

AVENIDAS

JUNE 30, 2017

INDEPENDENT AUDITORS' REPORT

AND

FINANCIAL STATEMENTS

Avenidas

Independent Auditors' Report and Financial Statements

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Independent Auditors' Report

THE BOARD OF DIRECTORS
AVENIDAS
Palo Alto, California

Report on the Financial Statements

We have audited the accompanying financial statements of **AVENIDAS** which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Avenidas as of June 30, 2017 and the changes in its net assets, and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Avenidas' June 30, 2016 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated November 10, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Hood & Strong LLP

San Jose, California
March 19, 2018

Avenidas

Statement of Financial Position

<i>As of June 30, 2017 (with comparative totals for 2016)</i>	2017	2016
Assets		
Cash and cash equivalents	\$ 3,180,345	\$ 1,334,724
Short-term investments (Note 4)	1,947,294	1,918,376
Accounts receivable, net of allowance for doubtful accounts of \$6,162 for 2017 and \$8,651 for 2016	303,289	278,067
Contributions receivable, net (Notes 3 and 9)	9,588,470	4,130,710
Deposits and prepaid expenses	106,613	108,639
Long-term investments, including endowment funds (Notes 4 and 7)	26,075,966	23,653,634
Property and equipment, net (Note 5)	4,000,006	3,403,887
	\$ 45,201,983	\$ 34,828,037
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued liabilities	\$ 670,978	\$ 559,637
Total liabilities	670,978	559,637
Net Assets (Notes 6 and 7):		
Unrestricted:		
Board designated	27,489,184	24,947,163
Undesignated	2,792,267	3,386,685
Total unrestricted	30,281,451	28,333,848
Temporarily restricted	13,551,855	5,236,853
Permanently restricted	697,699	697,699
Total net assets	44,531,005	34,268,400
	\$ 45,201,983	\$ 34,828,037

See accompanying notes to financial statements.

Avenidas

Statement of Activities

	2017			2016	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Public Support and Revenue:					
Program fees	\$ 1,497,198			\$ 1,497,198	\$ 1,497,123
Community support	784,811	\$ 124,300		909,111	833,075
Community support released from restrictions	95,535	(95,535)			
Board designated funds authorized for Capital Project administration	254,036			254,036	236,100
Governmental support	640,318			640,318	581,390
Dividends and interest	699			699	2,269
Short-term investment gain, net of fees	28,917			28,917	9,061
Appropriation of endowment assets for expenditure	1,009,709			1,009,709	984,122
Board designated funds authorized for operations	310,000			310,000	38,100
Total public support and revenue before in-kind	4,621,223	28,765		4,649,988	4,181,240
In-kind professional services and donated equipment	49,554			49,554	44,012
Total public support and revenue	4,670,777	28,765		4,699,542	4,225,252
Expenditures					
Program services	3,475,589			3,475,589	3,327,981
Support services:					
Management and general	646,791			646,791	618,680
Fundraising - general	455,902			455,902	405,428
Fundraising - Capital Project	254,036			254,036	236,100
Total expenditures	4,832,318			4,832,318	4,588,189
Change in Net Assets from Operating Activities	(161,541)	28,765		(132,776)	(362,937)
Non-Operating Net Assets Activity (Note 2j):					
Investment gain (loss), net of fees	3,212,188	17,892		3,230,080	(232,261)
Capital Project contributions, net		8,286,237		8,286,237	2,558,954
Bequests and non-operating contributions	452,809			452,809	664,368
Appropriation of endowment assets for expenditure	(991,817)	(17,892)		(1,009,709)	(984,122)
Board designated funds authorized for Capital Project administration	(254,036)			(254,036)	(236,100)
Board designated funds authorized for operations	(310,000)			(310,000)	(38,100)
Change in Net Assets from Non-operating Activities	2,109,144	8,286,237		10,395,381	1,732,739
Total Change in Net Assets	1,947,603	8,315,002		10,262,605	1,369,802
Net Assets, beginning of year	28,333,848	\$ 5,236,853	\$ 697,699	34,268,400	32,898,598
Net Assets, end of year	\$ 30,281,451	\$ 13,551,855	\$ 697,699	\$ 44,531,005	\$ 34,268,400

See accompanying notes to financial statements.

Avenidas

Statement of Functional Expenses

Year ended June 30, 2017 (with comparative totals for 2016)

	2017						2017 Total	2016 Total
	Total Program Services	Support Services				Total		
		Management and General	Fundraising					
			General	Capital Project				
Expenditures:								
Salaries	\$ 1,876,059	\$ 285,538	\$ 256,094	\$ 159,034	\$ 700,666	\$ 2,576,725	\$ 2,530,233	
Benefits	183,122	27,809	28,322	14,396	70,527	253,649	279,866	
Payroll taxes	138,988	19,463	18,314	12,114	49,891	188,879	187,429	
Professional services	272,539	140,597	63,987	2,120	206,704	479,243	361,521	
Transportation	162,674					162,674	162,626	
Depreciation and amortization	164,483	18,986	6,976	6,424	32,386	196,869	172,094	
In-kind professional services	48,684	870			870	49,554	44,012	
Program expense	75,581	23,101	325		23,426	99,007	103,456	
Insurance	78,163	20,062	7,076	4,796	31,934	110,097	105,861	
Building maintenance	112,776	15,446	3,989		19,435	132,211	136,189	
Advertising and marketing	87,113	10,163	7,320		17,483	104,596	142,024	
Printing, copying and publications	21,203	5,943	1,296	2,152	9,391	30,594	33,419	
Utilities	48,760	2,350	879	1,055	4,284	53,044	52,330	
Fundraising events and mailings			41,576	40,332	81,908	81,908	34,215	
Nutrition	57,445					57,445	36,681	
Office expense	10,475	6,662	2,408	1,605	10,675	21,150	18,103	
Computer and equipment	36,991	17,908	11,165	6,057	35,130	72,121	43,863	
Travel and conference	39,183	8,920	1,783	759	11,462	50,645	51,330	
Postage	7,556	973	300	752	2,025	9,581	10,303	
Telephone	22,245	7,840	2,834	1,889	12,563	34,808	30,099	
Bank fees and bad debt expenses	21,575	19,824	255	224	20,303	41,878	27,394	
Dues and subscriptions	6,802	8,275	652		8,927	15,729	13,454	
Volunteers	3,172	6,061	351	327	6,739	9,911	11,687	
	\$ 3,475,589	\$ 646,791	\$ 455,902	\$ 254,036	\$ 1,356,729	\$ 4,832,318	\$ 4,588,189	

See accompanying notes to financial statements.

Avenidas

Statement of Cash Flows

<i>Year ended June 30, 2017 (with comparative totals for 2016)</i>	2017	2016
Cash Flows from Operating Activities:		
Change in net assets	\$ 10,262,605	\$ 1,369,802
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	196,869	172,094
Realized and unrealized (gain) loss on investments	(2,505,191)	975,999
Non-operating dividends and interest reinvested	(577,689)	(810,147)
Contributions for Capital Project	(3,210,102)	(796,650)
Changes in operating assets and liabilities:		
Accounts receivable	(25,222)	(30,944)
Contributions receivable	(5,457,760)	(1,684,395)
Deposits and prepaid expenses	2,026	(25,170)
Accounts payable and accrued liabilities	20,542	63,272
Net cash used by operating activities	(1,293,922)	(766,139)
Cash Flows from Investing Activities:		
Net change in short-term investments	(20,448)	(19,390)
Purchases of long-term investments	(732,511)	(733,408)
Proceeds from sale of long-term investments	806,900	984,122
Dividends and interest reinvested	577,689	810,147
Purchase of property and equipment	(702,189)	(249,549)
Net cash (used) provided by investing activities	(70,559)	791,922
Cash Flows from Financing Activities:		
Capital Project revenue received	3,210,102	796,650
Net cash provided by financing activities	3,210,102	796,650
Net Change in Cash and Cash Equivalents	1,845,621	822,433
Cash and Cash Equivalents, beginning of year	1,334,724	512,291
Cash and Cash Equivalents, end of year	\$ 3,180,345	\$ 1,334,724

Supplemental Disclosure of Cash Flow Information and Non-cash Investing Activities:

No payments for interest or income taxes were made during 2017 and 2016.

Purchases of property and equipment included in accounts payable

\$ 90,799	\$ -
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See accompanying notes to financial statements.

Avenidas

Notes to Financial Statements

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 Center is a licensed adult day health care and adult day care center providing day care and a set of health services to the frail and elderly.

Each year, Avenidas serves approximately 5,000 individuals 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 370 volunteers provide services to others in the community and support the work of Avenidas staff.

Note 2 - Summary of Significant Accounting Policies:

a. Basis of Accounting:

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (U.S. GAAP).

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 or as designated by the Board for endowment, Capital Project support services and other purposes (see Note 4 and 7).

Temporarily Restricted Net Assets – the portion of net assets the use of which 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 the use of which 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 include cash on hand and in bank demand and money market accounts and excludes cash held in managed investment accounts. Avenidas considers dividends and interest earned from its long-term investments and included as non-operating investment income on the Statement of Activities to be investing activities for purposes of reporting cash flows.

Avenidas

Notes to Financial Statements

d. Investments and Fair Value Measurements:

Avenidas reports its investments in marketable debt, equity securities and alternative investments 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.

Fair value is defined as 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. Avenidas classifies 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 fair value measurement.

e. Endowments:

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

Avenidas

Notes to Financial Statements

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 3.5 and 5.5 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. This policy 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.

f. Accounts Receivable:

Accounts receivables are from services provided to participants at Avenidas. 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.

g. 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 estimated fair value at the date of receipt.

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.

Avenidas

Notes to Financial Statements

h. 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. If a restriction expires in the same year the donation is received, the donation is recorded as unrestricted. Otherwise, when a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as community support released from restrictions.

Contributions receivable that are expected to be collected after one year are recorded at net realizable value using a discount rate of 1%. Uncollected pledges are estimated by management using the allowance method at a rate of approximately 3%.

i. 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.

Avenidas follows Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 740, *Income Taxes*, to account for uncertain tax positions. Management has concluded that Avenidas has taken no uncertain tax positions that would require adjustment to the financial statements to comply with provisions of this guidance.

j. 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 \$50,000.

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 more than 20,000 hours to Avenidas, the value of which is estimated to be \$580,000, based on the Bureau of Labor Statistics calculation.

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Notes to Financial Statements

k. Transfers from Non-Operating Activities to Operating Activities:

Avenidas classifies its Statement of Activities into operating and non-operating activities. Non-operating activities include amounts which, due to their nonrecurring or variable nature, are not considered by management as part of operations. Specific items include (a) long-term investment income and net gains (losses); (b) bequests; (c) contributions associated with the Capital Project. Certain transfers of funds, including the Board-authorized payout from the endowment and other reserves, are shown as reductions to non-operating activities with corresponding increases to operating activities. Transfers from non-operating activities to operating activities have no effect on the change in net assets.

l. 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 time spent, usage and other factors.

m. Use of Estimates:

The preparation of financial statements in conformity with U.S. GAAP 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.

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 U.S. GAAP. Accordingly, such information should be read in conjunction with Avenidas' financial statements for the year ended June 30, 2016 from which the summarized information was derived.

o. Reclassifications:

Certain reclassifications have been made to the 2016 financial statements in order to conform to the 2017 presentation. These reclassifications had no impact on net assets or the change in net assets.

Avenidas

Notes to Financial Statements

p. Recent Accounting Pronouncement

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02 – *Leases* (Topic 842). The new standard will supersede much of the existing authoritative literature for leases. This ASU requires lessees, among other things, to recognize right-of-use assets and liabilities on their balance sheet for all leases with lease terms longer than twelve months. The amendments in this ASU will be effective for financial statements issued for fiscal year beginning after December 15, 2019. Early application is permitted. Avenidas does not expect that this ASU will have a significant impact on its financial statements.

In August 2016, the FASB issued ASU 2016-14 – *Not-For-Profit Entities* (Topic 958): *Presentation of Financial Statements of Not-For-Profit Entities*. The amendments in this ASU are designed to make improvements to the information provided in financial statements and accompanying notes of not-for-profit entities. The ASU sets forth the FASB's improvements to net asset classification requirements and the information presented about a not-for-profit entity's liquidity, financial performance, and cash flows. The amendments in this update are effective for financial statements issued for fiscal years beginning after December 15, 2017. Early application of the amendments in the update is permitted. Avenidas is currently evaluating the impact of this pronouncement on its financial statements.

Note 3 - Contributions Receivable:

Contributions receivable as of June 30 are due as follows:

	2017	2016
Capital Project less than one year	\$ 5,342,984	\$ 387,353
Capital Project one to five years	4,418,348	4,048,088
Less discounts to present value	(73,669)	(98,466)
<u>Less allowance for doubtful contributions receivable</u>	<u>(206,693)</u>	<u>(276,265)</u>
Net Capital Project contributions receivable	9,480,970	4,060,710
<u>Other contributions receivable less than one year</u>	<u>107,500</u>	<u>70,000</u>
<u>Total</u>	<u>\$ 9,588,470</u>	<u>\$ 4,130,710</u>

Avenidas

Notes to Financial Statements

Note 4 - Investments:

Investments consist of long-term (endowment) and short-term portfolios, both of which are actively managed by First Republic Investment Management. Investments at June 30 are as follows:

	2017	2016
Cash and short duration funds	\$ 2,034	\$ 1,115
Domestic fixed income funds	6,200,300	5,717,907
Alternative investments	2,612,668	2,409,166
Domestic equity funds	10,451,387	9,564,105
Foreign equity fund – developed markets	5,433,595	4,776,128
Foreign equity fund – emerging markets	1,375,982	1,185,213
Total long-term investments	26,075,966	23,653,634
Cash and short duration funds	1,349	217
Domestic fixed income funds	1,945,945	1,918,159
Total short-term investments	1,947,294	1,918,376
Total investments	\$ 28,023,260	\$ 25,572,010

The investment 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 7.

The fair value of all investments, except for alternative investments, is the market value based on quoted market prices, when available, or market prices provided by recognized broker dealers. These investments are classified as level 1 measurements, according to the fair value hierarchy discussed in Note 2d.

Avenidas uses the net asset value per share for its alternative investments as a practical expedient to approximate fair value. At June 30, 2017, alternative investments consist of four investments in limited partnerships, each with a fixed income strategy as follows:

- Two funds with no unfunded commitments as of June 30, 2017. Both permit redemptions quarterly with a 60-70 day notice period.
- One fund with no unfunded commitments as of June 30, 2017. Redemptions are permitted quarterly with a 100 day notice period, except in calendar year fourth quarter when redemptions are fulfilled on January 31 instead of December 31.

Avenidas

Notes to Financial Statements

- One fund with an unfunded commitment as of June 30, 2017 of \$158,575. Redemptions are not permitted and the fund is expected to have a life of no more than four years.

Avenidas' endowment consists of both donor restricted funds and funds designated by the Board of Directors to function as endowments. The donor restricted endowments and their purposes are further described in Note 7. The purpose of the Board designated endowment is to fund operations by providing an annual distribution of between 3.5% and 5.5% of the immediate past twelve quarter average rolling value of these investments. The effective distribution rate was 4.2% and 4.1% for the years ending June 30, 2017 and 2016, respectively.

As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 22,955,935		\$ 697,699	\$ 23,653,634
Transfers to board- designated endowment	201,961			201,961
Dividends and interest	589,550	\$ 17,892		607,442
Management fees	(77,586)			(77,586)
Net realized and unrealized gain	2,700,224			2,700,224
Total investment return	3,212,188	17,892		3,230,080
Appropriation of endowment assets for expenditure	(991,817)	(17,892)		(1,009,709)
Endowment net assets, end of year	\$ 25,378,267	\$ -	\$ 697,699	\$ 26,075,966

Avenidas

Notes to Financial Statements

The short-term investments have been allocated by the Board as follows at June 30:

	2017	2016
Board designated for Capital Project (see Note 10)	\$ 708,750	\$ 535,347
Capital Asset Replacement	573,825	698,825
Ready Reserve		181,487
New Venture Fund	64,141	139,141
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Total short-term board designated funds	1,346,716	1,554,799
Undesignated – working capital	600,578	363,577
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Total short-term investments	\$ 1,947,294	\$ 1,918,376

The Board has also designated Ready Reserve funds which are included in cash and cash equivalents on the Statement of Financial Position in the amount of \$764,201 and \$436,429 at June 30, 2017 and 2016, respectively.

Note 5 - Property and Equipment:

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

	2017	2016
Avenidas Rose Kleiner facility	\$ 3,670,560	\$ 3,636,575
Bryant Center leasehold improvements	1,478,362	1,478,363
Bryant Center expansion (in progress)	964,298	350,067
Equipment	646,000	589,632
Furniture	73,162	73,162
<hr/>		
	6,832,382	6,127,799
Less accumulated depreciation and amortization	(2,832,376)	(2,723,912)
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	\$ 4,000,006	\$ 3,403,887

Avenidas

Notes to Financial Statements

Note 6 - Temporarily Restricted Net Assets:

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

	2017	2016
Social Work Services	\$ 158	\$ 26,837
Avenidas Rose Kleiner Center – future operations	55,682	60,788
Future operations	52,500	53,250
Avenidas Village – future operations	33,940	33,815
Generations Lab	61,175	
Capital Project	13,348,400	5,062,163
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	\$ 13,551,855	\$ 5,236,853

Temporarily restricted net assets were released during the years ending June 30, 2017 and 2016 as follows:

	2017	2016
Avenidas Village		\$ 500
Avenidas Rose Kleiner Center	\$ 15,106	
Social Work Services	27,179	20,402
General operations	53,250	72,410
	<hr/>	<hr/>
	\$ 95,535	\$ 93,312

Note 7 - 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. The income from these funds supports general operations, facility repairs and Avenidas' programs, as directed by the respective donors. Permanently restricted net assets consist of the following at June 30:

	2017	2016
Mitchell Fund	\$ 155,275	\$ 155,275
Hubbard Fund	58,291	58,291
Stevens Fund	158,058	158,058
The George H. McKee and Roberta G. McKee Endowment Fund	326,075	326,075
	<hr/>	<hr/>
	\$ 697,699	\$ 697,699

Avenidas

Notes to Financial Statements

Note 8 - 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 years ended June 30, 2017 and 2016, respectively. Avenidas contributed \$67,796 and \$70,676 to the plan as of June 30, 2017 and 2016, respectively.

b. Facilities Lease Agreements

The 450 Bryant Street building is leased to Avenidas from the City of Palo Alto until 2065 at a rental of \$1 per year. The lease was renegotiated during fiscal year 2015 and commenced on January 1, 2015. Avenidas considers 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 facility is built at 270 Escuela Avenue, Mountain View, California, 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. During 2017, Avenidas has met the required criteria. Avenidas considers 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 9 - 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 as discussed in Note 2h. Pledges receivables are due from various individuals. Investments are subject to a formal investment policy.

Avenidas

Notes to Financial Statements

Major Donors

Avenidas received donations of \$6,000,000 from two donors, included in non-operating net assets activity on the Statement of Activities. These donations represent 62% of the total community support, donation, and bequests for contribution revenue for the year ended June 30, 2017. Avenidas received a donation of \$1,737,000 from one donor in the prior year, which is included in non-operating net assets activity on the Statement of Activities and was 43% of the total community support, donation, and bequests for contribution revenue for the year ended June 30, 2016. Additionally, approximately 86% of contributions receivable were due from two donors at June 30, 2017 and approximately 75% of contributions receivable were due from one donor at June 30, 2016. 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 10 - Capital Project:

In March 2014, Avenidas launched a campaign to raise funds for a project (Capital Project) intended to expand and renovate the historic building in which Avenidas is housed, with the goal of improving and increasing the services offered. Contributions to the Capital Project are temporarily restricted and presented as non-operating revenue on the Statement of Activities.

Since inception, the Capital Project has received the following as public support:

	Campaign to Date
Cash contributions and pledge payments received	\$ 3,867,429
Pledges outstanding (Note 3)	9,761,333
Less pledge discounts	(280,362)
<u>Total public support</u>	<u>\$ 13,348,400</u>

The Board has also made the following designations in support of the Capital Project:

	Campaign to Date
Designated investment reserves	\$ 980,000
Unrestricted bequests	510,000
Less amounts transferred	(781,250)
<u>Board designated amounts available for Capital Project</u>	<u>\$ 708,750</u>

Avenidas

Notes to Financial Statements

The current estimate for the total Capital Project is \$19,600,000. Since inception, \$1,745,548 has been expended for the Capital Project as follows:

	Campaign to Date
Architectural and design fees	\$ 744,533
Project management and fees	219,765
Fundraising expenses	781,250
	<hr/>
	\$ 1,745,548

In connection with the Capital Project, Avenidas received verbal promises from nine donors to give approximately \$1,200,000. This amount has not been recognized in the Statement of Activities or included in net assets.

Note 11 - Subsequent Events:

Avenidas has evaluated subsequent events from June 30, 2017 through March 19, 2018, the date these financial statements were available to be issued. Except as noted below, there were no material subsequent events that required recognition or additional disclosure in these financial statements.

The construction for the Capital Project began in September 2017. The project is expected to be completed by February of 2019. Contractual commitments relating to the Capital Project totaled \$16,800,000 through the date these financial statements were available to be issued.