

AVENIDAS

JUNE 30, 2019

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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, 2019, 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, 2019 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, 2018 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated November 20, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

## **Effect of Adopting New Accounting Standard**

As described in Note 2, Avenidas adopted the Financial Accounting Standards Board Accounting Standards Update (ASU) 2016-14, Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. Accordingly, the accounting change has been retrospectively applied to prior periods presented with the exception of the omission of certain information as permitted by the ASU. Our opinion is not modified with respect to that matter.

*Hood & Strong LLP*

San Jose, California  
November 11, 2019

# Avenidas

## Statement of Financial Position

<i>June 30, 2019 (with comparative totals for 2018)</i>	2019	2018
<b>Assets</b>		
Cash and cash equivalents	\$ 1,541,256	\$ 2,748,854
Short-term investments (Note 5)		1,260,085
Accounts receivable, net of allowance for doubtful accounts of \$19,607 for 2019 and \$15,303 for 2018	481,458	395,268
Contributions receivable, net (Note 4)	913,909	5,953,633
Deposits and prepaid expenses	167,080	131,528
Long-term investments, including endowment funds (Notes 5 and 8)	27,107,180	27,110,471
Property and equipment, net (Note 5)	20,941,986	13,273,814
	<b>\$ 51,152,869</b>	<b>\$ 50,873,653</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities:</b>		
Accounts payable (Capital Project)	\$ 887,938	\$ 1,877,196
Other accounts payable and liabilities	638,044	631,406
Notes payable	400,000	
Total liabilities	1,925,982	2,508,602
<b>Net Assets:</b>		
Without donor restrictions:		
Board designated	26,409,481	28,396,316
Undesignated	21,292,163	2,250,218
Total without donor restrictions	47,701,644	30,646,534
With donor restrictions (Note 7 and 8)	1,525,243	17,718,517
Total net assets	49,226,887	48,365,051
	<b>\$ 51,152,869</b>	<b>\$ 50,873,653</b>

See accompanying notes to financial statements.

# Avenidas

## Statement of Activities

Year ended June 30, 2019 (with comparative totals for 2018)

	2019			2018
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<b>Public Support and Revenue:</b>				
Program fees	\$ 1,596,437		\$ 1,596,437	\$ 1,460,718
Community support	1,240,799	\$ 651,850	1,892,649	1,216,299
Community support released from restrictions	197,593	(197,593)		
Board designated funds authorized for Capital Project administration	256,762		256,762	244,820
Governmental support	823,821		823,821	626,188
Dividends and interest	2,941		2,941	2,378
Short-term investment gain, net of fees	16,532		16,532	12,791
Appropriation of endowment assets for expenditure	1,073,279		1,073,279	1,140,000
Board designated funds authorized for operations	309,733		309,733	416,287
<b>Total public support and revenue before in-kind</b>	<b>5,517,899</b>	<b>454,257</b>	<b>5,972,156</b>	<b>5,119,481</b>
In-kind professional services and donated equipment	83,834		83,834	5,526
<b>Total public support and revenue</b>	<b>5,601,733</b>	<b>454,257</b>	<b>6,055,990</b>	<b>5,125,007</b>
<b>Expenditures</b>				
Program services	4,545,249		4,545,249	4,056,985
Support services:				
Management and general	819,734		819,734	806,103
Fundraising - general	444,482		444,482	468,896
Fundraising - Capital Project	256,762		256,762	244,820
<b>Total expenditures</b>	<b>6,066,227</b>		<b>6,066,227</b>	<b>5,576,804</b>
<b>Change in Net Assets from Operating Activities</b>	<b>(464,494)</b>	<b>454,257</b>	<b>(10,237)</b>	<b>(451,797)</b>
<b>Non-Operating Net Assets Activity (Note 2k):</b>				
Investment gain, net of fees	1,049,555	20,433	1,069,988	2,174,505
Capital Project contributions, net	1,020,487		1,020,487	3,299,131
Bequests and non-operating contributions	281,432		281,432	533,450
Capital Project governmental support	139,941		139,941	79,864
Appropriation of endowment assets for expenditure	(1,052,846)	(20,433)	(1,073,279)	(1,140,000)
Capital Project contributions released from restrictions	16,647,531	(16,647,531)		
Board designated funds authorized for Capital Project administration	(256,762)		(256,762)	(244,820)
Board designated funds authorized for operations	(309,733)		(309,733)	(416,287)
<b>Change in Net Assets from Non-operating Activities</b>	<b>17,519,605</b>	<b>(16,647,531)</b>	<b>872,074</b>	<b>4,285,843</b>
<b>Total Change in Net Assets</b>	<b>17,055,110</b>	<b>(16,193,274)</b>	<b>861,836</b>	<b>3,834,046</b>
<b>Net Assets, beginning of year</b>	<b>30,646,534</b>	<b>17,718,517</b>	<b>48,365,051</b>	<b>44,531,005</b>
<b>Net Assets, end of year</b>	<b>\$ 47,701,644</b>	<b>\$ 1,525,243</b>	<b>\$ 49,226,887</b>	<b>\$ 48,365,051</b>

See accompanying notes to financial statements.

# Avenidas

## Statement of Functional Expenses

Year ended June 30, 2019 (with comparative totals for 2018)

	2019						2019 Total	2018 Total
	Total Program Services	Management and General	Support Services		Total Support Services			
			General	Capital Project				
<b>Expenditures:</b>								
Salaries	\$ 2,358,174	\$ 354,099	\$ 259,679	\$ 143,915	\$ 757,693	\$ 3,115,867	\$ 2,929,339	
Benefits	238,282	27,058	29,759	12,961	69,778	308,060	308,417	
Payroll taxes	169,614	24,206	18,598	10,341	53,145	222,759	205,725	
Professional services	348,154	166,785	39,505	670	206,960	555,114	475,036	
Transportation	243,719				-	243,719	141,078	
Depreciation and amortization	290,371	21,666	7,249	959	29,874	320,245	164,906	
Loss from disposal of property and equipment					-	-	286,891	
In-kind professional services	36,169				-	36,169	5,526	
Insurance	99,868	25,526	7,203		32,729	132,597	110,649	
Building maintenance	127,680	16,453	3,095	2,180	21,728	149,408	126,961	
Rent	108,980	11,362	1,894	1,894	15,150	124,130	118,663	
Advertising and marketing	106,444	33,073	6,874		39,947	146,391	100,125	
Printing, copying and publications	24,010	16,638	2,619	431	19,688	43,698	39,392	
Utilities	53,272	854	320	192	1,366	54,638	46,411	
Fundraising events and mailings		4,924	42,412	42,866	90,202	90,202	54,095	
Nutrition	93,964				-	93,964	80,202	
Office expense	47,412	7,295	2,411	158	9,864	57,276	95,121	
Computer and equipment	34,093	12,782	13,247	1,938	27,967	62,060	72,773	
Travel and conference	62,122	31,645	2,670		34,315	96,437	78,199	
Postage	5,066	2,145	210	3,674	6,029	11,095	6,621	
Telephone	42,139	15,236	4,504		19,740	61,879	55,201	
Bank fees	24,814	9,799			9,799	34,613	37,041	
Dues and subscriptions	5,682	16,068	2,233		18,301	23,983	17,532	
Interest				34,583	34,583	34,583	-	
Volunteers	3,264	13,582			13,582	16,846	12,247	
Other	21,956	8,538			8,538	30,494	8,653	
	\$ 4,545,249	\$ 819,734	\$ 444,482	\$ 256,762	\$ 1,520,978	\$ 6,066,227	\$ 5,576,804	

See accompanying notes to financial statements.

# Avenidas

## Statement of Cash Flows

<i>Year ended June 30, 2019 (with comparative totals for 2018)</i>	2019	2018
<b>Cash Flows from Operating Activities:</b>		
Change in net assets	\$ 861,836	\$ 3,834,046
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	320,245	164,934
Loss from disposal of property and equipment		286,863
In-kind donation of property and equipment	(47,665)	
Realized and unrealized gain on short and long-term investments	(1,211,022)	(1,421,052)
Non-operating dividends and interest reinvested	(793,947)	(710,316)
Contributions for Capital Project	(931,764)	(3,807,531)
Changes in operating assets and liabilities:		
Accounts receivable	(86,190)	(91,979)
Contributions receivable	5,039,724	3,634,837
Deposits and prepaid expenses	(35,552)	(24,915)
Other accounts payable and accrued liabilities	(1,870,558)	(20,263)
<b>Net cash provided by operating activities</b>	<b>1,245,107</b>	<b>1,844,624</b>
<b>Cash Flows from Investing Activities:</b>		
Net change in short-term investments	1,263,205	685,177
Purchases of long-term investments	(705,975)	(751,421)
Proceeds from sale of long-term investments	1,917,168	1,140,000
Dividends and interest reinvested	793,947	710,316
Purchase of property and equipment	(7,052,814)	(7,867,718)
<b>Net cash used by investing activities</b>	<b>(3,784,469)</b>	<b>(6,083,646)</b>
<b>Cash Flows from Financing Activities:</b>		
Issuance of loans and notes payable	5,200,000	
Payments on loans and notes payable	(4,800,000)	
Capital Project revenue received	931,764	3,807,531
<b>Net cash provided by financing activities</b>	<b>1,331,764</b>	<b>3,807,531</b>
<b>Net Change in Cash and Cash Equivalents</b>	<b>(1,207,598)</b>	<b>(431,491)</b>
<b>Cash and Cash Equivalents, beginning of year</b>	<b>2,748,854</b>	<b>3,180,345</b>
<b>Cash and Cash Equivalents, end of year</b>	<b>\$ 1,541,256</b>	<b>\$ 2,748,854</b>
<b>Supplemental Disclosure of Cash Flow Information and Non-cash Investing Activities:</b>		
No payments for income taxes were made during 2019 and 2018.		
Interest expense paid	\$ 34,583	
Purchases of property and equipment included in accounts payable.	\$ 887,938	\$ 1,857,887

See accompanying notes to financial statements.

# Avenidas

## Notes to Financial Statements

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### 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 about 6,000 individuals throughout the Mid-Peninsula of the San Francisco Bay Area. To keep fees for its services affordable, it receives funding from individuals, foundations, government grants and through fund-raising events. Approximately about 375 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

*Net Assets Without Donor Restrictions* – the portion of net assets that is not 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 5).

*Net Assets With Donor Restrictions* – the portion of net assets that are subject to donor-imposed stipulations. Some donor-imposed stipulations are temporary in nature, 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. Some donor-imposed stipulations are permanent in nature, 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 (see Note 7 and 8).

#### 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

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### 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 net assets with donor restrictions (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. Avenidas utilizes the accumulated earnings when 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 Avenidas 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 Avenidas
- (7) The investment policies of Avenidas

# Avenidas

## Notes to Financial Statements

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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.

# Avenidas

## Notes to Financial Statements

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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.

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 net assets with donor restrictions depending on the nature of the restrictions. If a restriction expires in the same year the donation is received, the donation is recorded as without donor restrictions. Otherwise, when a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions 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.

# Avenidas

## Notes to Financial Statements

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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.

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

Certain costs are charged directly to the applicable program or services. Costs that could not be charged directly to program or services were allocated as follows:

- Salaries, benefits and payroll taxes – direct time reporting
- Insurance, postage, telephone, printing, copying and publications, computers and equipment, office expense, depreciation – headcount
- Building maintenance, utilities, amortization – square footage

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, 2018 from which the summarized information was derived.

# Avenidas

## Notes to Financial Statements

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o. Recent Accounting Pronouncement

*Adopted*

In August 2016, the FASB issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities* (Topic 958) Presentation of Financial Statements of *Not-for-Profit Entities*, which changes presentation and disclosure requirements for nonprofit entities to provide more relevant information about their resources (and the changes in those resources) to donors, granters, creditors, and other users. These include qualitative and quantitative requirements in the following areas: net asset classes, investment return, expenses, and liquidity. This ASU was adopted as of July 1, 2018. Accordingly, the accounting change has been retrospectively applied to all periods presented with the exception of the omission of prior year liquidity and availability of resource information as permitted by the ASU.

*Pronouncements effective in the future*

In February 2016, the FASB issued 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 years 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 June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU clarifies and improves current guidance about whether a transfer of assets, or the reduction, settlement or cancellation of liabilities, is a contribution or an exchange transaction. It provides a framework for determining whether a contribution is conditional or unconditional, and for distinguishing a donor-imposed condition from a donor-imposed restriction. The amendments in this ASU related to contributions received are effective for annual financial statements issued for fiscal year beginning after December 15, 2018, while the amendments related to contributions made are effective one year later. Avenidas is currently evaluating the impact of these pronouncements on its financial statements.

# Avenidas

## Notes to Financial Statements

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### Note 3 - Liquidity and Availability of Resources:

Avenidas' financial assets at June 30, 2019 that are available to meet general expenditures over the next twelve months are as follows:

Financial assets:	
Cash and cash equivalents	\$ 1,541,256
Accounts receivable, net of allowance for doubtful accounts	481,458
Contributions receivable, net	913,909
Estimated annual appropriation of endowment earnings	1,115,140
	<hr/>
	4,051,763
Less amounts not available to be used for general expenditure:	
Long-term contributions receivables, net	454,863
Net assets with donor restrictions – purpose restrictions	827,544
Board designated Ready Reserve	493,225
	<hr/>
Financial assets available to meet general expenditures over the next twelve months	\$2,276,131

Additionally, Avenidas' long-term investments, includes amounts designated by the Board of Directors to function as an endowment, in the amount of \$26,409,481. Although Avenidas does not anticipate such an action, the Board of Directors could make available, all or a portion, of these funds to cover any liquidity short falls.

# Avenidas

## Notes to Financial Statements

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### Note 4 - Contributions Receivable:

Contributions receivable as of June 30 are due as follows:

	2019	2018
Capital Project less than one year	\$ 417,896	\$ 5,092,341
Capital Project one to five years	504,132	1,013,000
<hr/>		
Subtotal	922,028	6,105,341
Less discounts to present value	(21,608)	(79,278)
Less allowance for doubtful contributions receivable	(27,661)	(222,430)
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Net Capital Project contributions receivable	872,759	5,803,633
<u>Other contributions receivable less than one year</u>	<u>41,150</u>	<u>150,000</u>
<u>Total</u>	<u>\$ 913,909</u>	<u>\$ 5,953,633</u>

At June 30, 2019 and 2018, there were 4 and 2 contribution receivable which accounted for approximately 81% and 77% of the total contributions receivable, respectively.

# Avenidas

## Notes to Financial Statements

### Note 5 - 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:

	2019	2018
Cash and short duration funds	\$ 149,311	\$ 54,553
Domestic fixed income funds	8,338,742	7,422,141
Alternative investments	451,253	2,067,328
Domestic equity funds	11,463,064	11,124,689
Foreign equity fund – developed markets	5,362,738	5,203,432
Foreign equity fund – emerging markets	1,342,072	1,238,328
<b>Total long-term investments</b>	<b>27,107,180</b>	<b>27,110,471</b>
Cash and short duration funds		555,481
Domestic fixed income funds		704,604
<b>Total short-term investments</b>		<b>1,260,085</b>
<b>Total investments</b>	<b>\$ 27,107,180</b>	<b>\$ 28,370,556</b>

The investment funds are professionally managed within guidelines of an investment policy approved by the Board of Directors and overseen by an Investment Committee.

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, 2019, alternative investments consist of two investments in limited partnerships, with a fixed income strategy as follows:

- One fund with no unfunded commitments as of June 30, 2019. 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 no unfunded commitments as of June 30, 2019. Redemptions are not permitted.

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 8. The purpose of the Board designated endowment is to fund operations by providing an annual distribution of between 5.5 percent and 3.5 percent of the immediate past twelve quarter average rolling value of these investments. The effective distribution rate was 4.3 percent for both the years ending June 30, 2019 and 2018.

The endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions as follows at June 30, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 26,412,772	\$ 697,699	\$ 27,110,471
Dividends and interest	773,514	20,433	793,947
Management fees	(87,973)		(87,973)
Net realized and unrealized gain	364,014		364,014
Total investment return	1,049,555	20,433	1,069,988
Appropriation of endowment assets for expenditure	(1,052,846)	(20,433)	(1,073,279)
Endowment net assets, end of year	\$ 26,409,481	\$ 697,699	\$ 27,107,180

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 \$493,225 and \$398,248 at June 30, 2019 and 2018, respectively.

# Avenidas

## Notes to Financial Statements

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**Note 6 - Property and Equipment:**

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

	2019	2018
Avenidas Rose Kleiner facility	\$ 3,670,560	\$ 3,670,560
Bryant Center expansion	17,800,845	10,684,711
Equipment	708,445	428,568
Furniture	622,726	30,319
	<hr/>	<hr/>
	22,802,576	14,814,158
Less accumulated depreciation and amortization	(1,860,590)	(1,540,344)
	<hr/>	<hr/>
	\$ 20,941,986	\$ 13,273,814

**Note 7 - Net Assets With Donor Restrictions:**

Net assets with donor restrictions are available for the following activities at June 30:

	2019	2018
Avenidas Rose Kleiner Center – future operations	\$ 110,159	\$ 278,800
Avenidas Village – future operations	110,947	73,164
Avenidas Chinese Community Center	533,333	
Avenidas Care Forum	40,175	
Social Work Services	18,057	
Center programs	14,873	
Capital Project		16,647,531
Generations Lab		21,323
Endowment funds	697,699	697,699
	<hr/>	<hr/>
	\$ 1,525,243	\$ 17,718,517

# Avenidas

## Notes to Financial Statements

Net assets with donor restrictions were released during the years ending June 30, 2019 and 2018 as follows:

	2019	2018
Avenidas Village	\$ 7,629	\$ 7,646
Avenidas Rose Kleiner Center	168,640	26,883
Generations Lab	21,324	39,851
Capital Project	16,647,531	
General operations		52,500
Social Work Services		158
	<hr/>	<hr/>
	\$ 16,845,124	\$ 127,038

### Note 8 - Endowment Net Assets:

Gifts and bequests accepted with donor stipulations that the principal be maintained intact indefinitely have been reflected in net assets with donor restrictions. The income from these funds supports general operations, facility repairs and Avenidas' programs, as directed by the respective donors. Endowment net assets consist of the following at June 30:

	2019	2018
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
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	\$ 697,699	\$ 697,699

### Note 9 - 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, 2019 and 2018, respectively. Avenidas contributed \$81,294 and \$85,269 to the plan as of June 30, 2019 and 2018, respectively.

# Avenidas

## Notes to Financial Statements

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### 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. The lease stipulates that Avenidas has use of the facility for the purpose of providing support services to older adults and their caregivers and for certain activities that support its operation and that the facility may not be used for any other purposes without the City's prior written consent, which consent may be withheld in the sole and absolute discretion of the City. The lease states that the City provides utilities to the facility, with Avenidas responsible for paying 25% of the cost of such utilities. 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 was undergoing an expansion and renovation, Avenidas leased space at Cubberley Community Center (the Center) from the City of Palo Alto. The lease commenced on June 1, 2017 and ends on December 31, 2019. After the 450 Bryant Street building was completed, most of the operations moved back to that building from the Center. Avenidas retained a smaller space at the Center to continue to run some programs from that location. From May 2019 through August 2019, Avenidas rented 8,260 square feet and as of September 1, 2019, Avenidas moved to a smaller space of 3,220 total square feet. Avenidas expects to occupy the space at least through December 2024.

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

Year Ending June 30,

2020	\$	42,100
2021		51,600
2022		52,700
2023		53,800
2024		55,100
Thereafter		28,000
		<hr/>
		\$ 283,300

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 2019, 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

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### Note 10 - 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 2f. Pledges receivables are due from various individuals. Investments are subject to a formal investment policy.

#### *Major Donors*

Avenidas received a donation of \$950,000 from one donor, included in community support on the Statement of Activities. This donation represents 50% of the total community support for the year ended June 30, 2019. 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 11 - 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 with donor restrictions 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	\$ 16,795,259
Pledges outstanding (Note 4)	922,028
Less pledge discounts and allowances	(49,269)
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Total public support	<hr/> \$ 17,668,018

# Avenidas

## Notes to Financial Statements

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Since inception, the Capital Project has been supported through the following designation by the Board:

	Campaign to Date
Designated investment reserves	\$ 980,000
Unrestricted bequests	1,023,400
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Total Board designated amounts	\$ 2,003,400

The Capital Project was completed in 2019. Since inception, \$19,908,296 was expended for the Capital Project as follows:

	Campaign to Date
Construction fees	\$ 14,044,688
Architectural and design fees	1,016,536
Project management and fees	2,971,833
Fundraising expenses	1,282,832
Furniture and equipment	592,407
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	\$ 19,908,296

The construction for the Capital Project began in September 2017 and was completed in April 2019.

### Note 12 - Subsequent Events:

Avenidas has evaluated subsequent events from June 30, 2019 through November 11, 2019, the date these financial statements were available to be issued. Except as mentioned in Note 9, there were no material subsequent events that required recognition or additional disclosure in these financial statements.