

Amigos de las Américas

Financial Statements
and Independent Auditors' Report
for the years ended December 31, 2020 and 2019

Amigos de las Américas

Table of Contents

	Page
Independent Auditors' Report	1
Financial Statements:	
Statements of Financial Position as of December 31, 2020 and 2019	2
Statement of Activities for the year ended December 31, 2020	3
Statement of Activities for the year ended December 31, 2019	4
Statement of Functional Expenses for the year ended December 31, 2020	5
Statement of Functional Expenses for the year ended December 31, 2019	6
Statements of Cash Flows for the years ended December 31, 2020 and 2019	7
Notes to Financial Statements for the years ended December 31, 2020 and 2019	8

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, 2020 and 2019 and the related statements of activities, of functional expenses, and of cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements – Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility – Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform our audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion – In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Amigos de las Américas as of December 31, 2020 and 2019 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

April 29, 2021

Amigos de las Américas

Statements of Financial Position as of December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash	\$ 732,392	\$ 230,168
Receivable from AMIGOS Chapters (Note 3)	9,447	31,222
Government grant contributions receivable	130,959	334,507
Prepaid expenses and other assets	122,262	236,638
Land held for sale		409,721
Property, net (Note 5)	11,958	16,740
Investments (Note 6)	<u>1,731,375</u>	<u>1,776,449</u>
 TOTAL ASSETS	 <u>\$ 2,738,393</u>	 <u>\$ 3,035,445</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 111,226	\$ 259,366
Due to AMIGOS Foundation	12,110	
Due to AMIGOS Chapters (Note 3)	2,961	7,319
Participant deposits	7,285	27,526
Deferred revenue	399,674	237,650
Note payable (Note 7)		20,231
Paycheck Protection Program refundable advance (Note 2)	<u>359,700</u>	<u> </u>
Total liabilities	<u>892,956</u>	<u>552,092</u>
Net assets:		
Without donor restrictions	1,660,488	2,057,336
With donor restrictions (Notes 8 and 9)	<u>184,949</u>	<u>426,017</u>
Total net assets	<u>1,845,437</u>	<u>2,483,353</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 2,738,393</u>	 <u>\$ 3,035,445</u>

See accompanying notes to financial statements.

Amigos de las Américas

Statement of Activities for the year ended December 31, 2020

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Participant fees, net of financial aid of \$41,564	\$ 335,268		\$ 335,268
Contributions (<i>Note 4</i>):			
U. S. Department of State grants		\$ 580,380	580,380
AMIGOS Foundation grant	76,705		76,705
Other contributions	1,106,701	108,236	1,214,937
Special events	121,154		121,154
Cost of special event benefits	(3,500)		(3,500)
AMIGOS Board and Chapter meeting fees (<i>Note 3</i>)	11,885		11,885
Net investment return	(75,571)	(4,550)	(80,121)
Gain on sale of land	<u>284,416</u>	<u> </u>	<u>284,416</u>
Total revenue	1,857,058	684,066	2,541,124
Net assets released from restrictions:			
Financial aid and program support	649,017	(649,017)	
Donor redesignation	<u>276,117</u>	<u>(276,117)</u>	<u> </u>
Total	<u>2,782,192</u>	<u>(241,068)</u>	<u>2,541,124</u>
EXPENSES:			
Program	2,058,765		2,058,765
Management and general	479,634		479,634
Fundraising	271,668		271,668
Marketing	<u>368,973</u>	<u> </u>	<u>368,973</u>
Total expenses	<u>3,179,040</u>	<u> </u>	<u>3,179,040</u>
CHANGES IN NET ASSETS	(396,848)	(241,068)	(637,916)
Net assets, beginning of year	<u>2,057,336</u>	<u>426,017</u>	<u>2,483,353</u>
Net assets, end of year	<u>\$ 1,660,488</u>	<u>\$ 184,949</u>	<u>\$ 1,845,437</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		\$ 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 (<i>Note 3</i>)	10,275		10,275
AMIGOS Board and Chapter meeting fees (<i>Note 3</i>)	66,629		66,629
Net investment return	181,691	40,925	222,616
Other	438		438
Total revenue	4,666,874	774,367	5,441,241
Net assets released from restrictions:			
Financial aid and program support	681,536	(681,536)	
Total	5,348,410	92,831	5,441,241
EXPENSES:			
Program	3,941,821		3,941,821
Management and general	561,294		561,294
Fundraising	271,275		271,275
Marketing	508,419		508,419
Total expenses	5,282,809		5,282,809
CHANGES IN NET ASSETS	65,601	92,831	158,432
Net assets, beginning of year	1,991,735	333,186	2,324,921
Net assets, end of year	\$ 2,057,336	\$ 426,017	\$ 2,483,353

See accompanying notes to financial statements.

Amigos de las Américas

Statement of Functional Expenses for the year ended December 31, 2020

	<u>PROGRAM</u>	MANAGEMENT AND <u>GENERAL</u>	<u>FUNDRAISING</u>	<u>MARKETING</u>	<u>TOTAL EXPENSES</u>
Salaries and related costs	\$ 1,387,450	\$ 319,610	\$ 226,706	\$ 228,071	\$ 2,161,837
Professional fees and contract services	172,376	58,578	69	9,147	240,170
Travel	223,147	435	1,082	34	224,698
Occupancy	78,274	37,981	11,847	11,918	140,020
Information technology	59,129	3,932	4,891	51,218	119,170
Advertising and promotional supplies		2,518		61,772	64,290
Program supplies	51,316				51,316
Dues, taxes and fees	28,414	7,813	7,313	187	43,727
Insurance	26,275	6,015	4,268	4,293	40,851
Meetings, events and workshops	3,840	20,318	4,752	644	29,554
Printing and postage	15,972	5,118	4,931	1,054	27,075
Office and event supplies	4,655	7,193	4,968		16,816
Depreciation	3,076	704	500	502	4,782
Other	<u>4,841</u>	<u>9,419</u>	<u>341</u>	<u>133</u>	<u>14,734</u>
Total expenses	<u>\$ 2,058,765</u>	<u>\$ 479,634</u>	<u>\$ 271,668</u>	<u>\$ 368,973</u>	3,179,040
Cost of special event benefits					<u>3,500</u>
Total					<u>\$ 3,182,540</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>	MANAGEMENT AND <u>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
Professional fees and contract services	248,105	57,988			306,093
Travel	1,628,484	11,186	6,931	4,627	1,651,228
Occupancy	118,658	30,420	17,289	21,850	188,217
Information technology	63,385	2,486	6,163	31,760	103,794
Advertising and promotional supplies		4,129		152,088	156,217
Program supplies	341,858				341,858
Dues, taxes and fees	60,504	32,290	17,604	1,415	111,813
Insurance	23,166	5,018	3,379	4,074	35,637
Meetings, events and workshops	45,851	95,656	4,610	15,020	161,137
Printing and postage	32,343	7,626	18,734	44,187	102,890
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

Statements of Cash Flows for the years ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ (637,916)	\$ 158,432
Adjustments to reconcile changes in net assets to net cash used by operating activities:		
Realized and unrealized (gain) loss on investments	90,769	(184,742)
Gain on sale of land	(284,416)	
Depreciation	4,782	7,696
Changes in operating assets and liabilities:		
Receivable from AMIGOS Foundation		7,350
Receivable from AMIGOS Chapters	21,775	(2,775)
Government grant contributions receivable	203,548	(157,674)
Prepaid expenses and other assets	114,376	27,629
Accounts payable and accrued expenses	(148,140)	29,177
Due to AMIGOS Foundation	12,110	
Due to AMIGOS Chapters	(4,358)	(2,328)
Participant deposits	(20,241)	(9,625)
Deferred revenue	162,024	46,050
Paycheck Protection Program – refundable advance	<u>359,700</u>	<u> </u>
Net cash used by operating activities	<u>(125,987)</u>	<u>(80,810)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(27,025)	(403,484)
Proceeds from sales and maturities of investments	1,559,750	348,382
Net change in cash and money market mutual funds held as investments	(1,578,420)	(21,269)
Proceeds from sale of land	<u>694,137</u>	<u> </u>
Net cash provided (used) by investing activities	<u>648,442</u>	<u>(76,371)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on note payable	<u>(20,231)</u>	<u>(25,828)</u>
NET CHANGE IN CASH	502,224	(183,009)
Cash, beginning of year	<u>230,168</u>	<u>413,177</u>
Cash, end of year	<u>\$ 732,392</u>	<u>\$ 230,168</u>
 <i>Supplemental disclosure of cash flow information:</i>		
Interest paid	\$508	\$1,824

See accompanying notes to financial statements.

Amigos de las Américas

Notes to Financial Statements for the years ended December 31, 2020 and 2019

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).

Cash – At times, bank deposits exceed the federally insured limit per depositor per institution.

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. Government grant contributions receivable are due within one year.

Land held for sale was reported at the lower of cost or fair value less costs to sell and was sold during 2020.

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. Cash held for long-term purposes are grouped with investments and are excluded from cash for purposes of cash flows.

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 year 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, 2020 or 2019. 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 \$399,674 at December 31, 2020, \$237,650 at December 31, 2019, and \$191,600 at December 31, 2018. Contract liabilities for participant deposits are \$7,285 at December 31, 2020, \$27,526 at December 31, 2019, and \$37,151 at December 31, 2018.

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 grants and contributions are subject to one or more barriers that must be overcome before AMIGOS is entitled to receive or retain funding. Conditional grants and contributions 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 costs 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. 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. AMIGOS plans to adopt this ASU for fiscal year ended December 31, 2022. 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 – 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>2020</u>	<u>2019</u>
Financial assets:		
Cash	\$ 732,392	\$ 230,168
Receivables and other assets	162,168	411,009
Investments	<u>1,731,375</u>	<u>1,776,449</u>
Total financial assets	2,625,935	2,417,626
Less financial assets not available for general expenditure:		
Donor-restricted endowment assets	(91,571)	(310,815)
Other donor-restricted assets subject to satisfaction of restriction	<u> </u>	<u>(6,144)</u>
Total financial assets available for general expenditure	<u>\$ 2,534,364</u>	<u>\$ 2,100,667</u>

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.

In March 2020, the Director-General of the World Health Organization declared a pandemic related to the global outbreak of the new coronavirus COVID-19 and a national emergency was declared in the United States. Stay-at-home orders and travel restrictions caused the cancellation of summer and GAP programs for 2020, resulting in refunds to participants. AMIGOS was able to convert some programming to a virtual delivery method and many major program expenses, such as costs related to travel, were not incurred. The extent of the impact of COVID-19 on AMIGOS' future operational and financial performance will depend on developments such as the duration and spread of the outbreak, impact on participants, volunteers, donors and partner organizations, all of which are uncertain and cannot be predicted. While AMIGOS expects this matter to negatively impact its operating results and financial position, the financial impact cannot be reasonably estimated at this time.

As a result of travel concerns with the lingering pandemic, refunds to participants of approximately \$74,000 were granted; at December 31, 2020, these funds were reported as deferred revenue.

AMIGOS has striven to maintain its employees in spite of COVID-19 closures. In April 2020, AMIGOS received financial relief of approximately \$359,700 from the Paycheck Protection Program (PPP) loan through the Small Business Administration. The loan is considered a conditional contribution and is reported as a refundable advance at December 31, 2020. AMIGOS received a second PPP loan of \$390,900 in February 2021. Management expects the loans will be forgiven as the loans are used to fund eligible costs. Any amounts not forgiven bear interest at 1% and are due in 2022 and 2026, respectively.

NOTE 3 – 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 4 – CONDITIONAL 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, 2020, AMIGOS has approximately \$945,000 of conditional contributions from a government agency which have not been recognized in the accompanying financial statements because the conditions have not been met.

Additionally, at December 31, 2020, AMIGOS has a \$200,000 conditional contribution from an individual donor. The commitment is conditioned upon meeting certain criteria specified by the donor such as meeting enrollment targets through partnerships and program accessibility. This contribution will be recognized as contribution revenue when the conditions the donor has established are substantially met.

NOTE 5 – PROPERTY

Property consists of the following:

	<u>2020</u>	<u>2019</u>
Furniture and equipment	\$ 524,366	\$ 524,366
Software	<u>215,086</u>	<u>215,086</u>
Total property	739,452	739,452
Accumulated depreciation	<u>(727,494)</u>	<u>(722,712)</u>
Property, net	<u>\$ 11,958</u>	<u>\$ 16,740</u>

NOTE 6 – 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, 2020 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
Investments measured at fair value:				
Money market mutual funds	<u>\$ 1,662,101</u>	<u> </u>	<u> </u>	<u>\$ 1,662,101</u>
Total investments measured at fair value	<u>\$ 1,662,101</u>	<u>\$ 0</u>	<u>\$ 0</u>	1,662,101
Cash				<u>69,274</u>
Total investments				<u>\$ 1,731,375</u>

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:				
Mutual funds:				
Money market	\$ 152,955			\$ 152,955
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
Total assets measured at fair value	<u>\$ 1,058,720</u>	<u>\$ 717,729</u>	<u>\$ 0</u>	<u>\$ 1,776,449</u>

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

- *Mutual funds* are valued at the reported net asset value.
- *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.

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 7 – NOTE PAYABLE

AMIGOS' note payable consisted of a promissory note to an individual, which was secured by property. The principal balance of the note was paid in full in the year ended December 31, 2020.

NOTE 8 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as follows:

	<u>2020</u>	<u>2019</u>
Endowment subject to spending policy and appropriation	\$ 91,571	\$ 310,815
Financial aid	62,602	107,058
Leadership award	28,836	
Other	<u>1,940</u>	<u>8,144</u>
Total net assets with donor restrictions	<u>\$ 184,949</u>	<u>\$ 426,017</u>

NOTE 9 – 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, 2020 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	<u>\$ 7,037</u>	<u>\$ 84,534</u>	<u>\$ 91,571</u>
Endowment net assets	<u>\$ 7,037</u>	<u>\$ 84,534</u>	<u>\$ 91,571</u>

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>

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, 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>(13,696)</u>
Endowment net assets, December 31, 2019	<u>36,981</u>	<u>273,834</u>	<u>310,815</u>
Donor redesignation	(25,394)	(189,300)	(214,694)
Net investment return	<u>(4,550)</u>		<u>(4,550)</u>
Endowment net assets, December 31, 2020	<u>\$ 7,037</u>	<u>\$ 84,534</u>	<u>\$ 91,571</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. During 2020, donors re-designated amounts totaling \$214,694 for non-endowment purposes.

Investment and Spending Policies

AMIGOS has adopted a policy that the maximum distribution from the endowment fund each year is 4% of the corpus. The distribution percentage is a function of a three-year average (based on the three preceding years ended 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.

NOTE 10 – 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 \$24,345 to the plan in 2020 and \$39,765 in 2019.

NOTE 11 – 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 12 – 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:

2021	\$ 62,651
2022	106,011
2023	<u>36,583</u>
Total	<u>\$ 205,245</u>

One office lease requires AMIGOS to pay a portion of the building's operating costs. AMIGOS recognized rent and operating costs of approximately \$100,000 in 2020 and \$149,000 in 2019.

NOTE 13 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 29, 2021, which is the date that the financial statements were available for issuance. As a result of this evaluation, other than as disclosed in Note 2, 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.
