

AVENIDAS

JUNE 30, 2018

INDEPENDENT AUDITORS' REPORT

AND

FINANCIAL STATEMENTS

Avenidas

Independent Auditors' Report and Financial Statements

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A Century Strong

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, 2018, 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, 2018 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, 2017 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated March 19, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Hood & Strong LLP

San Jose, California
November 20, 2018

Avenidas

Statement of Financial Position

<i>As of June 30, 2018 (with comparative totals for 2017)</i>	2018	2017
Assets		
Cash and cash equivalents	\$ 2,748,854	\$ 3,180,345
Short-term investments (Note 4)	1,260,085	1,947,294
Accounts receivable, net of allowance for doubtful accounts of \$15,303 for 2018 and \$9,281 for 2017	395,268	303,289
Contributions receivable, net (Notes 3 and 9)	5,953,633	9,588,470
Deposits and prepaid expenses	131,528	106,613
Long-term investments, including endowment funds (Notes 4 and 7)	27,110,471	26,075,966
Property and equipment, net (Note 5)	13,273,814	4,000,006
	\$ 50,873,653	\$ 45,201,983
Liabilities and Net Assets		
Liabilities:		
Accounts payable (Capital Project)	\$ 1,877,196	\$ 86,099
Other accounts payable and liabilities	631,406	584,879
Total Liabilities	2,508,602	670,978
Net Assets:		
Unrestricted:		
Board designated	28,396,316	27,489,184
Undesignated	2,250,218	2,792,267
Total unrestricted	30,646,534	30,281,451
Temporarily restricted (Note 6)	17,020,818	13,551,855
Permanently restricted (Note 7)	697,699	697,699
Total net assets	48,365,051	44,531,005
	\$ 50,873,653	\$ 45,201,983

See accompanying notes to financial statements.

Avenidas

Statement of Activities

Year ended June 30, 2018 (with comparative totals for 2017)

	2018			2017	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Public Support and Revenue:					
Program fees	\$ 1,460,718			\$ 1,460,718	\$ 1,497,198
Community support	919,429	\$ 296,870		1,216,299	909,111
Community support released from restrictions	127,038	(127,038)			
Board designated funds authorized for Capital Project administration	244,820			244,820	254,036
Governmental support	626,188			626,188	640,318
Dividends and interest	2,378			2,378	699
Short-term investment gain, net of fees	12,791			12,791	28,917
Appropriation of endowment assets for expenditure	1,140,000			1,140,000	1,009,709
Board designated funds authorized for operations	416,287			416,287	310,000
Total public support and revenue before in-kind	4,949,649	169,832		5,119,481	4,649,988
In-kind professional services and donated equipment	5,526			5,526	49,554
Total public support and revenue	4,955,175	169,832		5,125,007	4,699,542
Expenditures					
Program services	4,056,985			4,056,985	3,475,589
Support services:					
Management and general	806,103			806,103	646,791
Fundraising - general	468,896			468,896	455,902
Fundraising - Capital Project	244,820			244,820	254,036
Total expenditures	5,576,804			5,576,804	4,832,318
Change in Net Assets from Operating Activities					
	(621,629)	169,832		(451,797)	(132,776)
Non-Operating Net Assets Activity (Note 2j):					
Investment gain, net of fees	2,150,146	24,359		2,174,505	3,230,080
Capital Project contributions, net		3,299,131		3,299,131	8,286,237
Bequests and non-operating contributions	533,450			533,450	452,809
Capital Project governmental support	79,864			79,864	
Appropriation of endowment assets for expenditure	(1,115,641)	(24,359)		(1,140,000)	(1,009,709)
Board designated funds authorized for Capital Project administration	(244,820)			(244,820)	(254,036)
Board designated funds authorized for operations	(416,287)			(416,287)	(310,000)
Change in Net Assets from Non-operating Activities	986,712	3,299,131		4,285,843	10,395,381
Total Change in Net Assets	365,083	3,468,963		3,834,046	10,262,605
Net Assets, beginning of year	30,281,451	13,551,855	\$ 697,699	44,531,005	34,268,400
Net Assets, end of year	\$ 30,646,534	\$ 17,020,818	\$ 697,699	\$ 48,365,051	\$ 44,531,005

See accompanying notes to financial statements.

Avenidas

Statement of Functional Expenses

Year ended June 30, 2018 (with comparative totals for 2017)

	2018							2017 Total
	Total Program Services	Management and General	Support Services			2018 Total		
			General	Capital Project	Total			
Expenditures:								
Salaries	\$ 2,139,038	\$ 366,831	\$ 260,788	\$ 162,682	\$ 790,301	\$ 2,929,339	\$ 2,576,725	
Benefits	231,417	34,862	27,315	14,823	77,000	308,417	253,649	
Payroll taxes	152,821	23,695	18,018	11,191	52,904	205,725	188,879	
Professional services	293,720	91,297	46,800	14,062	152,159	445,879	479,243	
Transportation	141,078					141,078	162,674	
Depreciation and amortization	107,671	42,269	13,953	1,013	57,235	164,906	196,869	
Loss from disposal of property and equipment	187,318	73,536	24,275	1,762	99,573	286,891		
In-kind professional services	3,616	1,910			1,910	5,526	49,554	
Program expense	92,386	26,086	1,353		27,439	119,825	99,007	
Insurance	82,979	20,124	5,869	1,677	27,670	110,649	110,097	
Building maintenance	96,857	16,045	1,970	1,006	19,021	115,878	132,211	
Rent	98,886	14,833	2,472	2,472	19,777	118,663		
Advertising and marketing	81,870	10,611	6,954		17,565	99,435	104,596	
Printing, copying and publications	22,397	5,014	4,928	356	10,298	32,695	30,594	
Utilities	44,732	1,050	393	236	1,679	46,411	53,044	
Fundraising events and mailings			28,091	25,911	54,002	54,002	81,908	
Nutrition	80,202					80,202	57,445	
Office expense	43,976	12,810	3,438	979	17,227	61,203	21,150	
Computer and equipment	40,229	15,749	12,178	4,617	32,544	72,773	72,121	
Travel and conference	35,638	2,476	3,842	159	6,477	42,115	50,645	
Postage	5,022	831	250	414	1,495	6,517	9,581	
Telephone	38,073	12,375	3,567	1,186	17,128	55,201	34,808	
Bank fees and bad debt expenses	28,078	17,342		274	17,616	45,694	41,878	
Dues and subscriptions	6,218	7,678	1,974		9,652	15,870	15,729	
Volunteers	2,763	8,679	468		9,147	11,910	9,911	
	\$ 4,056,985	\$ 806,103	\$ 468,896	\$ 244,820	\$ 1,519,819	\$ 5,576,804	\$ 4,832,318	

See accompanying notes to financial statements.

Avenidas

Statement of Cash Flows

<i>Year ended June 30, 2018 (with comparative totals for 2017)</i>	2018	2017
Cash Flows from Operating Activities:		
Change in net assets	\$ 3,834,046	\$ 10,262,605
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	164,934	196,869
Loss from disposal of property and equipment	286,863	
Realized and unrealized gain on investments	(1,421,052)	(2,505,191)
Non-operating dividends and interest reinvested	(710,316)	(577,689)
Contributions for Capital Project	(3,807,531)	(3,210,102)
Changes in operating assets and liabilities:		
Accounts receivable	(91,979)	(25,222)
Contributions receivable	3,634,837	(5,457,760)
Deposits and prepaid expenses	(24,915)	2,026
Other accounts payable and accrued liabilities	(20,263)	20,542
Net cash provided (used) by operating activities	1,844,624	(1,293,922)
Cash Flows from Investing Activities:		
Net change in short-term investments	685,177	(20,448)
Purchases of long-term investments	(751,421)	(732,511)
Proceeds from sale of long-term investments	1,140,000	806,900
Dividends and interest reinvested	710,316	577,689
Purchase of property and equipment	(7,867,718)	(702,189)
Net cash used by investing activities	(6,083,646)	(70,559)
Cash Flows from Financing Activities:		
Capital Project revenue received	3,807,531	3,210,102
Net cash provided by financing activities	3,807,531	3,210,102
Net Change in Cash and Cash Equivalents	(431,491)	1,845,621
Cash and Cash Equivalents, beginning of year	3,180,345	1,334,724
Cash and Cash Equivalents, end of year	\$ 2,748,854	\$ 3,180,345

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

No payments for interest or income taxes were made during 2018 and 2017.

Purchases of property and equipment included in accounts payable.	\$ 1,857,887	\$ 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, the Generations Lab for technology engagement 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 425 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.

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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.

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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 \$5,500.

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 \$581,000, 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, 2017 from which the summarized information was derived.

o. 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.

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Notes to 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:

	2018	2017
Capital Project less than one year	\$ 5,092,341	\$ 5,342,984
Capital Project one to five years	1,013,000	4,418,348
Less discounts to present value	(79,278)	(73,669)
Less allowance for doubtful contributions receivable	(222,430)	(206,693)
Net Capital Project contributions receivable	5,803,633	9,480,970
Other contributions receivable less than one year	150,000	107,500
Total	\$ 5,953,633	\$ 9,588,470

At June 30, 2018 and 2017, there were 2 and 2 contribution receivable which accounted for approximately 77% and 86% of the total contributions receivable, respectively.

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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:

	2018	2017
Cash and short duration funds	\$ 54,553	\$ 2,034
Domestic fixed income funds	7,422,141	6,200,300
Alternative investments	2,067,328	2,612,668
Domestic equity funds	11,124,689	10,451,387
Foreign equity fund – developed markets	5,203,432	5,433,595
Foreign equity fund – emerging markets	1,238,328	1,375,982
Total long-term investments	27,110,471	26,075,966
Cash and short duration funds	555,481	1,349
Domestic fixed income funds	704,604	1,945,945
Total short-term investments	1,260,085	1,947,294
Total investments	\$ 28,370,556	\$ 28,023,260

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, 2018, alternative investments consist of three investments in limited partnerships, each with a fixed income strategy as follows:

- One fund with no unfunded commitments as of June 30, 2018. It permits redemptions quarterly with a 60 day notice period.
- One fund with no unfunded commitments as of June 30, 2018. 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.

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Notes to Financial Statements

- One fund with no unfunded commitments as of June 30, 2018. Redemptions are not permitted and the fund will be fully redeemed in less than a year.
- A fourth fund was fully redeemed during the year ended June 30, 2018.

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 5.5% and 3.5% of the immediate past twelve quarter average rolling value of these investments. The effective distribution rate was 4.3% and 4.2% for the years ending June 30, 2018 and 2017, 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	\$ 25,378,267		\$ 697,699	\$ 26,075,966
Dividends and interest	886,028	\$ 24,359		910,387
Management fees	(86,855)			(86,855)
Net realized and unrealized gain	1,350,973			1,350,973
Total investment return	2,150,146	24,359		2,174,505
Appropriation of endowment assets for expenditure	(1,115,641)	(24,359)		(1,140,000)
Endowment net assets, end of year	\$ 26,412,772	\$ -	\$ 697,699	\$ 27,110,471

Avenidas

Notes to Financial Statements

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

	2018	2017
Board designated for Capital Project (see Note 10)	\$ 652,119	\$ 708,750
Capital Asset Replacement	573,825	573,825
New Venture Fund	34,141	64,141
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Total short-term board designated funds	1,260,085	1,346,716
Undesignated – working capital		600,578
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Total short-term investments	\$ 1,260,085	\$ 1,947,294

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 \$398,248 and \$764,201 at June 30, 2018 and 2017, respectively. The remainder of the board designated funds for Capital Project in the amount of \$325,211 are also included in the cash and cash equivalents on the Statement of Financial Position. The board designated funds for Capital Project net to \$977,330 after uses (see Note 10).

Note 5 - Property and Equipment:

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

	2018	2017
Avenidas Rose Kleiner facility	\$ 3,670,560	\$ 3,670,560
Bryant Center leasehold improvements		1,478,362
Bryant Center expansion (in progress)	10,684,711	964,298
Equipment	428,568	646,000
Furniture	30,319	73,162
<hr/>		
	14,814,158	6,832,382
Less accumulated depreciation and amortization	(1,540,344)	(2,832,376)
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	\$ 13,273,814	\$ 4,000,006

Avenidas

Notes to Financial Statements

Note 6 - Temporarily Restricted Net Assets:

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

	2018	2017
Social Work Services		\$ 158
Avenidas Rose Kleiner Center – future operations	\$ 278,800	55,682
Future operations		52,500
Avenidas Village – future operations	73,164	33,940
Generations Lab	21,323	61,175
Capital Project	16,647,531	13,348,400
	\$ 17,020,818	\$ 13,551,855

Temporarily restricted net assets were released during the years ending June 30, 2018 and 2017 as follows:

	2018	2017
Avenidas Village	\$ 7,646	
Avenidas Rose Kleiner Center	26,883	\$ 15,106
Social Work Services	158	27,179
Generations Lab	39,851	
General operations	52,500	53,250
	\$ 127,038	\$ 95,535

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:

	2018	2017
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
	\$ 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, 2018 and 2017, respectively. Avenidas contributed \$85,269 and \$67,796 to the plan as of June 30, 2018 and 2017, 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.

While the 450 Bryant Street building is undergoing an expansion and renovation, Avenidas is leasing space at Cubberley Community Center from the City of Palo Alto. The lease commenced on June 1, 2018 and ends on December 31, 2018, with terms to allow Avenidas to continue the lease on a monthly basis through December 31, 2019. The base rental rate is \$1 per square foot per year with an annual increase of 2% for 9,880 total square feet. Avenidas expects to occupy the total space through February 28, 2019 and, pending a lease addendum, 8,260 square feet going forward.

The future minimum lease payments under the above lease are as follows:

2019	\$ 114,322
2020	51,542
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Total minimum lease payments	\$ 165,864

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.

Avenidas

Notes to Financial Statements

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.

Major Donors

Avenidas received donations of \$1,513,400 from 2 donors, included in non-operating net assets activity on the Statement of Activities. These donations represent 30% of the total community support, donation, and bequests for contribution revenue for the year ended June 30, 2018. Avenidas received a donation of \$600,000 from two donors in the prior year, which is included in non-operating net assets activity on the Statement of Activities and was 62% of the total community support, donation, and bequests for contribution revenue for the year ended June 30, 2017. 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	\$ 10,843,898
Pledges outstanding (Note 3)	6,105,341
Less pledge discounts	(301,708)
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Total public support	<hr/> \$ 16,647,531

Avenidas

Notes to Financial Statements

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

	Campaign to Date
Designated investment reserves	\$ 980,000
Unrestricted bequests	1,023,400
Less amounts transferred	(1,026,070)
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Board designated amounts available for Capital Project	\$ 977,330

The current estimate for the total Capital Project is \$19,600,000. Since inception, \$11,710,782 has been expended for the Capital Project as follows:

	Campaign to Date
Construction fees	\$ 6,949,881
Architectural and design fees	1,013,423
Project management and fees	2,721,408
Fundraising expenses	1,026,070
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	\$ 11,710,782

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 approximately \$6,758,000 as of June 30, 2018.

Note 11 - Subsequent Events:

Avenidas has evaluated subsequent events from June 30, 2018 through November 20, 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.

After the fiscal year end, Avenidas entered into a loan agreement for cash flow purposes. The total principal is \$5,000,000 at a rate of 1% per annum of the outstanding principal. The principal and interest are repaid as certain pledge payments are received and will be fully paid by February 1, 2020.