

AVENIDAS

JUNE 30, 2010

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, 2010, and the related statements of activities, functional expenses 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, 2009 financial statements and in our report dated October 13, 2009, 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, 2010, 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 7, 2010

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Avenidas

Statement of Financial Position

<i>June 30,</i>	2010	2009
Assets		
Cash and cash equivalents	\$ 812,986	\$ 479,304
Investments, including endowment funds (Notes 3 and 6)	16,581,900	15,148,803
Accounts receivable, net of allowance for doubtful accounts of \$17,618 for 2010 and \$5,290 for 2009	280,314	354,106
Pledges receivable, net	44,343	94,953
Deposits and prepaid expenses	107,139	89,409
Property and equipment, net (Note 4)	3,860,391	4,032,485
	\$ 21,687,073	\$ 20,199,060
Liabilities and Net Assets		
Accounts payable and accrued liabilities	\$ 361,123	\$ 310,382
Total liabilities	361,123	310,382
Net assets (Notes 5 and 6):		
Unrestricted		
Board designated	14,998,042	13,692,405
Undesignated	4,476,833	4,586,905
Total unrestricted	19,474,875	18,279,310
Temporarily restricted	1,179,451	1,237,744
Permanently restricted	671,624	371,624
Total net assets	21,325,950	19,888,678
	\$ 21,687,073	\$ 20,199,060

Avenidas

Statement of Activities

Year ended June 30, 2010 (with comparative totals for the year ended June 30, 2009)

	2010			2009	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
OPERATING ACTIVITIES					
Public Support and Revenue					
Program fees	\$ 1,792,939			\$ 1,792,939	\$ 1,722,311
Community support	632,391			632,391	705,315
Governmental support	570,167			570,167	602,808
Dividends and interest	7,465			7,465	6,941
Endowment investment income transferred to operations	833,336			833,336	819,279
Board designated funds authorized for operations	94,177			94,177	189,989
Net assets released from restrictions through satisfaction of donor-imposed restrictions	129,934	\$ (129,934)			
Total public support and revenue before in-kind	4,060,409	(129,934)		3,930,475	4,046,643
In-kind professional services and donated equipment	46,610			46,610	43,490
Total public support and revenue	4,107,019	(129,934)		3,977,085	4,090,133
Expenditures					
Program services	3,382,301			3,382,301	3,341,774
Supporting services:					
Management and general	451,399			451,399	410,765
Fundraising	377,419			377,419	367,253
Total expenditures	4,211,119			4,211,119	4,119,792
Change in Net Assets from Operating Activities	(104,100)	(129,934)		(234,034)	(29,659)
NON-OPERATING ACTIVITIES					
Non-Operating Net Assets Activity:					
Investment income (loss), net of fees	2,217,803	9,375		2,227,178	(3,714,958)
Bequests			\$ 300,000	300,000	66,093
Community support - Social Work Services		10,000		10,000	
Community support - Health & Wellness		10,000		10,000	10,000
Community support - Avenidas Village		49,400		49,400	1,000
Community support - capital campaign		2,241		2,241	2,466
Endowment investment income allocated to operations	(823,961)	(9,375)		(833,336)	(819,279)
Board designated funds authorized for operations	(94,177)			(94,177)	(189,989)
Change in Net Assets from Non-operating Activity	1,299,665	71,641	300,000	1,671,306	(4,644,667)
Total Change in Net Assets	1,195,565	(58,293)	300,000	1,437,272	(4,674,326)
Net Assets, beginning of year	18,279,310	1,237,744	371,624	19,888,678	24,563,004
Net Assets, end of year	\$ 19,474,875	\$ 1,179,451	\$ 671,624	\$ 21,325,950	\$ 19,888,678

The accompanying notes are an integral part of this statement.

Avenidas

Statement of Functional Expenses

Year ended June 30, 2010 (with comparative totals for the year ended June 30, 2009)

	2010					2009
	Total	Support Services			Total	
	Program Services	Management and General	Fundraising	Support Services	Total 2010	
Expenditures						
Salaries	\$ 1,694,498	\$ 253,987	\$ 247,341	\$ 501,328	\$ 2,195,826	\$ 2,100,351
Benefits	167,887	25,824	25,885	51,709	219,596	217,194
Payroll taxes	127,944	17,771	17,789	35,560	163,504	156,282
Professional services	305,837	44,307	9,490	53,797	359,634	426,744
Transportation	283,057				283,057	290,203
Depreciation and amortization	188,112	23,128	10,505	33,633	221,745	204,538
In-kind professional services	46,610				46,610	43,490
Program expense	84,789	10,802	1,516	12,318	97,107	117,261
Insurance	85,225	11,277	5,740	17,017	102,242	123,267
Building maintenance	83,056	18,980	3,324	22,304	105,360	100,954
Advertising and marketing	66,600	6,920	5,554	12,474	79,074	58,500
Printing, copying and publications	37,392	6,367	6,934	13,301	50,693	41,602
Utilities	41,534	2,071	775	2,846	44,380	43,107
Fundraising events and mailings			30,373	30,373	30,373	35,629
Nutrition	42,711				42,711	36,082
Office expense	19,686	1,520	1,379	2,899	22,585	22,140
Computer and equipment	13,849	2,625	3,301	5,926	19,775	16,187
Travel and conference	15,200	7,920	3,058	10,978	26,178	24,216
Postage	7,621	2,044	1,733	3,777	11,398	11,533
Telephone	12,040	2,583	1,661	4,244	16,284	14,962
Bank fees and bad debt expenses	47,980	8,564		8,564	56,544	27,292
Dues and subscriptions	4,784	2,829	1,061	3,890	8,674	3,618
Volunteers	5,889	1,880		1,880	7,769	4,640
	\$ 3,382,301	\$ 451,399	\$ 377,419	\$ 828,818	\$ 4,211,119	\$ 4,119,792

The accompanying notes are an integral part of this statement.

Avenidas

Statement of Cash Flows

<i>Years ended June 30,</i>	2010	2009
Cash Flows from Operating Activities:		
Change in net assets	\$ 1,437,272	\$ (4,674,326)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation and amortization	221,745	204,538
Realized and unrealized (gain) loss on investments	(1,878,219)	4,220,834
Increase (decrease) in allowance for doubtful accounts	12,328	(5,154)
Changes in operating assets and liabilities:		
Accounts receivable	61,464	(67,095)
Pledges receivable	(2,190)	(4,966)
Deposits and prepaid expenses	(17,730)	(33,514)
Accounts payable and accrued liabilities	50,741	(19,484)
Net cash used by operating activities	(114,589)	(379,167)
Cash Flows from Investing Activities:		
Purchases of investments	(2,224,486)	(4,136,860)
Proceeds from sale of investments	2,669,608	4,407,154
Purchase of property and equipment	(49,651)	(170,344)
Net cash provided by investing activities	395,471	99,950
Cash Flows from Financing Activities:		
Capital campaign pledge payments	52,800	79,500
Net cash provided by financing activities	52,800	79,500
Net Change in Cash and Cash Equivalents	333,682	(199,717)
Cash and Cash Equivalents, beginning of year	479,304	679,021
Cash and Cash Equivalents, end of year	\$ 812,986	\$ 479,304
Non-cash Investing Activities:		
Acquisition of property and equipment included in accounts payable at June 30.		\$ 63,829

Supplemental Disclosure of Cash Flow Information:

No payments for interest or income taxes were made during 2010 and 2009

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 500 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. One 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, 2010, Avenidas received \$28,483 in management fees from HELPS (\$28,960 for the year ended June 30, 2009). HELPS made no donation to Avenidas during the years ended June 30, 2010 or 2009. Unaudited internal financial statements for HELPS at June 30, 2010 showed total assets of approximately \$3,140,000 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.

The Financial Accounting Standards Board (FASB) issued new guidance on accounting for uncertainty in income taxes. Avenidas adopted this new guidance for the year ended June 30, 2010. Management evaluated Avenidas' tax positions and concluded that Avenidas had maintained its tax exempt status and had taken no uncertain tax position that required adjustment to the financial statements. Therefore, no provision or liability for income taxes has been included in the financial statements.

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 approximately \$47,000.

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 21,000 hours to Avenidas, the value of which is estimated to be \$489,090, 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.

l. 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. Fair Value Measurements:

Avenidas accounts for all its financial instruments which are required to be measured at fair value on a recurring basis according to FASB ASC Topic 820, Fair Value Measurements and Disclosures (ASC 820). This standard requires Avenidas to classify its financial assets and liabilities based on a valuation method using three levels:

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 ASC 820.

n. Comparative Financial Information:

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United State of America. Accordingly, such information should be read in conjunction with Avenidas' financial statements for the year ended June 30, 2009 from which the summarized information was derived.

o. New Accounting Pronouncements:

The FASB issued the Accounting Standards Codification (ASC). The ASC is the single source for all authoritative generally accepted accounting principles (GAAP) recognized by the FASB to be applied for financial statements issued for periods ending after September 15, 2009. The ASC reorganizes GAAP pronouncements into accounting topics and displays all topics using a consistent structure. Avenidas adopted the ASC standard effective June 30, 2010.

Notes to Financial Statements

Note 3 - Investments:

Investments consist of the following at June 30:

	<u>2010</u>	<u>2009</u>
Cash management funds	\$ 145,869	\$ 202,322
Domestic fixed income funds	4,525,008	3,696,829
Foreign fixed income funds	730,002	661,733
Domestic equities	8,558,864	7,809,360
Foreign equities	2,622,157	2,555,095
	16,581,900	14,925,339
Bank certificate of deposit		223,464
Total investments	\$16,581,900	\$15,148,803

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 ASC 820, the above investments held at June 30, 2010 all are considered level 1. For investments held at June 30, 2009 all are considered level 1, except for the bank certificates of deposit, which are considered level 2. The valuation levels are not necessarily an indication of the risk or liquidity associated with the underlying investments.

The above investment funds are allocated as follows at June 30:

	<u>2010</u>	<u>2009</u>
Board designated endowment purposes	\$14,854,923	\$13,461,081
Permanently restricted purposes	671,624	371,624
	15,526,547	13,832,705
Temporarily restricted purposes	1,055,353	1,092,634
Board designated Ready Reserve Fund		223,464
Total investments	\$16,581,900	\$15,148,803

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 2009, the Board designated Ready Reserve was composed of a certificate of deposit, included in the above investments, and money market funds, included in cash and cash equivalents, for a total of \$231,322. In 2010, the entire Ready Reserve of \$143,119 was held in money market funds, included in cash and cash equivalents.

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

	<u>2010</u>	<u>2009</u>
Dividends and interest	\$ 411,711	\$ 567,008
Realized gains, net	62,729	(539,535)
Unrealized gains, net	1,815,490	(3,681,299)
Management fees	(62,752)	(61,132)
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	\$ 2,227,178	\$(3,714,958)
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Note 4 - Property and Equipment:

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

	<u>2010</u>	<u>2009</u>
Furniture	\$ 75,829	\$ 75,829
Equipment	560,955	511,304
SDHC facility	3,636,575	3,636,575
Leasehold improvements	1,259,384	1,259,384
	<hr/>	<hr/>
	5,532,743	5,483,092
Less accumulated depreciation and amortization	(1,672,352)	(1,450,607)
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	\$ 3,860,391	\$ 4,032,485
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Notes to Financial Statements

Note 5 - Temporarily Restricted Net Assets:

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

	<u>2010</u>	<u>2009</u>
SDHC – future operations	\$ 1,047,826	\$ 1,135,643
Wiechman bequest for special needs at SDHC	48,441	48,441
Avenidas Village – future operations	28,375	43,660
Avenidas Village/Los Altos– future operations	34,809	
Health & Wellness Services		10,000
SDHC	10,000	
Social Work Services	10,000	
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	\$ 1,179,451	\$ 1,237,744

Temporarily restricted net assets were released during the years ending June 30, 2010 and 2009 as follows:

	<u>2010</u>	<u>2009</u>
Satisfaction of HELPS contribution restrictions		\$ 241,150
Releases related to SDHC	\$ 90,058	36,136
Avenidas Village	29,876	1,808
Health & Wellness Services	10,000	
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	\$ 129,934	\$ 279,094

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 consist 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) and \$300,000 (The George H. McKee and Roberta G. McKee Endowment 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, 2010 are composed of:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds			\$ 671,624	\$ 671,624
Board-designated endowment funds	\$ 14,854,923			14,854,923
Total	\$ 14,854,923		\$ 671,624	\$15,526,547

Notes to Financial Statements

Changes in endowment net assets for the year ended June 30, 2010 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 13,461,081		\$ 371,624	\$13,832,705
Contributions			300,000	300,000
Investment income, net of fees	339,584	\$ 9,375		348,959
Net realized and unrealized gain on investment	1,878,219			1,878,219
Total investment return	2,217,803	9,375		2,227,178
Appropriation of endow- ment assets for expenditure	(823,961)	(9,375)		(833,336)
Endowment net assets, end of year	\$ 14,854,923	\$ 0	\$ 671,624	\$15,526,547

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 contributed 3% of each eligible employee's monthly pay for the year ended June 30, 2010 and 4% for the year ended June 30, 2009. Avenidas contributed \$58,082 and \$74,884 to the plan as of June 30, 2010 and 2009, 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 Avenidas Rose Kleiner 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, 2010, Avenidas has met the required criteria; however, Avenidas anticipates that it will not meet the required criteria during the 2011 fiscal year. Avenidas is currently negotiating a change to the lease agreement and is reasonably confident, after preliminary discussions with agents of the City of Mountain View, that these criteria can be modified to be achievable for Avenidas. In the event Avenidas does not meet these criteria or does not successfully negotiate a change, 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, 2010 and 2009. 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 changes in net assets for the period of time from its fiscal year ended June 30, 2010 through October 7, 2010, the date the financial statements were available to be issued, 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.