

AVENIDAS

JUNE 30, 2021

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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, 2021, 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, 2021 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, 2020 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated January 14, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Hood & Strong LLP*

San Jose, California  
December 9, 2021

# Avenidas

## Statement of Financial Position

<i>June 30, 2021 (with comparative totals for 2020)</i>	2021	2020
<b>Assets</b>		
Cash and cash equivalents	\$ 2,656,031	\$ 2,991,996
Accounts receivable, net of allowance for doubtful accounts of \$9,917 for 2021 and \$16,895 for 2020	293,322	237,688
Contributions receivable, net (Note 4)	155,628	356,323
Deposits and prepaid expenses	93,798	137,175
Long-term investments, including endowment funds (Notes 5 and 8)	31,518,041	25,769,202
Property and equipment, net (Note 6)	19,908,479	20,380,791
	<b>\$ 54,625,299</b>	<b>\$ 49,873,175</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities:</b>		
Accounts payable and other liabilities	\$ 806,247	\$ 658,923
Paycheck Protection Program (PPP) loan (Note 11)		671,201
Total liabilities	806,247	1,330,124
<b>Net Assets:</b>		
Without donor restrictions:		
Board designated - endowment funds	30,404,137	25,071,503
Board designated - ready reserve	828,387	900,671
Undesignated	21,522,934	21,345,404
Total without donor restrictions	52,755,458	47,317,578
With donor restrictions (Note 7 and 8)	1,063,594	1,225,473
Total net assets	53,819,052	48,543,051
	<b>\$ 54,625,299</b>	<b>\$ 49,873,175</b>

See accompanying notes to financial statements.

# Avenidas

## Statement of Activities

Year ended June 30, 2021 (with comparative totals for 2020)

	2021			2020
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<b>Public Support and Revenue:</b>				
Program fees	\$ 1,141,859		\$ 1,141,859	\$ 1,666,193
Community support	1,278,691	\$ 132,843	1,411,534	2,564,619
Community support released from restrictions	294,722	(294,722)	-	-
Governmental support	1,084,058		1,084,058	839,512
Dividends and interest	87		87	91
Appropriation of endowment assets for expenditure	1,151,940		1,151,940	1,265,140
Board designated funds authorized for operations	369,997		369,997	297,625
Total public support and revenue before in-kind	5,321,354	(161,879)	5,159,475	6,633,180
In-kind professional services and donated equipment	91,145		91,145	5,974
Total public support and revenue	5,412,499	(161,879)	5,250,620	6,639,154
<b>Expenditures</b>				
Program services	4,157,532		4,157,532	5,152,008
Support services:				
Management and general	1,379,482		1,379,482	1,386,733
Fundraising	337,285		337,285	393,646
Total expenditures	5,874,299		5,874,299	6,932,387
<b>Change in Net Assets from Operating Activities</b>	(461,800)	(161,879)	(623,679)	(293,233)
<b>Non-Operating Net Assets Activity (Note 2k):</b>				
Investment income (endowment and CARF - Note 5), net of fees	6,602,320	17,491	6,619,811	272,162
Bequests and non-operating contributions	124,637		124,637	900,000
Other governmental support (PPP loan forgiveness)	677,169		677,169	-
Appropriation of endowment assets for expenditure	(1,134,449)	(17,491)	(1,151,940)	(1,265,140)
Board-designated funds authorized for operations	(369,997)		(369,997)	(297,625)
<b>Change in Net Assets from Non-operating Activities</b>	5,899,680	-	5,899,680	(390,603)
<b>Total Change in Net Assets</b>	5,437,880	(161,879)	5,276,001	(683,836)
<b>Net Assets, beginning of year</b>	47,317,578	1,225,473	48,543,051	49,226,887
<b>Net Assets, end of year</b>	\$ 52,755,458	\$ 1,063,594	\$ 53,819,052	\$ 48,543,051

See accompanying notes to financial statements.

# Avenidas

## Statement of Functional Expenses

Year ended June 30, 2021 (with comparative totals for 2020)

	2021				2021 Total	2020 Total
	Total Program Services	Management and General	Fundraising	Total Support Services		
<b>Expenditures:</b>						
Salaries	\$ 2,109,417	\$ 783,731	\$ 207,642	\$ 991,373	\$ 3,100,790	\$ 3,465,159
Benefits	237,375	69,032	28,432	97,464	334,839	383,299
Payroll taxes	152,169	53,656	14,842	68,498	220,667	247,934
Professional services	369,356	186,846	23,645	210,491	579,847	765,582
Transportation	6,358			-	6,358	227,626
Depreciation and amortization	625,639	65,488	20,702	86,190	711,829	699,783
In-kind professional services and donated equipment	60,828	30,317		30,317	91,145	5,974
Insurance	102,398	26,182	6,128	32,310	134,708	172,009
Building maintenance	98,247	2,647	837	3,484	101,731	187,818
Rent	21,576			-	21,576	59,174
Advertising and marketing	76,705	53,437		53,437	130,142	126,062
Printing, copying and publications	24,460	11,973	1,266	13,239	37,699	67,266
Utilities	37,103	558	176	734	37,837	53,138
Fundraising events and mailings		200	6,599	6,799	6,799	22,399
Nutrition	52			-	52	96,972
Office expense	35,446	9,933	1,324	11,257	46,703	65,926
Computer and equipment	77,906	39,510	18,991	58,501	136,407	101,758
Travel and conference	10,970	1,569	897	2,466	13,436	38,616
Postage	9,342	1,251	632	1,883	11,225	11,607
Telephone	40,062	11,778	2,764	14,542	54,604	50,840
Bank fees	35,594			-	35,594	45,023
Dues and subscriptions	4,225	3,695	2,382	6,077	10,302	30,732
Interest	12,934	14,054	26	14,080	27,014	2,358
Volunteers	857	2,394		2,394	3,251	5,170
Other	8,513	11,231		11,231	19,744	162
	\$ 4,157,532	\$ 1,379,482	\$ 337,285	\$ 1,716,767	\$ 5,874,299	\$ 6,932,387

See accompanying notes to financial statements.

# Avenidas

## Statement of Cash Flows

<i>Year ended June 30, 2021 (with comparative totals for 2020)</i>	2021	2020
<b>Cash Flows from Operating Activities:</b>		
Change in net assets	\$ 5,276,001	\$ (683,836)
Adjustments to reconcile change in net assets to net cash used provided by operating activities:		
Depreciation and amortization	711,827	699,783
Principle forgiven on PPP loan	(671,201)	
Realized and unrealized (gain) loss on short and long-term investments	(6,080,849)	353,290
Non-operating dividends and interest reinvested	(652,280)	(907,677)
Changes in operating assets and liabilities:		
Accounts receivable	(55,634)	243,770
Contributions receivable	200,695	15,586
Deposits and prepaid expenses	43,377	29,905
Accounts payable and other accrued liabilities	147,324	(867,059)
<b>Net cash used by operating activities</b>	<b>(1,080,740)</b>	<b>(1,116,238)</b>
<b>Cash Flows from Investing Activities:</b>		
Purchases of long-term investments	(942,020)	(815,294)
Proceeds from sale of long-term investments	1,274,030	1,799,982
Dividends and interest reinvested	652,280	907,677
Purchase of property and equipment	(239,515)	(138,588)
<b>Net cash provided by investing activities</b>	<b>744,775</b>	<b>1,753,777</b>
<b>Cash Flows from Financing Activities:</b>		
Issuance of PPP loan		671,201
Payments on loan payable		(400,000)
Proceeds from Capital Project campaign		542,000
<b>Net cash provided by financing activities</b>	<b>-</b>	<b>813,201</b>
<b>Net Change in Cash and Cash Equivalents</b>	<b>(335,965)</b>	<b>1,450,740</b>
<b>Cash and Cash Equivalents, beginning of year</b>	<b>2,991,996</b>	<b>1,541,256</b>
<b>Cash and Cash Equivalents, end of year</b>	<b>\$ 2,656,031</b>	<b>\$ 2,991,996</b>
<b>Supplemental Disclosure of Cash Flow Information and Non-cash Financing Activities:</b>		
No payments for income taxes were made during 2021 and 2020.		
Interest expense paid		\$ 2,358
Forgiveness of PPP loan	\$ 671,201	

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, 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. Volunteers provide services through Avenidas' programs to others in the community and support the work of Avenidas staff. In most years, over 300 volunteers provide these services, however, for fiscal year 2021, fewer volunteers participated due to challenges caused by the COVID-19 pandemic, with approximately 200 volunteers supporting Avenidas (see Note 11).

### 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 Notes 7 and 8).

# Avenidas

## Notes to Financial Statements

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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.

d. 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.

e. 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 Unadjusted quoted market prices 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.

# Avenidas

## Notes to Financial Statements

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f. 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

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 3.3 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.

# Avenidas

## Notes to Financial Statements

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Spending Policy and How the Investment Objectives Relate to Spending Policy – Avenidas had 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. As of July 1, 2021, the Board adjusted the spending policy to be 3 percent of the 12-quarter average value, as described above. In establishing and updating 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.

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 a contract with a customer. 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 a contract with a customer, 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%.

# Avenidas

## Notes to Financial Statements

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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 \$91,000.

Numerous other volunteers donate significant amounts of their time to Avenidas' activities. No amounts have been recorded for these donated services since they do not meet the criteria noted above. These volunteers contributed approximately 7,000 hours to Avenidas, the value of which is estimated to be \$230,000, 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

# Avenidas

## Notes to Financial Statements

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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, 2020 from which the summarized information was derived.

o. Recent Accounting Pronouncement

The Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)* in May 2014. This authoritative guidance requires that revenue be recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance was adopted as of July 1, 2020. Application of the various provisions of this standard resulted in no significant changes in the way Avenidas recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standards.

In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This ASU changes the required presentation of in-kind contributions other than contributed services. The first element will require separate presentation on the Statement of Activities and the second element will require additional disclosure about how the in-kind gifts were utilized (in which program or as part of management and general or fundraising), donor restrictions associated with the gifts and valuation techniques employed. The ASU is effective for Avenidas for the fiscal year beginning after June 15, 2021.

p. Subsequent Events

Avenidas has evaluated subsequent events from June 30, 2021 through December 9, 2021, the date these financial statements were available to be issued. Except for items mentioned in Note 2f, Note 5, and Note 11, there were no material subsequent events that required recognition or additional disclosure in these financial statements.

# Avenidas

## Notes to Financial Statements

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

Avenidas' financial assets at June 30, 2021 and 2020 that are available to meet general expenditures over the next twelve months are as follows:

	2021	2020
Financial assets:		
Cash and cash equivalents	\$ 2,656,031	\$ 2,991,996
Accounts receivable, net of allowance for doubtful accounts	293,322	237,688
Contributions receivable, net	155,628	356,323
Expected annual appropriation of endowment earnings	786,168	1,151,940
	<hr/>	<hr/>
	3,891,149	4,737,947
Less amounts not available to be used for general expenditure:		
Long-term contributions receivables, net	12,928	143,323
Net assets with donor restrictions – purpose restrictions	328,970	527,773
Board designated Ready Reserve	828,387	900,671
	<hr/>	<hr/>
Financial assets available to meet general expenditures over the next twelve months	\$ 2,720,864	\$ 3,166,180

Additionally, Avenidas' long-term investments include \$30,404,137 designated by the Board of Directors to function as an endowment. 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. Long-term investments also include the Capital Asset Replacement Fund which is designated by the Board of Directors to fund maintenance capital expenditures, in the amount of \$416,195.

# Avenidas

## Notes to Financial Statements

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### Note 4 - Contributions Receivable:

Contributions receivable are due as follows as of June 30:

	2021	2020
Capital Project less than one year	\$ 142,000	\$ 213,000
Capital Project one to five years	18,832	159,132
Subtotal	160,832	372,132
Less discounts to present value (see Note 2h)	(3,643)	(11,164)
Less allowance for doubtful contributions receivable	(1,561)	(4,645)
Net Capital Project contributions receivable	\$ 155,628	\$ 356,323

### Note 5 - Investments:

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

	2021	2020
Cash and short duration funds	\$ 7,038	\$ 2,227,099
Domestic fixed income funds	10,410,985	6,806,333
Alternative investments	219,284	261,412
Domestic equity funds	13,028,137	10,125,719
Foreign equity fund – developed markets	6,360,119	5,047,729
Foreign equity fund – emerging markets	1,492,478	1,300,910
Total investments	\$ 31,518,041	\$ 25,769,202

The investment portfolio of Avenidas as June 30, 2021 includes both endowment funds of \$31,101,846 and a Capital Asset Replacement Fund (CARF) in the amount of \$416,195.

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

## Notes to Financial Statements

Avenidas uses the net asset value per share for its alternative investments as a practical expedient to approximate fair value. At June 30, 2021, 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, 2021. 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, 2021. 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 3.5% and 5.5% of the immediate past twelve quarter average rolling value of these investments. The effective distribution rate was 3.8% and 5% for the years ending June 30, 2021 and 2020, respectively.

The endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions as follows at June 30, 2021:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 25,071,503	\$ 697,699	\$ 25,769,202
Transfers to endowment	(150,000)		(150,000)
Investment return:			
Investment income	628,529	17,491	646,020
Management fees	(64,774)		(64,774)
Net appreciation (realized and unrealized)	5,983,300		5,983,300
Total investment gain	6,547,055	17,491	6,564,546
Appropriation of endowment assets for expenditure	(1,134,449)	(17,491)	(1,151,940)
Transfers to CARF	(229,962)		(229,962)
Endowment net assets, end of year	\$ 30,404,147	\$ 697,699	\$ 31,101,846

# Avenidas

## Notes to Financial Statements

In addition to the investment gain above, the Capital Asset Replacement Fund (CARF) had a total gain of \$55,265, for a total investment income of \$6,619,811.

The Board has also designated Ready Reserve funds which are included in cash and cash equivalents on the Statement of Financial Position in the totaling \$828,386 and \$900,671 at June 30, 2021 and 2020, respectively. As of July 1, 2021, the Board allocated \$428,387 of the Ready Reserve to a new board designated fund, called the Bequest Balancing Fund.

### Note 6 - Property and Equipment:

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

	2021	2020
Avenidas Rose Kleiner facility	\$ 3,867,121	\$ 3,670,560
Bryant Center expansion	17,853,375	17,853,376
Equipment	756,400	713,445
Furniture	703,784	703,784
	<hr/>	<hr/>
	23,180,680	22,941,165
Less accumulated depreciation and amortization	(3,272,201)	(2,560,374)
	<hr/>	<hr/>
	\$ 19,908,479	\$ 20,380,791

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

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

	2021	2020
Avenidas Village – future operations	\$ 151,978	133,739
Avenidas Chinese Community Center	135,630	295,403
Avenidas Care Forum	25,795	75,369
Social Work Services	10,229	14,653
Center programs	25,340	8,610
Mental Health Therapy	16,923	
Endowment funds	697,699	697,699
	<hr/>	<hr/>
	\$ 1,063,594	\$ 1,225,473

# Avenidas

## Notes to Financial Statements

Net assets with donor restrictions were released as follows during the years ended June 30:

	2021	2020
Avenidas Village	\$ 66,761	\$ 17,209
Avenidas Rose Kleiner Center		110,159
Avenidas Chinese Community Center	159,773	237,930
Avenidas Care Forum	59,994	41,269
Center programs	3,770	6,262
Social Work Services	4,424	3,404
	<hr/>	<hr/>
	\$ 294,722	\$ 416,233

### 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 consisted of the following at June 30:

	2021	2020
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, 2021 and 2020, respectively. Avenidas contributed \$85,077 and \$92,573 to the plan as of June 30, 2021 and 2020, 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.

Avenidas leases space at Cubberley Community Center from the City of Palo Alto. Avenidas expects to occupy the space through June 2025.

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

Year Ending June 30,	
2022	\$ 22,587
2023	23,265
2024	23,963
2025	24,682
	<hr/>
	\$ 94,497

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 2021, Avenidas has met the required criteria. Avenidas considers the lease arrangement with the City of Mountain View as an exchange transaction and has not recorded any donation revenue associated with the lease.

**Note 10 - Concentrations of Risk:**

*Concentrations of Credit Risk*

Financial instruments which potentially subject Avenidas to a concentration of credit risk consisted of cash and cash equivalents, contributions 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.

# Avenidas

## Notes to Financial Statements

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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. Contributions receivables are due from various individuals. Investments are subject to a formal investment policy.

### *Major Donors*

Avenidas received donations of \$305,000 from one donor, included in community support on the Statement of Activities. This donation represented 22% of the total community support for the year ended June 30, 2021. In the prior year, Avenidas received a donation of \$800,000 from one donor, included in community support on the Statement of Activities. This donation represented 23% of the total community support for the year ended June 30, 2020. 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. This state continued through 2021 and, as a result, Avenidas' operations continue to be significantly impacted in many ways.

Avenidas remained physically closed during most of fiscal year 2020-21 due to the continued Public Health Emergency related to the pandemic. Its two community centers at 450 Bryant Street and at the Cubberley Community Center continued providing remote services. The Avenidas Rose Kleiner Center adult day health care group also remained closed for in-person services, providing a variety of remote services. Programming at our Bryant Street offices re-commenced with in-person services in June 2021. The first programs to start in-person services included Door to Door transportation, Avenidas Village, and some outdoor classes for the Enrichment Center. Avenidas Rose Kleiner Center started re-commenced in-person services in July 2021. Handyman Services and Early Literacy Program remained on hold, with an expected re-opening at some point in fiscal year 2022, when both programs will be assessed for next steps. Avenidas Care Partners continues its work to serve the community with programming for caregivers, providing case management support, and elder care consultation.

Remote services for most Avenidas programs include on-line classes, mailings, phone calls, grocery shopping, caregiver support and health monitoring. Program Managers continued to meet weekly to review program and participant needs and identified ways to address those needs. 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. These services will continue while the need exists for these services. With the process of slowly reopening in-person services, the needs and wants of the community will guide planning for all three locations.

# Avenidas

## Notes to Financial Statements

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Avenidas received a loan in the amount of \$670,010 under the Paycheck Protection Program from the U.S. Small Business Administration and had a payable balance, including accrued interest, of \$671,201 as of June 30, 2020. It was a 2-year loan, maturing in April 2022 bearing simple interest at 1% per year. The loan and accrued interest were forgivable if the borrower used the loan proceeds for eligible purposes including payroll, benefits, rent and utilities while maintaining payroll levels. Avenidas received forgiveness for the total loan payable, including accrued interest, on May 18, 2021. The total amount forgiven was \$677,169.