$ 6,974,818</u>	 <u>\$ 3,592,579</u>
 LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ <u>79,170</u>	\$ <u>68,875</u>
Net assets:		
Unrestricted net assets	1,559,819	1,611,894
Temporarily restricted net assets (<i>Note 7</i>)	4,638,829	1,911,810
Permanently restricted net assets (<i>Note 8</i>)	<u>697,000</u>	<u> </u>
Total net assets	<u>6,895,648</u>	<u>3,523,704</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 6,974,818</u>	 <u>\$ 3,592,579</u>

See accompanying notes to financial statements.

The Seniors 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	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>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>		
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
Fundraising	<u>237,844</u>			<u>237,844</u>
Total expenses	<u>960,962</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>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.

The Seniors Place, Inc.

Statement of Activities for the year ended December 31, 2007

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
REVENUES:			
Contributions (<i>Note 10</i>)	\$ 266,830	\$ 1,609,106	\$ 1,875,936
Participant revenue	305,317		305,317
Special events	192,450		192,450
Less direct donor benefit	(22,413)		(22,413)
Investment income	11,490	4,805	16,295
Rental income	<u>40,040</u>		<u>40,040</u>
Total revenue	793,714	1,613,911	2,407,625
Net assets released from restrictions	<u>1,200,684</u>	<u>(1,200,684)</u>	
Total	<u>1,994,398</u>	<u>413,227</u>	<u>2,407,625</u>
EXPENSES:			
Program services	481,696		481,696
Management and general	163,306		163,306
Fundraising	<u>212,847</u>		<u>212,847</u>
Total expenses	<u>857,849</u>		<u>857,849</u>
CHANGES IN NET ASSETS	1,136,549	413,227	1,549,776
Net assets, beginning of year	<u>475,345</u>	<u>1,498,583</u>	<u>1,973,928</u>
Net assets, end of year	<u>\$ 1,611,894</u>	<u>\$ 1,911,810</u>	<u>\$ 3,523,704</u>

See accompanying notes to financial statements.

The Seniors Place, Inc.

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

	<u>PROGRAM SERVICES</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>TOTAL EXPENSES</u>
Payroll and related payroll expenses	\$ 319,079	\$ 96,666	\$ 112,722	\$ 528,467
Taxes and utilities for site of new facility		62,333		62,333
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
Utilities	21,684	2,409		24,093
Marketing and advertising	7,495	9,500	2,475	19,470
Transportation	18,525			18,525
Insurance	5,629	5,020	2,150	12,799
Building maintenance	10,385	1,790		12,175
Professional services		9,666	2,416	12,082
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.

The Seniors Place, Inc.

Statement of Functional Expenses for the year ended December 31, 2007

	<u>PROGRAM SERVICES</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>TOTAL EXPENSES</u>
Payroll and related payroll expenses	\$ 298,199	\$ 58,340	\$ 101,894	\$ 458,433
Taxes and utilities for site of new facility		58,906		58,906
Food service	48,034			48,034
Rent	27,000	9,803	4,535	41,338
Depreciation	18,497	2,639	2,809	23,945
Postage, printing, and reproduction	3,432	3,431	19,038	25,901
Office supplies and expenses	16,310	5,835	2,653	24,798
Utilities	17,058	1,895		18,953
Marketing and advertising	6,693	6,140	632	13,465
Transportation	10,725			10,725
Insurance	6,839	1,505	2,520	10,864
Building maintenance	9,842	1,094	1,072	12,008
Professional services		8,185	909	9,094
Program equipment and supplies	15,326			15,326
Other	<u>3,741</u>	<u>5,533</u>	<u>1,842</u>	<u>11,116</u>
Subtotal	481,696	163,306	137,904	782,906
Building for Generations:				
Professional services			44,400	44,400
Payroll and related expenses			26,488	26,488
Other			<u>4,055</u>	<u>4,055</u>
Total	<u>\$ 481,696</u>	<u>\$ 163,306</u>	<u>\$ 212,847</u>	857,849
Direct donor benefit				<u>22,413</u>
Total expenses				<u>\$ 880,262</u>

See accompanying notes to financial statements.

The Seniors Place, Inc.

Statements of Cash Flows for the years ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 3,371,944	\$ 1,549,776
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Contributions restricted for Campaign for Generations	(2,844,594)	(1,680,236)
Contributions restricted for endowment	(697,000)	
Provision for uncollectible pledges receivable	30,000	100,000
Depreciation	35,193	23,945
Changes in operating assets and liabilities:		
Pledges receivable (excluding capital campaign)	(29,370)	2,319
Prepaid and other assets	25,591	(19,254)
Deposits		50,000
Accounts payable	<u>10,295</u>	<u>58,502</u>
Net cash provided (used) by operating activities	<u>(97,941)</u>	<u>85,052</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(177,101)	(1,179,803)
Net increase in restricted cash and cash equivalents	<u>(2,535,641)</u>	<u>(511,474)</u>
Net cash used by investing activities	<u>(2,712,742)</u>	<u>(1,691,277)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from contributions restricted for Campaign for Generations	2,974,332	1,604,413
Proceeds from contributions restricted for endowments	<u>10,000</u>	<u> </u>
Net cash provided by financing activities	<u>2,984,332</u>	<u>1,604,413</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	173,649	(1,812)
Cash and cash equivalents, beginning of year	<u>327,636</u>	<u>329,448</u>
Cash and cash equivalents, end of year	<u>\$ 501,285</u>	<u>\$ 327,636</u>

See accompanying notes to financial statements.

The Seniors Place, Inc.

Notes to Financial Statements for the years ended December 31, 2008 and 2007

NOTE 1 – ORGANIZATION AND SUMMARY OF ACCOUNTING POLICIES

Organization – The Seniors Place, Inc. (The Seniors Place) 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 to Houston’s Amazing Place, Inc. to do business as Amazing Place effective October 14, 2009. The Seniors Place is a memory-care day center which provides a safe, spiritual, and nurturing program with therapeutic activities for adults with mild to moderate memory loss and offers respite, education and support to their families and the community.

The Seniors 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 The Seniors 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, The Seniors Place launched a \$7.2 million campaign named “Building for Generations”. The purpose of the campaign is to 1) build a non-residential, 13,700 square foot facility, 2) establish an endowment fund to be used to supplement operating income, and 3) create a scholarship fund so The Seniors Place can continue to provide financial assistance to participants.

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. The Seniors 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 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 The Seniors 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. Many individuals volunteer their time and perform a variety of tasks that assist The Seniors Place. The Seniors Place receives more than 3000 volunteer hours per year. No contribution of services have been reflected in the financial statements for 2008 and 2007.

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

Federal income tax status – The Seniors 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).

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 revenues 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 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>2008</u>	<u>2007</u>
Demand deposits	\$ 894,653	\$ 73,702
Treasury money market mutual funds	<u>2,653,747</u>	<u>765,408</u>
Total cash and cash equivalents	<u>\$ 3,548,400</u>	<u>\$ 839,110</u>

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

NOTE 3 – FAIR VALUE MEASUREMENT

Effective January 1, 2008, The Seniors Place adopted Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* (SFAS 157), which establishes a framework for measuring fair value. SFAS 157 establishes a three-tiered hierarchy that prioritizes the assumptions, referred to as inputs, used to measure fair value. The three levels of the fair value hierarchy defined by SFAS 157 and a description of the valuation techniques used for instruments measured at fair value are as follows:

- *Level 1* – Quoted prices in active markets for identical assets or liabilities as of the reporting date.
- *Level 2* – Pricing inputs other than quoted prices included in Level 1, which are either directly observable or that can be derived or supported from observable data as of the reporting date.
- *Level 3* – Pricing inputs include those that are significant to the fair value of the financial asset or financial liability and are generally less observable from objective sources. These inputs may be used with internally developed techniques that result in management’s best estimate of fair value.

The fair value of financial assets measured at fair value on a recurring basis was determined using the following inputs at December 31, 2008:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
Treasury money market mutual funds	<u>\$ 2,653,747</u>	<u> </u>	<u> </u>	<u>\$ 2,653,747</u>
Total	<u>\$ 2,653,747</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,653,747</u>

Treasury money market mutual funds are valued at the net asset value of shares held at year end. 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 management 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. The inputs or methodology used to measure investments are not necessarily indicative of the risk of investing a particular security.

NOTE 4 – PLEDGES RECEIVABLE

Pledges receivable are as follows:

	<u>2008</u>	<u>2007</u>
Pledges receivable	\$ 2,099,536	\$ 1,527,449
Discount to net present value at 1.55% to 3.25%	(39,400)	(53,945)
Allowance for uncollectible accounts	<u>(30,000)</u>	<u> </u>
Pledges receivable, net	<u>\$ 2,030,136</u>	<u>\$ 1,473,504</u>

Pledges receivable at December 31, 2008 are expected to be collected as follows:

2009	\$ 1,665,087
2010	209,373
2011	186,073
2012	34,003
2013	<u>5,000</u>
Total pledges receivable	<u>\$ 2,099,536</u>

At December 31, 2008, approximately 70% of pledges are due from five foundations.

NOTE 5 – PROPERTY

Property consists of the following:

	<u>2008</u>	<u>2007</u>
Land	\$ 903,813	\$ 903,813
Leasehold improvements	96,838	96,838
Office equipment	48,248	38,715
Furniture and fixtures	36,963	36,963
Construction in progress	<u>412,648</u>	<u>248,529</u>
Total property, at cost	1,498,510	1,324,858
Accumulated depreciation	<u>(113,060)</u>	<u>(81,316)</u>
Property, net	<u>\$ 1,385,450</u>	<u>\$ 1,243,542</u>

NOTE 6 – LINE OF CREDIT

On December 31, 2008, The Seniors 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 secured 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, 2008.

NOTE 7 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were available for the following purposes:

	<u>2008</u>	<u>2007</u>
Building for Generations Campaign	\$ 4,594,450	\$ 1,869,799
Tuition scholarships	24,984	29,511
Time restricted	<u>19,395</u>	<u>12,500</u>
Total	<u>\$ 4,638,829</u>	<u>\$ 1,911,810</u>

NOTE 8 – PERMANENTLY RESTRICTED NET ASSETS

During 2008, The Seniors Place adopted Financial Accounting Standards Board Staff Position No. 117-1 (FAS 117-1), *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds*, which provides guidance on the net asset classification of donor restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006. Additionally, it provides expanded disclosures about an organization’s donor-restricted endowment funds and board-designated endowment funds.

The Seniors Place has donor-restricted endowment funds which are maintained in accordance with explicit donor stipulations. The Board of Directors of The Seniors 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, The Seniors Place classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining 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 The Seniors 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 The Seniors 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 The Seniors Place
- The investment policies of The Seniors Place

As the endowment fund was created in 2008 to support the operations of The Seniors Place, management is currently developing its spending and investment policies. In 2008, endowment contributions of \$697,000 were recognized. Of this amount, \$10,000 was collected and is held in a money market mutual fund and \$687,000 is reflected as pledges receivable at December 31, 2008.

Changes in endowment funds for the year ended December 31, 2008 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> </u>	<u> </u>	<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>

NOTE 9 – COMMITMENTS

In February 2007, The Seniors Place entered into a long term ground-lease. The total ground-lease payments were \$3,500 and \$2,979 in 2008 and 2007, respectively. Future minimum rental payments due under lease are as follows:

2009	\$	3,550
2010		3,550
2011		3,550
2012		3,550
2013		3,550
Thereafter through 2067		<u>191,700</u>
Total	\$	<u>209,450</u>

NOTE 10 – RELATED PARTY TRANSACTIONS

In 2008 and 2007, contributions from the sponsoring churches were \$197,985 and \$230,748, respectively. In 2008 and 2007, The Seniors Place paid St. Luke's United Methodist Church, one of the sponsoring churches, rent of \$36,000 and \$35,000, respectively.
