

Amigos de las Américas

Financial Statements
and Independent Auditors' Report
for the years ended December 31, 2021 and 2020

Amigos de las Américas

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Independent Auditors' Report

To the Board of Directors of
Amigos de las Américas:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Amigos de las Américas, which comprise the statements of financial position as of December 31, 2021 and 2020, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Amigos de las Américas as of December 31, 2021 and 2020, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of Amigos de las Américas and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Amigos de las Américas' ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and

therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Amigos de las Américas' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Amigos de las Américas' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Blazek & Vetterling

May 13, 2022

Amigos de las Américas

Statements of Financial Position as of December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash	\$ 242,296	\$ 732,392
Receivable from AMIGOS Chapters (Note 3)	14,172	9,447
Contributions receivable (Note 4):		
Government grant contributions receivable	155,305	130,959
Other (Note 3)	406,880	1,940
Prepaid expenses and other assets	151,271	120,322
Property, net (Note 5)	7,175	11,958
Investments (Note 6)	<u>1,256,534</u>	<u>1,731,375</u>
TOTAL ASSETS	<u>\$ 2,233,633</u>	<u>\$ 2,738,393</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 133,204	\$ 111,226
Due to AMIGOS Foundation		12,110
Due to AMIGOS Chapters (Note 3)	50,694	2,961
Participant deposits	28,368	7,285
Deferred participant fee revenue	8,178	399,674
Paycheck Protection Program refundable advance (Note 2)	<u>390,900</u>	<u>359,700</u>
Total liabilities	<u>611,344</u>	<u>892,956</u>
Net assets:		
Without donor restrictions	1,050,588	1,660,488
With donor restrictions (Notes 7 and 8)	<u>571,701</u>	<u>184,949</u>
Total net assets	<u>1,622,289</u>	<u>1,845,437</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,233,633</u>	<u>\$ 2,738,393</u>

See accompanying notes to financial statements.

Amigos de las Américas

Statement of Activities for the year ended December 31, 2021

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Participant fees, net of financial aid of \$161,988	\$ 1,227,832		\$ 1,227,832
Contributions:			
U. S. Department of State grants		\$ 494,877	494,877
Paycheck Protection Program (<i>Note 2</i>)		359,700	359,700
AMIGOS Foundation grant	62,185		62,185
Other contributions	671,075	520,737	1,191,812
Special events	176,333		176,333
Cost of special event benefits	(37,224)		(37,224)
Net investment return	2,266	127	2,393
Other income	3,118		3,118
Total revenue	2,105,585	1,375,441	3,481,026
Net assets released from restrictions:			
Financial aid and program support	987,719	(987,719)	
Expiration of time restrictions	970	(970)	
Total	3,094,274	386,752	3,481,026
EXPENSES:			
Program	2,555,309		2,555,309
Management and general	620,172		620,172
Fundraising	252,134		252,134
Marketing	276,559		276,559
Total expenses	3,704,174		3,704,174
CHANGES IN NET ASSETS	(609,900)	386,752	(223,148)
Net assets, beginning of year	1,660,488	184,949	1,845,437
Net assets, end of year	\$ 1,050,588	\$ 571,701	\$ 1,622,289

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:			
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 Functional Expenses for the year ended December 31, 2021

	<u>PROGRAM</u>	MANAGEMENT AND <u>GENERAL</u>	<u>FUNDRAISING</u>	<u>MARKETING</u>	<u>TOTAL EXPENSES</u>
Salaries and other costs	\$ 1,488,828	\$ 399,889	\$ 177,855	\$ 184,507	\$ 2,251,079
Travel	416,789	455	369	7,769	425,382
Professional fees and contract services	175,593	118,949	14,135	2,839	311,516
Program supplies	242,432				242,432
Occupancy	76,485	40,225	9,243	9,589	135,542
Information technology	70,466	8,283	12,801	22,652	114,202
Insurance	39,923	19,452	4,769	4,948	69,092
Dues, taxes and fees	28,773	18,745	3,375	214	51,107
Advertising and promotional supplies		2,665		38,942	41,607
Printing and postage	889	3,264	15,147	4,515	23,815
Other supplies	2,939	395	12,216		15,550
Meetings, events and workshops	7,682	5,220	1,513		14,415
Depreciation	3,163	850	378	392	4,783
Other	<u>1,347</u>	<u>1,780</u>	<u>333</u>	<u>192</u>	<u>3,652</u>
Total expenses	<u>\$ 2,555,309</u>	<u>\$ 620,172</u>	<u>\$ 252,134</u>	<u>\$ 276,559</u>	3,704,174
Cost of special event benefits					<u>37,224</u>
Total					<u>\$ 3,741,398</u>

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
Travel	223,147	435	1,082	34	224,698
Professional fees and contract services	172,376	58,578	69	9,147	240,170
Program supplies	51,316				51,316
Occupancy	78,274	37,981	11,847	11,918	140,020
Information technology	59,129	3,932	4,891	51,218	119,170
Insurance	26,275	6,015	4,268	4,293	40,851
Dues, taxes and fees	28,414	7,813	7,313	187	43,727
Advertising and promotional supplies		2,518		61,772	64,290
Printing and postage	15,972	5,118	4,931	1,054	27,075
Meetings, events and workshops	3,840	20,318	4,752	644	29,554
Depreciation	3,076	704	500	502	4,782
Office and event supplies	4,655	7,193	4,968		16,816
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

Statements of Cash Flows for the years ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ (223,148)	\$ (637,916)
Adjustments to reconcile changes in net assets to net cash used by operating activities:		
Realized and unrealized (gain) loss on investments	(2,114)	90,769
Gain on sale of land		(284,416)
Depreciation	4,783	4,782
Changes in operating assets and liabilities:		
Receivable from AMIGOS Chapters	(4,725)	21,775
Contributions receivable	(429,286)	203,548
Prepaid expenses and other assets	(30,949)	114,376
Accounts payable and accrued expenses	21,978	(148,140)
Due to AMIGOS Foundation	(12,110)	12,110
Due to AMIGOS Chapters	47,733	(4,358)
Participant deposits	21,083	(20,241)
Deferred revenue	(391,496)	162,024
Paycheck Protection Program – refundable advance	<u>31,200</u>	<u>359,700</u>
Net cash used by operating activities	<u>(967,051)</u>	<u>(125,987)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(121,449)	(27,025)
Proceeds from sales and maturities of investments		1,559,750
Net change in cash and money market mutual funds held as investments	598,404	(1,578,420)
Proceeds from sale of land		<u>694,137</u>
Net cash provided by investing activities	<u>476,955</u>	<u>648,442</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on note payable		<u>(20,231)</u>
NET CHANGE IN CASH	(490,096)	502,224
Cash, beginning of year	<u>732,392</u>	<u>230,168</u>
Cash, end of year	<u>\$ 242,296</u>	<u>\$ 732,392</u>

Supplemental disclosure of cash flow information:

Interest paid	\$508
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See accompanying notes to financial statements.

Amigos de las Américas

Notes to Financial Statements for the years ended December 31, 2021 and 2020

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

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 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.

Property is reported at cost if purchased or estimated fair value at the date of 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 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, 2021 or 2020. Participant fees collected in advance are deferred until performance obligations are met in the following fiscal year. AMIGOS has deferred participant fees of \$8,178, \$399,674 and \$237,650 at December 31, 2021, 2020 and 2019, respectively. Contract liabilities for participant deposits are \$28,368, \$7,285 and \$27,526 at December 31, 2021, 2020 and 2019, respectively.

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 *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 events 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. AMIGOS will 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.

ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, will require contributed nonfinancial assets to be presented as a separate line item in the statement of activities, apart from contributions of cash and other financial assets and will require disclosure about the measurement and use of types of contributed nonfinancial assets. The ASU will be effective for fiscal years beginning after June 15, 2021, and requires retrospective application.

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>2021</u>	<u>2020</u>
Financial assets:		
Cash	\$ 242,296	\$ 732,392
Receivables and other assets	599,723	162,168
Investments	<u>1,256,534</u>	<u>1,731,375</u>
Total financial assets	2,098,553	2,625,935
Less financial assets not available for general expenditure:		
Donor-restricted endowment assets	(91,698)	(91,571)
Other donor-restricted assets subject to satisfaction of restriction	<u>(272,689)</u>	<u> </u>
Total financial assets available for general expenditure	<u>\$ 1,734,166</u>	<u>\$ 2,534,364</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.

AMIGOS received financial relief of \$390,900 and \$359,700 in fiscal years 2021 and 2020, respectively, from Paycheck Protection Program (PPP) loans through the Small Business Administration. PPP loan

principal and interest may be forgiven, in whole or in part, if AMIGOS meets eligibility requirements and uses the loans to fund qualified payroll and other eligible costs. In fiscal year 2021, AMIGOS was notified that principal and interest had been forgiven for the first PPP loan and \$359,700 was recognized as contributions revenue. The second PPP loan remains conditional at December 31, 2021 and is reflected as a refundable advance.

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.

AMIGOS recognized contributions of approximately \$161,000 and \$568,000 from AMIGOS Chapters in the years ended December 31, 2021 and 2020, respectively. Approximately \$82,000 of other contributions receivable at December 31, 2021 is from one AMIGOS Chapter.

NOTE 4 – CONTRIBUTIONS RECEIVABLE

Contributions receivable consist of the following:

	<u>2021</u>	<u>2020</u>
Contributions receivable	\$ 572,205	\$ 132,899
Discount to net present value at 3%	<u>(10,020)</u>	<u> </u>
Contributions receivable, net	<u>\$ 562,185</u>	<u>\$ 132,899</u>

Contributions receivable at December 31, 2021 are expected to be collected as follows:

One year	\$ 333,405
One to five years	<u>238,800</u>
Total contributions receivable	<u>\$ 572,205</u>

Concentration – At December 31, 2021, approximately \$489,000 or 87% of contributions receivable were from two donors.

Conditional contributions – At December 31, 2021, AMIGOS has a \$150,000 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.

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, 2021, AMIGOS has approximately \$1,172,000 of conditional contributions from a government agency which have not been recognized in the accompanying financial statements because the conditions have not been met.

NOTE 5 – PROPERTY

Property consists of the following:

	<u>2021</u>	<u>2020</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>(732,277)</u>	<u>(727,494)</u>
Property, net	<u>\$ 7,175</u>	<u>\$ 11,958</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, 2021 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	\$ 1,132,148			\$ 1,132,148
Common stock	113,031			113,031
Equity mutual funds	<u>10,532</u>			<u>10,532</u>
Total investments measured at fair value	<u>\$ 1,255,711</u>	<u>\$ 0</u>	<u>\$ 0</u>	1,255,711
Cash				<u>823</u>
Total investments				<u>\$ 1,256,534</u>

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	\$ 1,662,101			\$ 1,662,101
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>

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.

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 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as follows:

	<u>2021</u>	<u>2020</u>
Subject to expenditure for specified purpose:		
Social Impact Accelerator	\$ 149,380	
Endowment subject to spending policy and appropriation	91,698	\$ 91,571
Financial aid	45,582	62,602
Leadership award	<u>27,541</u>	<u>28,836</u>
Total subject to expenditure for specified purpose	314,201	183,009
Subject to passage of time:		
Contributions receivable that are not restricted by donors, but which are unavailable for expenditures until due	<u>257,500</u>	<u>1,940</u>
Total net assets with donor restrictions	<u>\$ 571,701</u>	<u>\$ 184,949</u>

NOTE 8 – 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, 2021 is as follows:

	<u>WITH DONOR RESTRICTIONS</u>		
	<u>ACCUMULATED</u>	<u>REQUIRED TO BE</u>	
	<u>NET INVESTMENT</u>	<u>MAINTAINED IN</u>	
	<u>RETURN</u>	<u>PERPETUITY</u>	<u>TOTAL</u>
Donor-restricted endowments – financial aid	<u>\$ 7,164</u>	<u>\$ 84,534</u>	<u>\$ 91,698</u>
Endowment net assets	<u>\$ 7,164</u>	<u>\$ 84,534</u>	<u>\$ 91,698</u>

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>

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, 2019	\$ 36,981	\$ 273,834	\$ 310,815
Donor redesignation	(25,394)	(189,300)	(214,694)
Net investment return	<u>(4,550)</u>	<u> </u>	<u>(4,550)</u>
Endowment net assets, December 31, 2020	7,037	84,534	91,571
Net investment return	<u>127</u>	<u> </u>	<u>127</u>
Endowment net assets, December 31, 2021	\$ <u>7,164</u>	\$ <u>84,534</u>	\$ <u>91,698</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 9 – 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. No contribution to the plan was made in 2021. Net of forfeitures, AMIGOS contributed \$24,345 to the plan in 2020.

NOTE 10 – 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 11 – 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:

2022	\$ 112,750
2023	<u>36,583</u>
Total	<u>\$ 149,333</u>

One office lease requires AMIGOS to pay a portion of the building’s operating costs. AMIGOS recognized rent and operating costs of approximately \$120,000 in 2021 and \$100,000 in 2020.

NOTE 12 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 13, 2022, 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.