

Amigos de las Américas

Financial Statements
and Independent Auditors' Report
for the years ended December 31, 2019 and 2018

Amigos de las Américas

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Independent Auditors' Report

To the Board of Directors of
Amigos de las Américas:

Report on the Financial Statements

We have audited the accompanying financial statements of Amigos de las Américas, which comprise the statements of financial position as of December 31, 2019 and 2018 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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, 2019 and 2018 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

August 11, 2020

Amigos de las Américas

Statements of Financial Position as of December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Cash	\$ 230,168	\$ 413,177
Receivable from AMIGOS Foundation (<i>Note 4</i>)		7,350
Receivable from AMIGOS Chapters (<i>Note 4</i>)	31,222	28,447
Government grant contributions receivable (<i>Note 5</i>)	334,507	176,833
Prepaid expenses and other assets	236,638	264,267
Land held for sale	409,721	
Property, net (<i>Note 6</i>)	16,740	434,157
Investments (<i>Note 7</i>)	<u>1,776,449</u>	<u>1,515,336</u>
TOTAL ASSETS	<u>\$ 3,035,445</u>	<u>\$ 2,839,567</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 259,366	\$ 230,189
Due to AMIGOS Chapters (<i>Note 4</i>)	7,319	9,647
Participant deposits	27,526	37,151
Deferred revenue	237,650	191,600
Note payable (<i>Note 8</i>)	<u>20,231</u>	<u>46,059</u>
Total liabilities	<u>552,092</u>	<u>514,646</u>
Net assets:		
Without donor restrictions	2,057,336	1,991,735
With donor restrictions (<i>Notes 9 and 10</i>)	<u>426,017</u>	<u>333,186</u>
Total net assets	<u>2,483,353</u>	<u>2,324,921</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,035,445</u>	<u>\$ 2,839,567</u>

See accompanying notes to financial statements.

Amigos de las Américas

Statement of Activities for the year ended December 31, 2019

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Participant fees, net of financial aid of \$125,025	\$ 3,917,039		\$ 3,917,039
Contributions:			
U. S. Department of State grants (<i>Note 5</i>)		\$ 572,565	572,565
Other contributions	415,819	160,877	576,696
Special events	89,218		89,218
Cost of special event benefits	(14,235)		(14,235)
AMIGOS Chapter training fees	10,275		10,275
AMIGOS Board and Chapter meeting fees	66,629		66,629
Net investment return	181,691	40,925	222,616
Other	<u>438</u>	<u> </u>	<u>438</u>
Total revenue	4,666,874	774,367	5,441,241
Net assets released from restrictions:			
Financial aid and program support	<u>681,536</u>	<u>(681,536)</u>	<u> </u>
Total	<u>5,348,410</u>	<u>92,831</u>	<u>5,441,241</u>
EXPENSES:			
Program	3,941,821		3,941,821
Management and general	561,294		561,294
Fundraising	271,275		271,275
Marketing	<u>508,419</u>	<u> </u>	<u>508,419</u>
Total expenses	<u>5,282,809</u>	<u> </u>	<u>5,282,809</u>
CHANGES IN NET ASSETS	65,601	92,831	158,432
Net assets, beginning of year	<u>1,991,735</u>	<u>333,186</u>	<u>2,324,921</u>
Net assets, end of year	<u>\$ 2,057,336</u>	<u>\$ 426,017</u>	<u>\$ 2,483,353</u>

See accompanying notes to financial statements.

Amigos de las Américas

Statement of Activities for the year ended December 31, 2018

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Participant fees, net of financial aid of \$139,201	\$ 2,910,849		\$ 2,910,849
Contributions:			
U. S. Department of State grants <i>(Note 5)</i>		\$ 804,753	804,753
Other contributions	410,339	46,306	456,645
AMIGOS Foundation grant <i>(Note 4)</i>	89,416		89,416
Special events	211,030		211,030
Cost of special event benefits	(102,813)		(102,813)
AMIGOS Chapter training fees	8,900		8,900
AMIGOS Board and Chapter meeting fees	48,686		48,686
Net investment return	(35,422)	(8,641)	(44,063)
Other	<u>31,150</u>		<u>31,150</u>
Total revenue	3,572,135	842,418	4,414,553
Net assets released from restrictions:			
Financial aid and program support	<u>823,443</u>	<u>(823,443)</u>	
Total	<u>4,395,578</u>	<u>18,975</u>	<u>4,414,553</u>
EXPENSES:			
Program	3,440,722		3,440,722
Management and general	498,614		498,614
Fundraising	302,583		302,583
Marketing	<u>399,548</u>		<u>399,548</u>
Total expenses	<u>4,641,467</u>		<u>4,641,467</u>
CHANGES IN NET ASSETS	(245,889)	18,975	(226,914)
Net assets, beginning of year	<u>2,237,624</u>	<u>314,211</u>	<u>2,551,835</u>
Net assets, end of year	<u>\$ 1,991,735</u>	<u>\$ 333,186</u>	<u>\$ 2,324,921</u>

See accompanying notes to financial statements.

Amigos de las Américas

Statement of Functional Expenses for the year ended December 31, 2019

	<u>PROGRAM</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>MARKETING</u>	<u>TOTAL EXPENSES</u>
Salaries and related costs	\$ 1,355,699	\$ 285,784	\$ 192,607	\$ 232,210	\$ 2,066,300
Travel	1,628,484	11,186	6,931	4,627	1,651,228
Program supplies	341,858				341,858
Professional fees and contract services	248,105	57,988			306,093
Occupancy	118,658	30,420	17,289	21,850	188,217
Meetings, events and workshops	45,851	95,656	4,610	15,020	161,137
Advertising and promotional supplies		4,129		152,088	156,217
Dues, taxes and fees	60,504	32,290	17,604	1,415	111,813
Information technology	63,385	2,486	6,163	31,760	103,794
Printing and postage	32,343	7,626	18,734	44,187	102,890
Insurance	23,166	5,018	3,379	4,074	35,637
Office and event supplies	14,159	11,504	1,517	85	27,265
Depreciation	5,003	1,083	730	880	7,696
Other	<u>4,606</u>	<u>16,124</u>	<u>1,711</u>	<u>223</u>	<u>22,664</u>
Total expenses	<u>\$ 3,941,821</u>	<u>\$ 561,294</u>	<u>\$ 271,275</u>	<u>\$ 508,419</u>	5,282,809
Cost of special event benefits					<u>14,235</u>
Total					<u>\$ 5,297,044</u>

See accompanying notes to financial statements.

Amigos de las Américas

Statement of Functional Expenses for the year ended December 31, 2018

	<u>PROGRAM</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>MARKETING</u>	<u>TOTAL EXPENSES</u>
Salaries and related costs	\$ 1,359,946	\$ 296,402	\$ 159,893	\$ 190,168	\$ 2,006,409
Travel	1,366,372	13,625	21,857	5,034	1,406,888
Program supplies	248,746				248,746
Professional fees and contract services	164,935	72,489	13,991	199	251,614
Occupancy	113,446	25,781	13,679	17,043	169,949
Meetings, events and workshops	20,868	28,017	3,019	20,753	72,657
Advertising and promotional supplies		2,405		106,027	108,432
Dues, taxes and fees	51,533	25,652	15,366	1,176	93,727
Information technology	55,116	2,362	6,192	29,986	93,656
Printing and postage	26,566	7,833	23,783	23,027	81,209
Insurance	19,039	4,249	2,299	2,718	28,305
Office and event supplies	961	8,688	35,871	70	45,590
Depreciation	11,095	2,476	1,339	1,584	16,494
Other	<u>2,099</u>	<u>8,635</u>	<u>5,294</u>	<u>1,763</u>	<u>17,791</u>
Total expenses	<u>\$ 3,440,722</u>	<u>\$ 498,614</u>	<u>\$ 302,583</u>	<u>\$ 399,548</u>	4,641,467
Cost of special event benefits					<u>102,813</u>
Total					<u>\$ 4,744,280</u>

See accompanying notes to financial statements.

Amigos de las Américas

Statements of Cash Flows for the years ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 158,432	\$ (226,914)
Adjustments to reconcile changes in net assets to net cash used by operating activities:		
Realized and unrealized (gain) loss on investments	(184,742)	71,320
Depreciation	7,696	16,494
Changes in operating assets and liabilities:		
Receivable from AMIGOS Foundation	7,350	11,201
Receivable from AMIGOS Chapters	(2,775)	4,385
Government grant receivable	(157,674)	(166,297)
Prepaid expenses and other assets	27,629	94,804
Accounts payable and accrued expenses	29,177	67,122
Due to AMIGOS Chapters	(2,328)	1,688
Participant deposits	(9,625)	3,157
Deferred revenue	<u>46,050</u>	<u>106,454</u>
Net cash used by operating activities	<u>(80,810)</u>	<u>(16,586)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(403,484)	(398,625)
Proceeds from sales and maturities of investments	348,382	422,890
Net change in money market mutual funds held as investments	<u>(21,269)</u>	<u>(1,056)</u>
Net cash provided (used) by investing activities	<u>(76,371)</u>	<u>23,209</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on note payable	<u>(25,828)</u>	<u>(24,577)</u>
NET CHANGE IN CASH	(183,009)	(17,954)
Cash, beginning of year	<u>413,177</u>	<u>431,131</u>
Cash, end of year	<u>\$ 230,168</u>	<u>\$ 413,177</u>
<i>Supplemental disclosure of cash flow information:</i>		
Interest paid	\$1,824	\$3,076

See accompanying notes to financial statements.

Amigos de las Américas

Notes to Financial Statements for the years ended December 31, 2019 and 2018

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization – Amigos de las Américas (AMIGOS) is a nonprofit organization incorporated in Texas that inspires and builds young leaders through collaborative community development and immersion in cross-cultural experiences throughout the Americas. The National Office of AMIGOS plans and implements field projects in the United States and 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 also is 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).

Government grant contributions receivable that are expected to be collected within one year are reported at net realizable value. Amounts expected to be collected in future years are discounted to estimate the present value of future cash flows, if material. Discounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of discounts is included in government grant contribution revenue. An allowance for uncollectible receivables is provided when it is believed balances may not be collected in full. The adequacy of the allowance at the end of each period is determined using a combination of historical loss experience and a donor-by-donor analysis of balances. It is possible that management's estimate regarding the collectability of the balances will change in the near term resulting in a change in the carrying value of these receivables.

Land held for sale is reported at the lower of cost or fair value less costs to sell.

Property is reported at cost if purchased or estimated fair value at the date of the gift if donated using capitalization thresholds of \$1,000 for equipment and \$5,000 for furniture and software. Depreciation is computed using the straight-line method over estimated useful lives of three to five years for furniture, equipment, and software.

Investments are reported at fair value. Net investment return consists of interest and dividends, realized and unrealized gains and losses, net of external and direct internal investment expenses.

Net asset classification – Net assets, revenue, gains, and losses are classified based on the existence or absence of donor-imposed restrictions, as follows:

- *Net assets without donor restrictions* are not subject to donor-imposed restrictions even though their use may be limited in other respects such as by contract or board designation.
- *Net assets with donor restrictions* are subject to donor-imposed restrictions. Restrictions may be temporary in nature, such as those that will be met by the passage of time or use for a purpose specified by the donor, or may be perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Net assets are released from restrictions when the stipulated time has elapsed, or purpose has been fulfilled, or both. Donor-restricted endowment earnings are released when those earnings are appropriated in accordance with spending policies and are used for the stipulated purpose.

Participant fees are derived from providing cultural immersion experiences through summer volunteer and GAP programs in Latin America. Revenue is recognized when the services are provided to a participant, in an amount that reflects the consideration AMIGOS expects to be entitled to receive in exchange for those services. Financial aid reduces the amount of consideration AMIGOS expects to be entitled to receive and participant fees are presented net of financial aid. Fees are due upon execution of the contract. There are no contract assets resulting from participant fees at December 31, 2019 or 2018. Participant fees collected in advance are deferred until performance obligations are met in the following fiscal year. AMIGOS has contract liabilities for deferred participant fees of \$237,650 at December 31, 2019, \$191,600 at December 31, 2018, and \$85,146 at December 31, 2017.

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

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, Texas, 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 the total amount paid by attendees of an event and includes elements of both contributions and exchange transactions. Special event revenue is recognized when the event occurs. Cost of special event benefits represent the cost of goods and services provided to attendees of the special events.

Functional allocation of expenses – Expenses are reported by their functional classification. Program services are the direct conduct or supervision of activities that fulfill the purposes for which the organization exists. Fundraising activities include the solicitation of contributions of money, securities, materials, facilities, other assets, and time. Marketing includes the promotion of AMIGOS and its programs to potential participants but is exclusive of fundraising activities. Management and general activities are not directly identifiable with specific program or other activities. Expenses that are

attributable to more than one activity are allocated among the activities benefitted. Salaries and related costs are allocated on the basis of estimated time and effort expended. Occupancy, depreciation, and information technology are allocated based on the number of full-time equivalent personnel.

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.

Recent financial accounting pronouncement – In February 2016, the Financial Accounting Standards Board issued Accounting Standards Update (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 for both finance and operating leases. 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. AMIGOS plans to adopt this ASU for fiscal year ending December 31, 2021. Upon adoption, management expects to recognize lease commitments as both a right of use asset and a lease liability in the statement of financial position for commitments that are currently only disclosed in the financial statements.

NOTE 2 – ADOPTION OF ACCOUNTING STANDARDS UPDATES

Effective January 1, 2019, AMIGOS adopted ASU 2014-19, *Revenue from Contracts with Customers (Topic 606)*. 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 using a 5-step process to determine when performance obligations are satisfied, and revenue is recognized. Simultaneously, AMIGOS adopted ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This guidance clarifies the distinction between contributions and exchange transactions and between conditional and unconditional contributions. These ASU's have been applied on a retrospective basis to the financial statements for the year ended December 31, 2018. Because the timing and amount of revenue recognized previously is not different from revenue recognized under the new guidance, adoption of these standards had no impact on 2018 net assets or changes in net assets.

NOTE 3 – LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use within one year of December 31 comprise the following:

	<u>2019</u>	<u>2018</u>
Financial assets:		
Cash	\$ 230,168	\$ 413,177
Receivables and other assets	411,009	266,181
Investments	<u>1,776,449</u>	<u>1,515,336</u>
Total financial assets	2,417,626	2,194,694
Less financial assets not available for general expenditure:		
Donor-restricted endowment assets	(310,815)	(283,586)
Other donor-restricted assets subject to satisfaction of restriction	<u>(6,144)</u>	<u>(9,054)</u>
Total financial assets available for general expenditure	<u>\$ 2,100,667</u>	<u>\$ 1,902,054</u>

Approximately \$87,000 was refunded to program participants subsequent to December 31, 2019 due to the cancellation of GAP and summer programs as a result of COVID-19.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, AMIGOS considers all expenditures related to its mission and ongoing activities, as well as all expenditures made toward functions that support those activities, to be general expenditures.

As part of AMIGOS' liquidity management, it structures its financial assets to be available as its general expenditures and liabilities become due by maintaining a significant portion of its assets in cash and investments.

NOTE 4 – TRANSACTIONS WITH AMIGOS FOUNDATION AND AMIGOS CHAPTERS

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 5 – GOVERNMENT GRANT CONTRIBUTIONS

AMIGOS receives federal grants which are conditioned upon the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when AMIGOS has incurred expenditures in compliance with specific contract or grant provisions. At December 31, 2019, AMIGOS has approximately \$820,000 of conditional contributions from a government agency which have not been recognized in the accompanying financial statements because the conditions have not been met. Government grant contributions receivable for recognized contributions are due within one year.

NOTE 6 – PROPERTY

Property consists of the following:

	<u>2019</u>	<u>2018</u>
Furniture and equipment	\$ 524,366	\$ 524,366
Software	215,086	215,086
Land (reclassified to available for sale in 2019)	<u> </u>	<u>409,721</u>
Total property	739,452	1,149,173
Accumulated depreciation	<u>(722,712)</u>	<u>(715,016)</u>
Property, net	<u>\$ 16,740</u>	<u>\$ 434,157</u>

NOTE 7 – 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, 2019 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
Investments:				
Common stock:				
Telecommunications	\$ 166,643			\$ 166,643
Information technology	147,164			147,164
Healthcare	132,842			132,842
Financials	112,326			112,326
Consumer staples	91,542			91,542
Industrials	79,547			79,547
Consumer discretionary	54,629			54,629
Energy	52,751			52,751
Utilities	34,247			34,247
Real estate	34,074			34,074
Fixed-income bonds:				
Corporate		\$ 516,880		516,880
Municipal		150,662		150,662
Government agency		50,187		50,187
Mutual funds:				
Money market	<u>152,955</u>	<u> </u>	<u> </u>	<u>152,955</u>
Total assets measured at fair value	<u>\$ 1,058,720</u>	<u>\$ 717,729</u>	<u>\$ 0</u>	<u>\$ 1,776,449</u>

Assets measured at fair value at December 31, 2018 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
Investments:				
Common stock:				
Telecommunications	\$ 71,496			\$ 71,496
Information technology	103,993			103,993
Healthcare	144,998			144,998
Financials	87,541			87,541
Consumer staples	51,173			51,173
Industrials	94,137			94,137
Consumer discretionary	50,739			50,739
Energy	34,748			34,748
Utilities	42,446			42,446
Real estate	24,289			24,289
Materials	32,029			32,029
Fixed-income bonds:				
Corporate		\$ 350,212		350,212
Municipal		198,197		198,197
Government agency		48,867		48,867
Mutual funds:				
Money market	131,686			131,686
Fixed-income bond	<u>48,785</u>			<u>48,785</u>
Total assets measured at fair value	<u>\$ 918,060</u>	<u>\$ 597,276</u>	<u>\$ 0</u>	<u>\$ 1,515,336</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.

NOTE 8 – 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. The principal balance of the note at December 31, 2019 is due in 2020.

NOTE 9 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as follows:

	<u>2019</u>	<u>2018</u>
Endowment subject to spending policy and appropriation	\$ 310,815	\$ 283,586
Financial aid	107,058	38,546
Other	<u>8,144</u>	<u>11,054</u>
Total net assets with donor restrictions	<u>\$ 426,017</u>	<u>\$ 333,186</u>

NOTE 10 – 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.

Endowment net asset composition at December 31, 2019 is as follows:

	<u>WITH DONOR RESTRICTIONS</u>		<u>TOTAL</u>
	<u>ACCUMULATED NET INVESTMENT RETURN</u>	<u>REQUIRED TO BE MAINTAINED IN PERPETUITY</u>	
Donor-restricted endowments – financial aid	\$ 36,148	\$ 267,787	\$ 303,935
Donor-restricted endowment – general	<u>833</u>	<u>6,047</u>	<u>6,880</u>
Endowment net assets	<u>\$ 36,981</u>	<u>\$ 273,834</u>	<u>\$ 310,815</u>

Endowment net asset composition at December 31, 2018 is as follows:

	<u>WITH DONOR RESTRICTIONS</u>		<u>TOTAL</u>
	<u>ACCUMULATED NET INVESTMENT RETURN</u>	<u>REQUIRED TO BE MAINTAINED IN PERPETUITY</u>	
Donor-restricted endowments – financial aid	\$ 9,522	\$ 267,787	\$ 277,309
Donor-restricted endowment – general	<u>230</u>	<u>6,047</u>	<u>6,277</u>
Endowment net assets	<u>\$ 9,752</u>	<u>\$ 273,834</u>	<u>\$ 283,586</u>

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

	<u>WITH DONOR RESTRICTIONS</u>		<u>TOTAL</u>
	<u>ACCUMULATED NET INVESTMENT RETURN</u>	<u>REQUIRED TO BE MAINTAINED IN PERPETUITY</u>	
Endowment net assets, December 31, 2017	\$ 32,082	\$ 273,834	\$ 305,916
Net investment return	(8,641)		(8,641)
Distributions	<u>(13,689)</u>	<u> </u>	<u>(13,689)</u>
Endowment net assets, December 31, 2018	<u>9,752</u>	<u>273,834</u>	<u>283,586</u>
Net investment return	40,925		40,925
Distributions	<u>(13,696)</u>	<u> </u>	<u>(13,696)</u>
Endowment net assets, December 31, 2019	<u>\$ 36,981</u>	<u>\$ 273,834</u>	<u>\$ 310,815</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 and the unappropriated investment earnings on donor-restricted endowments as *net assets with donor restrictions*. In accordance with TUPMIFA, the Board of Directors considers the duration and preservation of the funds and other resources of AMIGOS in making a determination to appropriate or accumulate donor-restricted endowment funds.

Investment and Spending Policies

AMIGOS has adopted a policy that the maximum distribution from the endowment fund each year is 4% of corpus. 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.

NOTE 11 – 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 \$39,765 to the plan in 2019 and \$40,442 in 2018.

NOTE 12 – CONTINGENCIES

AMIGOS receives government grants that require fulfillment of certain conditions as set forth in the grant contracts and are subject to review and audit by the awarding agencies. Such reviews and audits could result in discovery of unallowable activities and unallowable costs. Consequently, any of the funding sources may, at their discretion, request reimbursement for expenses or return of funds as a result of noncompliance by AMIGOS with the terms of the contracts. Management believes such disallowances, if any, would not be material to AMIGOS' financial position or changes in net assets.

NOTE 13 – OPERATING LEASE COMMITMENTS

AMIGOS leases certain office space and office equipment used in its operations. Future minimum lease payments under these noncancellable operating leases are as follows:

2020	\$ 92,024
2021	81,826
2022	86,836
2023	<u>36,583</u>
Total	<u>\$ 297,269</u>

One office lease requires AMIGOS to pay a portion of the building's operating costs. AMIGOS recognized rent and operating costs of approximately \$149,000 in 2019 and \$136,000 in 2018.

NOTE 14 – SUBSEQUENT EVENTS

On March 11, 2020, the Director-General of the World Health Organization declared a pandemic related to the global outbreak of the new coronavirus COVID-19 and on March 13, 2020, a national emergency was declared in the United States. Stay-at-home orders and travel restrictions have caused the cancellation of summer and GAP programs for 2020 resulting in refunds to participants of approximately \$87,000 of the deferred revenue at December 31, 2019. Although some programs have been modified to provide virtual leadership and community impact projects, there is an expectation that program fees will be lessened for the foreseeable future. The U. S. stock market experienced a significant decline and remains volatile resulting in a decline in the fair value of the AMIGOS' investments subsequent to December 31, 2019.

The extent of the impact of COVID-19 on AMIGOS' operational and financial performance will depend on developments such as the duration and spread of the outbreak and the impact on participants, volunteers, donors and partner organizations, all of which are uncertain and cannot be predicted. Therefore, while AMIGOS expects this matter to negatively impact its operating results and financial position, the financial impact cannot be reasonably estimated at this time.

In April 2020, AMIGOS received an unsecured bank loan of \$359,700 funded through the Paycheck Protection Program (PPP). The loan bears interest at 1.0% and may be repaid over 2 years. PPP loan

principal and interest may be forgiven, in whole or in part, if funds are used for the intended purposes within the prescribed period. AMIGOS intends to apply for forgiveness and will recognize any forgiveness granted upon approval by the lender.

Management has evaluated subsequent events through August 11, 2020, which is the date that the financial statements were available for issuance. As a result of this evaluation, no other events were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.
