

Amigos de las Américas

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

Independent Auditors' Report

To the Board of Directors of
Amigos de las Américas:

We have audited the accompanying financial statements of Amigos de las Américas, which comprise the statements of financial position as of December 31, 2016 and 2015 and the related statements of activities 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 Amigos de las Américas as of December 31, 2016 and 2015 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Blazek & Vetterling

July 21, 2017

Amigos de las Américas

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

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash	\$ 567,257	\$ 394,456
Pledges receivable	25,000	25,000
Receivable from AMIGOS Foundation (<i>Note 2</i>)		9,014
Receivable from AMIGOS Chapters (<i>Note 2</i>)	22,359	25,280
Government grant receivable	35,371	16,088
Prepaid expenses and other assets	228,962	195,033
Property, net (<i>Note 3</i>)	478,794	545,633
Investments (<i>Note 4</i>)	<u>1,425,725</u>	<u>1,375,183</u>
TOTAL ASSETS	<u>\$ 2,783,468</u>	<u>\$ 2,585,687</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 159,917	\$ 139,824
Payable to AMIGOS Foundation (<i>Note 2</i>)	13,729	
Due to AMIGOS Chapters (<i>Note 2</i>)	15,068	3,758
Participant deposits	10,390	14,560
Deferred revenue	74,775	119,852
Note payable (<i>Note 5</i>)	<u>94,020</u>	<u>116,272</u>
Total liabilities	<u>367,899</u>	<u>394,266</u>
Net assets:		
Unrestricted	2,080,339	1,869,239
Temporarily restricted (<i>Note 6</i>)	61,396	48,348
Permanently restricted (<i>Note 7</i>)	<u>273,834</u>	<u>273,834</u>
Total net assets	<u>2,415,569</u>	<u>2,191,421</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,783,468</u>	<u>\$ 2,585,687</u>

See accompanying notes to financial statements.

Amigos de las Américas

Statement of Activities for the year ended December 31, 2016

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
REVENUE:				
Participant fees, net of financial aid of \$160,194	\$ 2,938,352			\$ 2,938,352
U. S. Department of State grants	529,177			529,177
Contributions	350,890	\$ 57,501		408,391
AMIGOS Foundation (<i>Note 2</i>):				
Management fee	140,000			140,000
Grant	52,992			52,992
AMIGOS Chapter training fees	24,950			24,950
AMIGOS Board and Chapter meeting fees	49,560			49,560
Special events	177,615			177,615
Cost of special event benefits	(49,220)			(49,220)
Investment return, net (<i>Note 4</i>)	36,365	9,536		45,901
Loss on disposal of assets	(69,728)			(69,728)
Other	<u>25,793</u>			<u>25,793</u>
Total revenue	4,206,746	67,037		4,273,783
Net assets released from restrictions:				
Financial aid and program support	<u>53,989</u>	<u>(53,989)</u>		
Total	<u>4,260,735</u>	<u>13,048</u>		<u>4,273,783</u>
EXPENSES:				
Program	3,102,296			3,102,296
Management and general	378,405			378,405
Fundraising	331,411			331,411
Marketing	<u>237,523</u>			<u>237,523</u>
Total expenses	<u>4,049,635</u>			<u>4,049,635</u>
CHANGES IN NET ASSETS	211,100	13,048		224,148
Net assets, beginning of year	<u>1,869,239</u>	<u>48,348</u>	<u>\$ 273,834</u>	<u>2,191,421</u>
Net assets, end of year	<u>\$ 2,080,339</u>	<u>\$ 61,396</u>	<u>\$ 273,834</u>	<u>\$ 2,415,569</u>

See accompanying notes to financial statements.

Amigos de las Américas

Statement of Activities for the year ended December 31, 2015

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
REVENUE:				
Participant fees, net of financial aid of \$66,293	\$ 2,916,510			\$ 2,916,510
U. S. Department of State grants	451,011			451,011
Contributions	337,301	\$ 30,700	\$ 10,000	378,001
AMIGOS Foundation (<i>Note 2</i>):				
Management fee	140,000			140,000
Grant	10,992			10,992
AMIGOS Chapter training fees	31,331			31,331
AMIGOS Board and Chapter meeting fees	63,027			63,027
Special events	136,664			136,664
Cost of special event benefits	(44,437)			(44,437)
Investment return, net (<i>Note 4</i>)	(6,198)	(1,863)		(8,061)
Other	<u>14,084</u>	<u> </u>	<u> </u>	<u>14,084</u>
Total revenue	4,050,285	28,837	10,000	4,089,122
Net assets released from restrictions:				
Financial aid and program support	<u>31,366</u>	<u>(31,366)</u>	<u> </u>	<u> </u>
Total	<u>4,081,651</u>	<u>(2,529)</u>	<u>10,000</u>	<u>4,089,122</u>
EXPENSES:				
Program	3,163,957			3,163,957
Management and general	486,729			486,729
Fundraising	320,487			320,487
Marketing	<u>129,631</u>			<u>129,631</u>
Total expenses	<u>4,100,804</u>			<u>4,100,804</u>
CHANGES IN NET ASSETS	(19,153)	(2,529)	10,000	(11,682)
Net assets, beginning of year	<u>1,888,392</u>	<u>50,877</u>	<u>263,834</u>	<u>2,203,103</u>
Net assets, end of year	<u>\$ 1,869,239</u>	<u>\$ 48,348</u>	<u>\$ 273,834</u>	<u>\$ 2,191,421</u>

See accompanying notes to financial statements.

Amigos de las Américas

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

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 224,148	\$ (11,682)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Realized and unrealized loss on investments	5,974	36,647
Loss on disposal of assets	69,728	
Depreciation	47,635	34,344
Changes in operating assets and liabilities:		
Pledges receivable		(25,000)
Receivable from AMIGOS Foundation	9,014	(9,014)
Receivable from AMIGOS Chapters	2,921	2,320
Government grant receivable	(19,283)	145,178
Prepaid expenses and other assets	(33,929)	(81,103)
Accounts payable and accrued expenses	20,093	(9,589)
Payable to AMIGOS Foundation	13,729	(43,940)
Due to AMIGOS Chapters	11,310	(29,525)
Participant deposits	(4,170)	(13,225)
Deferred revenue	<u>(45,077)</u>	<u>30,702</u>
Net cash provided by operating activities	<u>302,093</u>	<u>26,113</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(357,514)	(377,589)
Proceeds from sales and maturities of investments	280,923	369,567
Net change in money market mutual funds held as investments	20,075	(23,059)
Purchases of property	<u>(50,524)</u>	<u>(36,175)</u>
Net cash used by investing activities	<u>(107,040)</u>	<u>(67,256)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on note payable	<u>(22,252)</u>	<u>(21,172)</u>
NET CHANGE IN CASH	172,801	(62,315)
Cash, beginning of year	<u>394,456</u>	<u>456,771</u>
Cash, end of year	<u>\$ 567,257</u>	<u>\$ 394,456</u>
<i>Supplemental disclosure of cash flow information:</i>		
Interest paid	\$5,401	\$6,479

See accompanying notes to financial statements.

Amigos de las Américas

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

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization – Amigos de las Américas (AMIGOS) is a privately funded organization incorporated in Texas that builds partnerships to empower young leaders, advance community development, and strengthen multi-cultural understanding in the Americas. The national headquarters, located in Houston, Texas, plans and implements summer field projects in Latin America and provides materials and support for volunteer recruitment and training.

Affiliates – AMIGOS is affiliated with Foundation for Amigos de las Américas (AMIGOS Foundation), a Texas nonprofit corporation formed in 2003 to support the youth leadership and sustainable development work of AMIGOS. AMIGOS is also affiliated with 25 chapters (AMIGOS Chapters) throughout the United States which recruit, fundraise, train, organize, and support participants and their families. AMIGOS Foundation and AMIGOS Chapters are separately incorporated organizations governed by independent boards of directors which share AMIGOS' mission and vision.

Basis of presentation – These financial statements do not include the assets, liabilities, net assets or activities of AMIGOS Foundation or AMIGOS Chapters.

Federal income tax status – AMIGOS holds a group exemption under which AMIGOS and AMIGOS Chapters are exempt from federal income tax under §501(c)(3) of the Internal Revenue Code (the Code) and are classified as public charities under §509(a)(1) and §170(b)(1)(A)(vi).

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

Pledges receivable that are expected to be collected within one year are reported at net realizable value. Amounts due in more than one year are discounted, if material, to estimate the present value of future cash flows. Pledges receivable at December 31, 2016 are due within one year.

Property is reported at cost, if purchased, or estimated fair value at the date of the gift, if donated. Depreciation is computed using the straight-line method over estimated useful lives of 30 years for building and improvements and three to five years for furniture, equipment, and software.

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 an increase in temporarily restricted net assets until expended in accordance with donor-imposed restrictions.

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.

Participant fees are recognized over the period the participants' program occurs. Fees received for programs that have not yet occurred or have not yet been completed are reported as deferred revenue until earned.

U. S. Department of State grants are recognized as the related expenses are incurred.

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 restricted revenue. However, contributions for which restrictions are met in the period of recognition are reported as unrestricted. Conditional contributions are recognized in the same manner when the conditions are substantially met.

In-kind contributions – Donated materials and use of facilities are recognized as revenue 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. Except for the professional staff in Houston, most persons connected with AMIGOS are volunteers. While such services are indispensable to AMIGOS, no amount is recognized in these financial statements for such services as they do not meet the criteria for recognition under generally accepted accounting principles.

Special events revenue is recognized when the event occurs. Amounts received in advance of the event represent conditional contributions and are reported in the statement of financial position as deferred revenue. The cost of special event benefits represents the cost of goods and services provided to attendees of special events.

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.

Recent financial accounting pronouncements – In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*. The ASU supersedes the revenue recognition requirements for most exchange transactions not specifically covered by other guidance. It does not apply to contributions. The core principle of the new guidance is that an entity should recognize revenue in an amount that reflects the consideration to which it expects to be entitled in exchange for transferred goods or services and establishes a 5-step process to determine when revenue is recognized. The ASU is effective for fiscal periods that begin after December 15, 2017 and must be applied retrospectively. Management has not yet determined the impact adoption of this ASU will have on the financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. Under this ASU, a lessee should recognize in the statement of financial position a lease liability and a lease asset representing its right to use the underlying asset for the term of the lease. An entity may make an accounting policy election not to recognize lease assets and lease liabilities for leases with a term of 12 months or less. Recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee have not changed significantly. Qualitative and quantitative disclosures are required to enable users of financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. The ASU is effective for fiscal years beginning after December 15, 2019. Management has not yet determined the impact adoption of this ASU will have on the financial statements.

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

NOTE 2 – TRANSACTIONS WITH AMIGOS FOUNDATION AND AMIGOS CHAPTERS

In 2014, AMIGOS entered into an affiliation agreement with AMIGOS Foundation. AMIGOS Foundation works with AMIGOS in its activities to educate persons and institutions in the United States and elsewhere about initiatives and activities performed by AMIGOS in Latin America and elsewhere. AMIGOS Foundation and AMIGOS also entered into a shared services agreement for AMIGOS to provide certain management and support services. The initial term of the agreement is 20 years.

During 2016, AMIGOS charged AMIGOS Foundation a fee of \$140,000 for general management and fundraising services and AMIGOS Foundation reimbursed AMIGOS \$88,790 for estimated direct employee costs. During 2015, AMIGOS charged AMIGOS Foundation a fee of \$140,000 for general management and fundraising services and AMIGOS Foundation reimbursed AMIGOS \$231,270 for estimated direct employee costs. AMIGOS Foundation awarded grants of \$52,992 and \$10,992 to AMIGOS during 2016 and 2015, respectively.

At times, AMIGOS receives contributions intended for AMIGOS Foundation and pays expenses on behalf of AMIGOS Foundation. The amount reported as receivable from or payable to AMIGOS Foundation is the net amount due from all transactions between AMIGOS and AMIGOS Foundation.

AMIGOS Chapters fundraise and collect fees for participants they recruit and train. AMIGOS invoices AMIGOS Chapters for fees for their respective participants. AMIGOS' employees provide training and other support to some AMIGOS Chapters for which AMIGOS is reimbursed.

NOTE 3 – PROPERTY

Property consists of the following:

	<u>2016</u>	<u>2015</u>
Land	\$ 409,721	\$ 409,721
Building and improvements		366,129
Furniture and equipment	524,366	473,842
Software	<u>215,086</u>	<u>215,086</u>
Total property	1,149,173	1,464,778
Accumulated depreciation	<u>(670,379)</u>	<u>(919,145)</u>
Property, net	<u>\$ 478,794</u>	<u>\$ 545,633</u>

NOTE 4 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

Generally accepted accounting principles require that certain assets and liabilities be reported at fair value and establish a hierarchy that prioritizes inputs used to measure fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The three levels of the fair value hierarchy are as follows:

- *Level 1* – Inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the reporting date.
- *Level 2* – Inputs are other than quoted prices included in Level 1, which are either directly observable or can be derived from or corroborated by observable market data at the reporting date.
- *Level 3* – Inputs are not observable and are based on the reporting entity’s assumptions about the inputs market participants would use in pricing the asset or liability.

Assets measured at fair value at December 31, 2016 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
Investments:				
Common stock:				
Information technology	\$ 95,245			\$ 95,245
Consumer staples	91,644			91,644
Financials	82,645			82,645
Industrials	69,893			69,893
Healthcare	69,369			69,369
Consumer discretionary	68,973			68,973
Energy	41,271			41,271
Telecommunications	30,542			30,542
Materials	21,940			21,940
Utilities	20,784			20,784
Fixed-income bonds:				
Corporate		\$ 326,740		326,740
Municipal		253,590		253,590
Mutual funds:				
Money market	102,441			102,441
Small-cap equity	89,524			89,524
International equity	<u>61,124</u>			<u>61,124</u>
Total assets measured at fair value	<u>\$ 845,395</u>	<u>\$ 580,330</u>	<u>\$ 0</u>	<u>\$ 1,425,725</u>

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

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
Investments:				
Common stock:				
Information technology	\$ 94,443			\$ 94,443
Consumer staples	70,996			70,996
Financials	84,653			84,653
Industrials	60,742			60,742
Healthcare	105,351			105,351
Consumer discretionary	53,509			53,509
Energy	42,677			42,677
Telecommunications	16,870			16,870
Materials	28,180			28,180
Fixed-income bonds:				
Corporate		\$ 354,455		354,455
Municipal		203,749		203,749
Mutual funds:				
Money market	122,516			122,516
Small-cap equity	76,886			76,886
International equity	<u>60,156</u>			<u>60,156</u>
Total assets measured at fair value	<u>\$ 816,979</u>	<u>\$ 558,204</u>	<u>\$ 0</u>	<u>\$ 1,375,183</u>

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

- *Common stock* is valued at the closing price reported on the active market on which the individual securities are traded.
- *Fixed-income bonds* are valued using prices obtained from independent quotation bureaus that use computerized valuation formulas to calculate fair values.
- *Mutual funds* are valued at the reported net asset value.

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 AMIGOS 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.

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 consists of the following:

	<u>2016</u>	<u>2015</u>
Interest and dividends	\$ 62,331	\$ 39,076
Realized and unrealized loss on investments	(5,974)	(36,647)
Investment management fees	<u>(10,456)</u>	<u>(10,490)</u>
Investment return, net	<u>\$ 45,901</u>	<u>\$ (8,061)</u>

NOTE 5 – NOTE PAYABLE

AMIGOS’ note payable consists of a promissory note to an individual, which is secured by property purchased in September 2010. The note bears interest at a fixed rate of 5.00%. Principal and interest payments of \$6,913 are due quarterly. The lender may accelerate maturity of the note upon 120-days written notice. Unless accelerated by the lender, the principal balance of the note is due as follows:

2017	\$ 23,385
2018	24,576
2019	25,828
2020	<u>20,231</u>
Total note payable	<u>\$ 94,020</u>

NOTE 6 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	<u>2016</u>	<u>2015</u>
Marketing, outreach and regional operations	\$ 25,000	
Accumulated earnings on endowments	10,102	\$ 14,248
Latin American Youth volunteers financial aid	10,000	15,000
Financial aid for disadvantaged youth	6,000	10,000
Field staff training	5,000	
Latin American Youth program		7,808
Other	<u>5,294</u>	<u>1,292</u>
Total temporarily restricted net assets	<u>\$ 61,396</u>	<u>\$ 48,348</u>

NOTE 7 – ENDOWMENT FUNDS

AMIGOS maintains donor-restricted endowment funds that are intended to support AMIGOS and to provide volunteers with an opportunity to participate in the various programs offered by AMIGOS. The specific criteria to award financial aid may be limited by donors to specific geographic locations and volunteer origin and ethnicity.

Endowment net asset composition at December 31, 2016 is as follows:

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
Donor-restricted endowments – financial aid		\$ 9,866	\$ 267,787	\$ 277,653
Donor-restricted endowment – general		<u>236</u>	<u>6,047</u>	<u>6,283</u>
Donor-restricted endowment funds	<u>\$ 0</u>	<u>\$ 10,102</u>	<u>\$ 273,834</u>	<u>\$ 283,936</u>

Endowment net asset composition at December 31, 2015 is as follows:

	<u>UNRESTRICTED</u>	TEMPORARILY <u>RESTRICTED</u>	PERMANENTLY <u>RESTRICTED</u>	<u>TOTAL</u>
Donor-restricted endowments – financial aid		\$ 13,921	\$ 267,787	\$ 281,708
Donor-restricted endowment – general		<u>327</u>	<u>6,047</u>	<u>6,374</u>
Donor-restricted endowment funds	<u>\$ 0</u>	<u>\$ 14,248</u>	<u>\$ 273,834</u>	<u>\$ 288,082</u>

Changes in net assets of the endowment funds are as follows:

	<u>UNRESTRICTED</u>	TEMPORARILY <u>RESTRICTED</u>	PERMANENTLY <u>RESTRICTED</u>	<u>TOTAL</u>
Endowment net assets, December 31, 2014	\$ 0	\$ 16,111	\$ 263,834	\$ 279,945
Contributions			10,000	10,000
Investment return:				
Interest and dividends		7,838		7,838
Net realized and unrealized loss		(7,542)		(7,542)
Investment management fees		<u>(2,159)</u>		<u>(2,159)</u>
Net investment return		<u>(1,863)</u>		<u>(1,863)</u>
Endowment net assets, December 31, 2015	<u>0</u>	<u>14,248</u>	<u>273,834</u>	<u>288,082</u>
Investment return:				
Interest and dividends		12,976		12,976
Net realized and unrealized loss		(1,251)		(1,251)
Investment management fees		<u>(2,189)</u>		<u>(2,189)</u>
Net investment return		<u>9,536</u>		<u>9,536</u>
Distributions		<u>(13,682)</u>		<u>(13,682)</u>
Endowment net assets, December 31, 2016	<u>\$ 0</u>	<u>\$ 10,102</u>	<u>\$ 273,834</u>	<u>\$ 283,936</u>

The Board of Directors of AMIGOS has interpreted the Texas Uniform Prudent Management of Institutional Funds Act (TUPMIFA) as requiring preservation of the fair value of the original gift as of the gift date of donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, AMIGOS 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 distribution by the Board of Directors in a manner consistent with the standard of prudence prescribed by TUPMIFA. In accordance with TUPMIFA, the Board of Directors considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the funds
- The purposes of AMIGOS and the donor-restricted endowment funds
- General economic conditions
- The possible effect of inflation and deflation

- The expected total return from income and the appreciation of investments
- Other resources of AMIGOS
- The investment policies of AMIGOS

Investment and Spending Policies

AMIGOS has adopted a policy that the maximum distribution from the endowment fund each year is 4%. The distribution percentage is a function of a three-year average (based on the three preceding years ending March 31) of the market value of the endowment funds. In establishing this policy, AMIGOS considered the long-term expected return on its endowment.

Endowment funds are maintained in an investment account which is managed by an independent financial firm that follows guidance provided in an investment policy approved by the Board of Directors. AMIGOS has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets.

To satisfy its long-term rate-of-return objectives, AMIGOS relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). AMIGOS targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor specified as a fund of perpetual duration. Deficiencies of this nature are reported in unrestricted net assets as an aggregate deficiency of the fair value of net endowment assets over permanently restricted net assets.

NOTE 8 – EMPLOYEE BENEFIT PLAN

AMIGOS maintains a tax deferred annuity plan that qualifies under §403(b) of the Code. The plan is an agreement whereby an amount to be determined annually at AMIGOS' discretion is paid to an annuity contract owned by individual employees. Net of forfeitures, AMIGOS contributed \$35,151 to the plan in 2016 and \$33,117 in 2015.

NOTE 9 – COMMITMENTS

AMIGOS entered into a noncancelable operating lease agreement for office space on May 1, 2016, which will expire January 31, 2020. AMIGOS also has a noncancelable copier lease, which expires in September 2017. Future minimum lease payments are as follows:

2017	\$ 78,530
2018	77,209
2019	79,520
2020	<u>6,739</u>
Total	<u>\$ 241,998</u>

The office lease requires AMIGOS to pay a portion of the building's operating costs. AMIGOS recognized rent and operating costs of approximately \$70,000 in 2016.

NOTE 10 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through July 21, 2017, 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.
