

AVENIDAS

JUNE 30, 2020

INDEPENDENT AUDITORS' REPORT

AND

FINANCIAL STATEMENTS

Avenidas

Independent Auditors' Report and Financial Statements

Independent Auditors' Report 1 - 2

Financial Statements

Statement of Financial Position 3

Statement of Activities 4

Statement of Functional Expenses 5

Statement of Cash Flows 6

Notes to Financial Statements 7 - 20



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, 2020, 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, 2020 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, 2019 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated November 11, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Hood & Strong LLP

San Jose, California
January 14, 2021

Avenidas

Statement of Financial Position

<i>June 30, 2020 (with comparative totals for 2019)</i>	2020	2019
Assets		
Cash and cash equivalents	\$ 2,991,996	\$ 1,541,256
Accounts receivable, net of allowance for doubtful accounts of \$16,895 for 2020 and \$19,607 for 2019	237,688	481,458
Contributions receivable, net (Note 4)	356,323	913,909
Deposits and prepaid expenses	137,175	167,080
Long-term investments, including endowment funds (Notes 5 and 8)	25,769,202	27,107,180
Property and equipment, net (Note 6)	20,380,791	20,941,986
	\$ 49,873,175	\$ 51,152,869
Liabilities and Net Assets		
Liabilities:		
Accounts payable (Capital Project)		\$ 887,938
Other accounts payable and liabilities	\$ 658,923	638,044
Loan payable		400,000
Paycheck Protection Program loan (Note 11)	671,201	
Total liabilities	1,330,124	1,925,982
Net Assets:		
Without donor restrictions:		
Board designated - endowment funds	25,071,503	26,409,481
Board designated - ready reserve	900,671	493,225
Undesignated	21,345,404	20,798,938
Total without donor restrictions	47,317,578	47,701,644
With donor restrictions (Note 7 and 8)	1,225,473	1,525,243
Total net assets	48,543,051	49,226,887
	\$ 49,873,175	\$ 51,152,869

See accompanying notes to financial statements.

Avenidas

Statement of Activities

Year ended June 30, 2020 (with comparative totals for 2019)

	2020		2019	
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Public Support and Revenue:				
Program fees	\$ 1,666,193		\$ 1,666,193	\$ 1,627,914
Community support	2,448,156	\$ 116,463	2,564,619	1,861,173
Community support released from restrictions	416,233	(416,233)	-	
Board designated funds authorized for Capital Project administration			-	256,762
Governmental support	839,512		839,512	823,821
Dividends and interest	91		91	2,941
Short-term investment gain, net of fees			-	16,532
Appropriation of endowment assets for expenditure	1,265,140		1,265,140	1,073,279
Board designated funds authorized for operations	297,625		297,625	309,733
Total public support and revenue before in-kind	6,932,950	(299,770)	6,633,180	5,972,155
In-kind professional services and donated equipment	5,974		5,974	83,834
Total public support and revenue	6,938,924	(299,770)	6,639,154	6,055,989
Expenditures				
Program services	5,152,008		5,152,008	4,545,249
Support services:				
Management and general	1,386,733		1,386,733	819,734
Fundraising - general	393,646		393,646	444,482
Fundraising - Capital Project			-	256,762
Total expenditures	6,932,387		6,932,387	6,066,227
Change in Net Assets from Operating Activities	6,537	(299,770)	(293,233)	(10,238)
Non-Operating Net Assets Activity (Note 2k):				
Investment income, net of fees	249,534	22,628	272,162	1,069,988
Capital Project contributions, net			-	1,020,487
Bequests and non-operating contributions	900,000		900,000	281,432
Capital Project governmental support			-	139,941
Appropriation of endowment assets for expenditure	(1,242,512)	(22,628)	(1,265,140)	(1,073,279)
Board designated funds authorized for Capital Project administration			-	(256,762)
Board designated funds authorized for operations	(297,625)		(297,625)	(309,733)
Change in Net Assets from Non-operating Activities	(390,603)	-	(390,603)	872,074
Total Change in Net Assets	(384,066)	(299,770)	(683,836)	861,836
Net Assets, beginning of year	47,701,644	1,525,243	49,226,887	48,365,051
Net Assets, end of year	\$ 47,317,578	\$ 1,225,473	\$ 48,543,051	\$ 49,226,887

See accompanying notes to financial statements.

Avenidas

Statement of Functional Expenses

Year ended June 30, 2020 (with comparative totals for 2019)

	2020					
	Total Program Services	Support Services			2020 Total	2019 Total
		Management and General	Fundraising General	Total Support Services		
Expenditures:						
Salaries	\$ 2,462,957	\$ 771,790	\$ 230,412	\$ 1,002,202	\$ 3,465,159	\$ 3,115,867
Benefits	275,445	77,390	30,464	107,854	383,299	308,060
Payroll taxes	179,730	52,002	16,202	68,204	247,934	222,759
Professional services	651,638	94,908	19,036	113,944	765,582	555,114
Transportation	227,626			-	227,626	243,719
Depreciation and amortization	590,174	74,620	34,989	109,609	699,783	320,245
In-kind professional services	4,474	1,500		1,500	5,974	36,169
Insurance	122,569	43,743	5,697	49,440	172,009	132,597
Building maintenance	114,754	73,064		73,064	187,818	149,408
Rent	59,174			-	59,174	124,130
Advertising and marketing	109,916	12,459	3,687	16,146	126,062	146,391
Printing, copying and publications	16,362	45,008	5,896	50,904	67,266	43,698
Utilities	38,847	14,291		14,291	53,138	54,638
Fundraising events and mailings	1,685	1,466	19,248	20,714	22,399	90,202
Nutrition	96,972			-	96,972	93,964
Office expense	53,716	10,854	1,356	12,210	65,926	57,276
Computer and equipment	36,584	53,448	11,726	65,174	101,758	62,060
Travel and conference	21,052	13,816	3,748	17,564	38,616	96,437
Postage	6,220	2,182	3,205	5,387	11,607	11,095
Telephone	39,738	9,317	1,785	11,102	50,840	61,879
Bank fees	29,906	15,117		15,117	45,023	34,613
Dues and subscriptions	11,329	13,208	6,195	19,403	30,732	23,983
Interest		2,358		2,358	2,358	34,583
Volunteers	978	4,192		4,192	5,170	16,846
Other	162			-	162	30,494
	\$ 5,152,008	\$ 1,386,733	\$ 393,646	\$ 1,780,379	\$ 6,932,387	\$ 6,066,227

See accompanying notes to financial statements.

Avenidas

Statement of Cash Flows

<i>Year ended June 30, 2020 (with comparative totals for 2019)</i>	2020	2019
Cash Flows from Operating Activities:		
Change in net assets	\$ (683,836)	\$ 861,836
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation and amortization	699,783	320,245
In-kind donation of property and equipment		(47,665)
Realized and unrealized loss (gain) on short and long-term investments	353,290	(1,211,022)
Non-operating dividends and interest reinvested	(907,677)	(793,947)
Contributions for Capital Project		(931,764)
Changes in operating assets and liabilities:		
Accounts receivable	243,770	(86,190)
Contributions receivable	15,586	5,039,724
Deposits and prepaid expenses	29,905	(35,552)
Other accounts payable and accrued liabilities	(867,059)	(1,870,558)
Net cash (used) provided by operating activities	(1,116,238)	1,245,107
Cash Flows from Investing Activities:		
Net change in short-term investments		1,263,205
Purchases of long-term investments	(815,294)	(705,975)
Proceeds from sale of long-term investments	1,799,982	1,917,168
Dividends and interest reinvested	907,677	793,947
Purchase of property and equipment	(138,588)	(7,052,814)
Net cash provided (used) by investing activities	1,753,777	(3,784,469)
Cash Flows from Financing Activities:		
Proceeds from loan payable		5,200,000
Issuance of Paycheck Protection Program loan	671,201	
Payments on loan payable	(400,000)	(4,800,000)
Proceeds from Capital Project campaign	542,000	931,764
Net cash provided by financing activities	813,201	1,331,764
Net Change in Cash and Cash Equivalents	1,450,740	(1,207,598)
Cash and Cash Equivalents, beginning of year	1,541,256	2,748,854
Cash and Cash Equivalents, end of year	\$ 2,991,996	\$ 1,541,256
Supplemental Disclosure of Cash Flow Information and Non-cash Investing Activities:		
No payments for income taxes were made during 2020 and 2019.		
Interest expense paid	\$ 2,358	\$ 34,583
Purchases of property and equipment included in accounts payable.		\$ 887,938

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, Senior Planet @Avenidas for technology engagement, Volunteer Corps, Avenidas Chinese Community Center, and Avenidas Rainbow Collective. 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 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 335 volunteers provide services through Avenidas' programs 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

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

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 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

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

Avenidas performs an analysis of each grant and contract to determine if it should be accounted for as a contribution or as an exchange transaction. If the award is determined to be a contribution, it is recognized as described in the following paragraph. If the award is determined to be an exchange transaction, the award is recognized either as qualifying expenditures are incurred, if a cost reimbursement award, or as the units of service are provided.

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.

Revenue from program fees are recognized when the services are rendered.

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.

Avenidas

Notes to Financial Statements

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 \$6,000.

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 16,000 hours to Avenidas, the value of which is estimated to be \$480,000, based on the Independent Sector 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.

Avenidas

Notes to Financial Statements

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, 2019 from which the summarized information was derived.

o. Reclassifications

Certain reclassifications have been made to the 2019 financial statements in order to conform to the 2020 presentation. These reclassifications had no impact on net assets or the change in net assets.

p. Recent Accounting Pronouncement

In June 2018, the FASB issued Accounting Standards Update (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. Avenidas adopted this ASU on a modified prospective basis as of July 1, 2019 as management believes the standard improves the usefulness and understandability of Avenidas' financial reporting. The impact of adopting this guidance is reflected in the financial statements and did not have a significant impact on the financial statements or disclosures.

q. Subsequent Events

Avenidas has evaluated subsequent events from June 30, 2020 through January 14, 2021, the date these financial statements were available to be issued. Except for the ongoing impact of COVID-19 discussed in Note 11, there were no material subsequent events that required recognition or additional disclosure in these financial statements.

Avenidas

Notes to Financial Statements

Note 3 - Liquidity and Availability of Resources:

Avenidas' financial assets at June 30, 2020 and 2019 that are available to meet general expenditures over the next twelve months are as follows:

	2020	2019
Financial assets:		
Cash and cash equivalents	\$ 2,991,996	\$ 1,541,256
Accounts receivable, net of allowance for doubtful accounts	237,688	481,458
Contributions receivable, net	356,323	913,909
Estimated annual appropriation of endowment earnings	1,151,940	1,115,140
	<hr/>	<hr/>
	4,737,947	4,051,763
Less amounts not available to be used for general expenditure:		
Long-term contributions receivables, net	143,323	454,863
Net assets with donor restrictions – purpose restrictions	527,773	827,544
Board designated Ready Reserve	900,671	493,225
	<hr/>	<hr/>
Financial assets available to meet general expenditures over the next twelve months	\$ 3,166,180	\$ 2,276,131

Additionally, Avenidas' long-term investments include amounts designated by the Board of Directors to function as an endowment, in the amount of \$25,071,503. 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

Note 4 - Contributions Receivable:

Contributions receivable as of June 30 are due as follows:

	2020	2019
Capital Project less than one year	\$ 213,000	\$ 417,896
Capital Project one to five years	159,132	504,132
<u>Subtotal</u>	<u>372,132</u>	<u>922,028</u>
Less discounts to present value	(11,164)	(21,608)
Less allowance for doubtful contributions receivable	(4,645)	(27,661)
<u>Net Capital Project contributions receivable</u>	<u>356,323</u>	<u>872,759</u>
<u>Other contributions receivable less than one year</u>		<u>41,150</u>
<u>Total</u>	<u>\$ 356,323</u>	<u>\$ 913,909</u>

At June 30, 2020 and 2019, there were four contributions receivable which accounted for approximately 93% and 81% of the total contributions receivable, respectively.

Note 5 - Investments:

Investments consist of a long-term (endowment) portfolio which is professionally managed. Investments at June 30 are as follows:

	2020	2019
Cash and short duration funds	\$ 2,227,099	\$ 149,311
Domestic fixed income funds	6,806,333	8,338,742
Alternative investments	261,412	451,253
Domestic equity funds	10,125,719	11,463,064
Foreign equity fund – developed markets	5,047,729	5,362,738
Foreign equity fund – emerging markets	1,300,910	1,342,072
<u>Total investments</u>	<u>\$ 25,769,202</u>	<u>\$ 27,107,180</u>

Avenidas

Notes to Financial Statements

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, 2020, 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, 2020. 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.
- One fund with no unfunded commitments as of June 30, 2020. 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 5 percent and 4.3 percent for the years ending June 30, 2020 and 2019, respectively.

The endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions as follows at June 30, 2020:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 26,409,481	\$ 697,699	\$ 27,107,180
Dividends and interest	856,526	22,628	879,154
Management fees	(92,383)		(92,383)
Net realized and unrealized loss	(514,609)		(514,609)
Total investment return	249,534	22,628	272,162
Appropriation of endowment Assets for expenditure	(1,242,512)	(22,628)	(1,265,140)
Transfers to Capital Asset Replacement Fund	(345,000)		(345,000)
Endowment net assets, end of year	\$ 25,071,503	\$ 697,699	\$ 25,769,202

Avenidas

Notes to Financial Statements

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 \$900,671 and \$493,225 at June 30, 2020 and 2019, respectively.

Note 6 - Property and Equipment:

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

	2020	2019
Avenidas Rose Kleiner facility	\$ 3,670,560	\$ 3,670,560
Bryant Center expansion	17,853,376	17,800,845
Equipment	713,445	708,445
Furniture	703,784	622,726
	<u>22,941,165</u>	<u>22,802,576</u>
Less accumulated depreciation and amortization	(2,560,374)	(1,860,590)
	<u>\$ 20,380,791</u>	<u>\$ 20,941,986</u>

Note 7 - Net Assets With Donor Restrictions:

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

	2020	2019
Avenidas Rose Kleiner Center – future operations		\$ 110,159
Avenidas Village – future operations	\$ 133,739	110,947
Avenidas Chinese Community Center	295,403	533,333
Avenidas Care Forum	75,369	40,175
Social Work Services	14,653	18,057
Center programs	8,610	14,873
Endowment funds	697,699	697,699
	<u>\$ 1,225,473</u>	<u>\$ 1,525,243</u>

Avenidas

Notes to Financial Statements

Net assets with donor restrictions were released during the years ending June 30, 2020 and 2019 as follows:

	2020	2019
Avenidas Village	\$ 17,209	\$ 7,629
Avenidas Rose Kleiner Center	110,159	168,640
Avenidas Chinese Community Center	237,930	
Avenidas Care Forum	41,269	
Center programs	6,262	
Social Work Services	3,404	
Generations Lab		21,324
Capital Project		16,647,531
	<hr/>	<hr/>
	\$ 416,233	\$ 16,845,124

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:

	2020	2019
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

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, 2020 and 2019, respectively. Avenidas contributed \$92,573 and \$81,294 to the plan as of June 30, 2020 and 2019, respectively.

Avenidas

Notes to Financial Statements

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 ended 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,	
2021	\$ 51,584
2022	52,744
2023	53,819
2024	55,062
2025	28,014
	<hr/>
	\$ 241,223

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 2020, 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 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 \$800,000 from one donor, included in community support on the Statement of Activities. This donation represents 23% of the total community support for the year ended June 30, 2020. In the prior year, 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 - Impact of the COVID-19 Pandemic on Operations:

On March 11, 2020, the World Health Organization publicly characterized COVID-19 as a pandemic. Many Federal, state and local governmental agencies have declared a state of emergency and issued a variety of recommendations impacting travel, group gatherings, etc. As a result, this has significantly impacted Avenidas' operations in many ways.

Avenidas physically closed its two community centers to the public at 450 Bryant Street and at the Cubberley Community Center on March 12th. The Avenidas Rose Kleiner Center suspended adult day health care group services and closed its center at 270 Escuela in Mountain View on March 13th. Handyman Services, Door-to-Door volunteer client transportation, Early Literacy Program, Avenidas Blooms, and several ancillary personal health services were suspended while other programming went 100% remote.

Avenidas

Notes to Financial Statements

Remote services include Zoom classes, mailings, phone calls, grocery shopping, and health monitoring. Program Managers initially met twice per week to review participant needs and identified ways to address those needs. Currently, the Program Managers meet weekly. Since the temporary in-center closure, Avenidas has added grocery delivery to frail seniors, social and birthday calls, increased caregiver support, and has approved emergency funding to in-home personal care needs.

The Enrichment Centers at 450 Bryant and Cubberly locations have over 30 on-line classes offered per semester. The Village program is responding to their seniors aging in place by providing needed supports for home repair, grocery shopping, and social support. The Volunteer Program and Door to Door program has expanded service to deliver groceries, personal protective equipment, and arrange transportation. The Care Partners program is providing education, crisis and care management, and caregiver support to Avenidas members and family caregivers. The Rose Kleiner Center is making social and telehealth calls, sending activity packets, providing caregiver support, and has several Zoom activities and exercise sessions each week.

Avenidas received a loan in the amount \$671,201 under the Paycheck Protection Program from the U.S. Small Business Administration. The 2-year loan, maturing in April 2022, bears simple interest at 1% per year. The loan and accrued interest are forgivable if the borrower uses the loan proceeds for eligible purposes including payroll, benefits, rent and utilities and maintains payroll levels. Avenidas believes that its use of the loan proceeds will meet the conditions for forgiveness of the loan.

Avenidas expects to continue to meet the needs of those served by its programs as Avenidas continues planning for the reopening of its centers, which is estimated to occur in the second half of calendar year 2021.