

AVENIDAS

JUNE 30, 2009

INDEPENDENT AUDITORS' REPORT

AND

FINANCIAL STATEMENTS

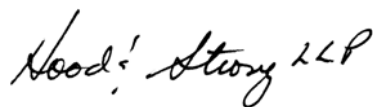
Independent Auditors' Report

BOARD OF DIRECTORS
AVENIDAS
Palo Alto, California

We have audited the accompanying statement of financial position of *Avenidas* as of June 30, 2009, and the related statements of activities, functional expenditures and cash flows for the year then ended. These financial statements are the responsibility of Avenidas' management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from Avenidas' June 30, 2008 financial statements and in our report dated September 9, 2008, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Avenidas as of June 30, 2009, and the changes in its net assets and cash flows for year then ended in conformity with accounting principles generally accepted in the United States of America.



October 13, 2009

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Avenidas

Statement of Financial Position

<i>June 30,</i>	2009	2008
Assets		
Cash and cash equivalents	\$ 479,304	\$ 679,021
Investments, including endowment funds (Notes 3 and 6)	15,148,803	19,639,931
Accounts receivable, net of allowance for doubtful accounts of \$5,290 for 2009 and \$10,444 for 2008	354,106	281,857
Pledges receivable, net	94,953	169,487
Deposits and prepaid expenses	89,409	55,895
Property and equipment, net (Note 4)	4,032,485	4,002,850
	\$ 20,199,060	\$ 24,829,041
Liabilities and Net Assets		
Accounts payable and accrued liabilities	\$ 310,382	\$ 266,037
Total liabilities	310,382	266,037
Net assets (Notes 5 and 6):		
Unrestricted		
Board designated	13,692,405	18,364,455
Undesignated	4,586,905	4,322,553
Total unrestricted	18,279,310	22,687,008
Temporarily restricted	1,237,744	1,504,372
Permanently restricted	371,624	371,624
Total net assets	19,888,678	24,563,004
	\$ 20,199,060	\$ 24,829,041

Avenidas

Statement of Activities

Year ended June 30, 2009 (with comparative totals for the year ended June 30, 2008)

	2009			2008
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
OPERATING ACTIVITIES				
Public Support and Revenue				
Program fees	\$ 1,722,311			\$ 1,722,311
Community support	705,315			705,315
Governmental support	602,808			602,808
Dividends and interest	6,941			6,941
Endowment investment income transferred to operations	819,279			819,279
Board designated funds authorized for operations	189,989			189,989
Net assets released from restrictions through satisfaction of donor-imposed restrictions	37,944	\$ (37,944)		
Total public support and revenue before in-kind	4,084,587	(37,944)		4,046,643
In-kind professional services and donated equipment	43,490			43,490
Total public support and revenue	4,128,077	(37,944)		4,090,133
Expenditures				
Program services	3,341,774			3,341,774
Supporting services:				
Management and general	410,765			410,765
Fundraising	367,253			367,253
Total expenditures	4,119,792			4,119,792
Change in Net Assets from Operating Activities	8,285	(37,944)		(29,659)
NON-OPERATING ACTIVITIES				
Non-Operating Net Assets Activity:				
Investment (loss) income, net of fees	(3,725,360)	10,402		(3,714,958)
Bequests	66,093			66,093
Community support - Health & Wellness		10,000		10,000
Community support - Avenidas Village	1,000			1,000
Community support - capital campaign		2,466		2,466
Endowment investment income allocated to operations	(808,877)	(10,402)		(819,279)
Board designated funds authorized for operations	(189,989)			(189,989)
Net assets released from restrictions through satisfaction of donor-imposed restrictions	241,150	(241,150)		
Change in Net Assets from Non-operating Activity	(4,415,983)	(228,684)		(4,644,667)
Total Change in Net Assets	(4,407,698)	(266,628)		(4,674,326)
Net Assets, beginning of year	22,687,008	1,504,372	\$ 371,624	24,563,004
Net Assets, end of year	\$ 18,279,310	\$ 1,237,744	\$ 371,624	\$ 19,888,678

The accompanying notes are an integral part of this statement.

Avenidas

Statement of Functional Expenses

Year ended June 30, 2009 (with comparative totals for the year ended June 30, 2008)

	2009				Total 2009	2008
	Total Program Services	Support Services		Total Support Services		
		Management and General	Fundraising			
Expenditures						
Salaries	\$ 1,678,313	\$ 174,962	\$ 247,076	\$ 422,038	\$ 2,100,351	\$ 2,021,995
Benefits	177,972	15,834	23,388	39,222	217,194	220,913
Payroll taxes	126,958	11,624	17,700	29,324	156,282	155,503
Professional services	365,264	44,498	16,982	61,480	426,744	545,500
Transportation	290,203				290,203	231,342
Depreciation and amortization	114,832	89,706		89,706	204,538	223,893
In-kind professional services	42,590	900		900	43,490	203,430
Program expense	106,651	9,463	1,147	10,610	117,261	123,047
Insurance	104,643	16,892	1,732	18,624	123,267	94,761
Building maintenance	86,630	10,423	3,901	14,324	100,954	89,243
Advertising and marketing	47,511	6,285	4,704	10,989	58,500	77,639
Printing, copying and publications	30,945	4,992	5,665	10,657	41,602	64,865
Utilities	40,174	2,134	799	2,933	43,107	41,032
Fundraising events and mailings			35,629	35,629	35,629	36,469
Nutrition	36,082				36,082	36,390
Office expense	19,468	819	1,853	2,672	22,140	35,803
Computer and equipment	11,160	1,565	3,462	5,027	16,187	30,031
Travel and conference	16,935	6,311	970	7,281	24,216	25,798
Postage	7,829	2,055	1,649	3,704	11,533	22,496
Telephone	12,184	2,377	401	2,778	14,962	18,565
Bank fees and bad debt expenses	19,348	7,944		7,944	27,292	13,094
Dues and subscriptions	2,258	1,165	195	1,360	3,618	12,348
Volunteers	3,824	816		816	4,640	4,469
	\$ 3,341,774	\$ 410,765	\$ 367,253	\$ 778,018	\$ 4,119,792	\$ 4,328,626

The accompanying notes are an integral part of this statement.

Avenidas

Statement of Cash Flows

<i>Years ended June 30,</i>	2009	2008
Cash Flows from Operating Activities:		
Change in net assets	\$ (4,674,326)	\$ (3,111,825)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation and amortization	204,538	223,893
Realized and unrealized loss on investments	4,220,834	2,715,791
(Decrease) increase in allowance for doubtful accounts	(5,154)	2,000
Changes in operating assets and liabilities:		
Accounts receivable	(67,095)	(52,459)
Pledges receivable	(4,966)	(13,083)
Deposits and prepaid expenses	(33,514)	57,694
Accounts payable and accrued liabilities	(19,484)	(41,174)
Net cash used by operating activities	(379,167)	(219,163)
Cash Flows from Investing Activities:		
Purchases of investments	(4,136,860)	(2,625,807)
Proceeds from sale of investments	4,407,154	2,399,900
Purchase of property and equipment	(170,344)	(50,571)
Net cash provided (used) by investing activities	99,950	(276,478)
Cash Flows from Financing Activities:		
Capital campaign pledge payments	79,500	144,370
Net cash provided by financing activities	79,500	144,370
Net Change in Cash and Cash Equivalents	(199,717)	(351,271)
Cash and Cash Equivalents, beginning of year	679,021	1,030,292
Cash and Cash Equivalents, end of year	\$ 479,304	\$ 679,021

Non-cash Investing Activities:

Acquisition of property and equipment included in accounts payable at June 30.	\$ 63,829
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Supplemental Disclosure of Cash Flow Information:

No payments for interest or income taxes were made during 2009 and 2008.

Note 1- Description of the Organization:

Avenidas is a nonprofit public benefit corporation organized in 1969 under the laws of the State of California to provide support services to older adults and their caregivers. Its programs for independent seniors and caregivers include Health and Wellness, Lifelong Learning and Leisure, Social Work Services, Transportation, Handyman Services, Avenidas Village and Volunteer Corps. The Avenidas Rose Kleiner Senior Day Health Center (SDHC) is a licensed adult day health care center providing day care and a set of health services to the frail and elderly.

Each year, Avenidas serves approximately 6,500 individuals from throughout the Mid-Peninsula. To keep fees for its services affordable, it receives funding from individuals, foundations, government grants and through fund-raising events. Approximately 450 volunteers provide services to others in the community and support the work of Avenidas staff.

Home Equity Loan Program for Seniors (HELPS) is a separately incorporated nonprofit organization that is operated by Avenidas pursuant to a management contract. Two of the five directors on the Board of Directors of HELPS are also on the Board of Directors of Avenidas. Avenidas' financial statements do not include the assets, liabilities, net assets or operations of HELPS. During the year ended June 30, 2009, Avenidas received \$28,960 in management fees from HELPS (\$22,800 for the year ended June 30, 2008). HELPS made no donation to Avenidas during the years ended June 30, 2009 or 2008. Unaudited internal financial statements for HELPS at June 30, 2009 showed total assets of approximately \$2,931,000 and no liabilities.

Note 2 - Summary of Significant Accounting Policies:a. Basis of Accounting:

The accompanying financial statements have been prepared on the accrual basis of accounting.

b. Description of Net Assets:

Unrestricted Net Assets – the portion of net assets that is neither temporarily nor permanently restricted by donor-imposed stipulations. These net assets are intended for use by management and the Board for general operations. The Board has designated certain unrestricted net assets for endowment purposes and for a Ready Reserve fund to be used for unbudgeted and unanticipated operational needs or to balance the annual budget.

Temporarily Restricted Net Assets – the portion of net assets which use is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of Avenidas.

Permanently Restricted Net Assets – the portion of net assets which use is limited by donor-imposed stipulations that neither expire by passage of time nor can be removed by actions of Avenidas.

c. Statement of Cash Flows:

For purposes of reporting cash flows, cash and cash equivalents includes cash on hand and in bank demand and money market accounts and excludes cash held in managed investment accounts and certificates of deposit.

d. Investments:

Avenidas reports its investments in marketable debt and equity securities at their fair value. Investment earnings, including realized and unrealized gains and losses, are recorded in the Statement of Activities. Avenidas records revenue generated from investments net of management fees.

e. Accounts Receivable:

Receivables are stated at the amount management expects to collect from outstanding balances. Avenidas provides for losses on receivables using the allowance method, based on experience.

f. Property and Equipment:

Property and equipment purchased for \$5,000 or more are capitalized and recorded at cost. Donated property and equipment with a value of at least \$5,000 are recorded at the estimated fair value at the date of grant.

Depreciation and amortization are computed using the straight-line method over the estimated useful lives of three to seven years for furniture and equipment. Leasehold improvements are amortized over the shorter of the lease term or the estimated useful life of the improvement, generally 10 – 40 years. Property and equipment is not depreciated until it is placed in service.

g. Revenue Recognition:

Revenues from government agencies and program fees are recognized when the services are rendered and costs incurred.

Contributions and promises to give are recorded at their fair value and are recognized as revenue when the donor makes an unconditional promise to give to Avenidas. Donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

h. Income Taxes:

Avenidas is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Service Code and Section 23701(d) of the State of California Revenue and Taxation Code. In addition, Avenidas has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Internal Revenue Code.

i. Contributed Services:

Avenidas recognizes contribution revenue for contributed services which enhance non-financial assets or which require specialized skills that Avenidas would need to purchase if not donated. The value of these contributed services was \$43,490.

Numerous other volunteers donate significant amounts of their time to Avenidas' activities. No amounts have been recorded for these donated services since they do not meet the criteria noted above. These volunteers contributed approximately 20,000 hours to Avenidas, the value of which is estimated to be \$455,800, based on the Bureau of Labor Statistics calculation.

j. Transfers from Non-operating Activities to Operating Activities:

Avenidas classifies its Statement of Activities into operating and non-operating activities. As such certain transfers of funds are shown as reductions to non-operating activities with corresponding increases to operating activities. Additionally, temporarily restricted donations are shown as increases to non-operating activities; however certain temporarily restricted funds may be released into operating activities. Transfers from non-operating activities to operating activities have no effect on the change in net assets.

k. Allocation of Expenses:

Direct costs are charged directly to the applicable program or services. Indirect costs, related to more than one function, are allocated to programs and services by management based on estimates of usage and other factors.

1. Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

m. Reclassifications:

Certain reclassifications have been made to the prior year financial statements in order to conform with the current year presentation. These classifications had no effect on net assets or changes in net assets.

n. Fair Value Measurements:

Avenidas adopted Statement of Financial Accounting Standards No. 157 *Fair Value Measurements* (SFAS No. 157) at the beginning of the 2009 fiscal year. SFAS No. 157 applies to all financial assets and liabilities that are being measured and reported on a fair value basis and requires such assets and liabilities to be classified and disclosed in one of the following three categories to enable readers of the financial statements to assess the inputs used to develop those measurements:

Level 1 Quoted market prices unadjusted in active markets for identical assets or liabilities.

Level 2 Observable market based inputs or unobservable inputs that are corroborated by market data.

Level 3 Unobservable inputs that are not corroborated by market data.

In determining the appropriate levels, Avenidas performs an analysis of the assets and liabilities that are subject to SFAS No. 157.

o. New accounting pronouncements

In June 2006, the Financial Accounting Standards Board (FASB) issued Financial Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* (FIN 48) – an interpretation of FASB Statement No. 109. FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements and provides guidance on the recognition, de-recognition and measurement of benefits related to an entity's uncertain tax position. In December 2008, a FASB Staff Position deferred the effective date for exempt organizations, permitting adoption for years beginning after December 15, 2008. Avenidas has elected to defer the application of FIN 48. Avenidas presently recognizes income tax positions based on management's estimate of whether it is reasonably possible that a liability has been incurred. Management does not expect that the adoption of FIN 48 will have an effect on its financial statements.

Notes to Financial Statements

Note 3 - Investments:

Investments consist of the following at June 30:

	<u>2009</u>	<u>2008</u>
Money market accounts	\$ 202,322	\$ 258,118
Fixed income funds	4,358,562	5,819,442
Equity funds	10,364,455	13,342,749
<hr/>		
Total endowment and temporarily restricted investments	14,925,339	19,420,309
Bank certificate of deposit	223,464	219,622
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Total investments	\$15,148,803	\$19,639,931

The fair value of investments is the market value based on quoted market prices, when available, or market prices provided by recognized broker dealers. If listed prices or quotes are not available, fair value is based upon externally developed models that use unobservable inputs due to the limited market activity of the instrument. According to the fair value hierarchy as defined by SFAS No. 157, the above investments are all considered level 1, except for the bank certificates of deposit, which are considered level 2.

The investment funds are allocated as follows at June 30:

	<u>2009</u>	<u>2008</u>
Board designated endowment purposes	\$13,461,081	\$17,919,362
Permanently restricted purposes	371,624	371,624
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Total endowment investments	13,832,705	18,290,986
Temporarily restricted purposes	1,092,634	1,129,323
Board designated Ready Reserve fund	223,464	219,622
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	\$15,148,803	\$19,639,931

Notes to Financial Statements

These funds are professionally managed within guidelines of an investment policy approved by the Board and overseen by an Investment Committee which is more fully discussed in Note 6. The purpose of the Board designated endowment is to fund operations by providing an annual distribution of between 4% and 5% of the immediate past twelve quarter average rolling value of these investments.

In addition to the Ready Reserve funds included in the above investments, the Board has designated money market funds (included in cash and cash equivalents) in the amount of \$7,858 and \$168,643 as of June 30, 2009 and 2008, respectively, for a total Ready Reserve fund of \$231,322 and \$388,265, respectively.

Investment income is comprised of the following for the year ended June 30:

	<u>2009</u>	<u>2008</u>
Dividends and interest	\$ 567,008	\$ 947,284
Realized (losses) gains, net	(539,535)	154,848
Unrealized (losses) gains, net	(3,681,299)	(2,870,639)
Management fees	(61,132)	(72,347)
	<u>(\$3,714,958)</u>	<u>(\$1,840,854)</u>

Note 4 - Property and Equipment:

Property and equipment is comprised of the following at June 30:

	<u>2009</u>	<u>2008</u>
Furniture	\$ 75,829	\$ 75,829
Equipment	511,304	305,646
SDHC facility	3,636,575	3,636,575
Leasehold improvements	1,259,384	1,253,584
	5,483,092	5,271,634
Less accumulated depreciation and amortization	(1,450,607)	(1,268,784)
	<u>\$ 4,032,485</u>	<u>\$ 4,002,850</u>

Note 5 - Temporarily Restricted Net Assets:

Temporarily restricted net assets are available for the following activities at June 30:

	<u>2009</u>	<u>2008</u>
SDHC – future operations	\$1,135,643	\$1,169,313
Avenidas Village – future operations	43,660	45,468
Wiechman bequest for special needs at the SDHC	48,441	48,441
Palo Alto Community Fund	10,000	
HELPS contribution for independence of older adults		241,150
	<u>\$1,237,744</u>	<u>\$1,504,372</u>

Temporarily restricted net assets were released during the years ending June 30, 2009 and 2008 as follows:

	<u>2009</u>	<u>2008</u>
Satisfaction of HELPS contribution restrictions	\$ 241,150	\$2,716,000
Other releases related to SDHC	36,136	19,542
Avenidas Village	1,808	
	<u>\$ 279,094</u>	<u>\$2,734,542</u>

Note 6 - Endowment Net Assets:

Gifts and bequests accepted with donor stipulations that the principal be maintained intact indefinitely have been reflected as permanently restricted net assets. Permanently restricted net assets consists of \$155,275 (Mitchell fund), the income from which is available for general operations, \$58,291 (Hubbard fund), the income from which is restricted for repairs to the 450 Bryant facility and \$158,058 (Stevens fund), the income from which is restricted to benefit Avenidas' programs.

Avenidas' endowment also consists of funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Notes to Financial Statements

Interpretation of Relevant Law - The Board of Directors of Avenidas has interpreted California's enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, Avenidas classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by Avenidas in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, Avenidas considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the organization
- (7) The investment policies of the organization.

Endowment net assets at June 30, 2009 are composed of:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds			\$ 371,624	\$ 371,624
Board-designated endowment funds	\$13,461,081			13,461,081
Total	\$13,461,081		\$ 371,624	\$13,832,705

Notes to Financial Statements

Changes in endowment net assets for the year ended June 30, 2009 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 17,919,362		\$ 371,624	\$18,290,986
Investment income, net of fees	495,474	\$ 10,402		505,876
Net realized and unrealized loss on investment	(4,220,834)			(4,220,834)
Total investment return	(3,725,360)	10,402		(3,714,958)
Appropriation of endowment assets for expenditure	(808,877)	(10,402)		(819,279)
Transfers to create board- designated endowment	75,956			75,956
Endowment net assets, end of year	\$ 13,461,081	\$ 0	\$ 371,624	\$13,832,705

Return Objectives and Risk Parameters – Avenidas’ Board of Directors 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. Endowment assets include those assets of donor-restricted funds that Avenidas must hold in perpetuity or for a donor-specified period as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of a variety of standard indices while assuming a moderate level of investment risk. Avenidas expects its endowment funds to produce a net average annual total return, over the long term, equal to the change in the Consumer Price Index plus 4.5 percent. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives – To satisfy its long-term rate-of-return objectives, Avenidas 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). Avenidas 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.

Spending Policy and How the Investment Objectives Relate to Spending Policy – Avenidas has a policy of appropriating for distribution each year between 4 and 5 percent of its endowment fund's average fair value measured based on the average value of the endowment assets over the last 12 quarters ending December 31, adjusted for any new contributions. In establishing this policy, Avenidas considered the long-term expected return on its endowment. Accordingly, over the long term, Avenidas expects the current spending policy to allow its endowment to grow at an average of 4.5 percent annually. This is consistent with the Avenidas' dual investment objectives for the endowment assets to provide consistent, predictable cash flows to assist Avenidas in effectively delivering its programs, and to preserve the inflation-adjusted value of the endowment.

Note 7 - Commitments:

a. Benefit Plan

Avenidas has a 403(b) tax-deferred retirement plan for the benefit of employees who are employed a minimum of 20 hours per week. Avenidas contributes 4% of each eligible employee's monthly pay. Avenidas contributed \$74,884 and \$67,950 to the plan as of June 30, 2009 and 2008, respectively.

b. Facilities Lease Agreements

The 450 Bryant Street building is leased to Avenidas from the City of Palo Alto until 2027 at a rental of \$1 per year. Avenidas has recorded the lease arrangement with the City of Palo Alto as an exchange transaction and has not recorded any donation revenue associated with the lease.

The land on which the new SDHC facility is built at 270 Escuela Avenue, Mountain View, is leased from the City of Mountain View until 2055 through a ground lease. Avenidas has an option to renew the lease for an additional ten years. Avenidas is not required to make cash payments in exchange for the lease, provided Avenidas meets certain criteria set forth in the lease which include, but are not limited to, providing services to residents of Mountain View. For the year ending June 30, 2009, Avenidas has met the required criteria and believes it has the ability to do so going forward. In the event Avenidas does not meet these criteria, and it does not cure the default, the City of Mountain View may terminate the ground lease. At the end of this lease term, ownership of the building will go to the City of Mountain View. Avenidas has recorded the lease arrangement with the City of Mountain View as an exchange transaction and has not recorded any donation revenue associated with the lease.

Note 8 - Concentrations of Risk:

Concentrations of Credit Risk:

Financial instruments which potentially subject Avenidas to concentration of credit risk consist of cash and cash equivalents, pledges and accounts receivable and investments. Avenidas maintains its cash accounts at three financial institutions. Cash balances at these financial institutions may, from time to time, exceed Federal Deposit Insurance Corporation insurable limits. Accounts receivables are due from various individuals, insurance companies and government agencies which mitigate the risk associated therein. An allowance for doubtful accounts is also maintained. Pledges receivables are due from various individuals. Investments are subject to a formal investment policy.

Major Donors:

Avenidas had no major donors (defined as donations from any one donor representing 10% or more of revenues), in the years ended June 30, 2009 and 2008. Avenidas may have major donors on an annual basis but does not believe it is dependent on any one donor on a long-term basis.

Note 9 - Subsequent Events:

Avenidas has reviewed the results of operations for the period of time from its fiscal year ended June 30, 2009 through the date of the independent auditors' report and has determined that no adjustments are necessary to the amounts reported in the accompanying financial statements nor have subsequent events occurred, the nature of which would require disclosure.