

**AVENIDAS**

**JUNE 30, 2022**

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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

### **Opinion**

We have audited the financial statements of **AVENIDAS**, which comprise the statement of financial position as of June 30, 2022, the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Avenidas as of June 30, 2022, 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.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Avenidas and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Avenidas' ability to continue as a going concern for one year from the date of this report.

## **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Avenidas' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Avenidas' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### **Report on Summarized Comparative Information**

We have previously audited Avenidas' 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 9, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Hood & Strong LLP*

San Jose, California  
December 2, 2022

# Avenidas

## Statement of Financial Position

<i>June 30, 2022 (with comparative totals for 2021)</i>	2022	2021
<b>Assets</b>		
Cash and cash equivalents	\$ 3,178,717	\$ 2,656,031
Accounts receivable, net of allowance for doubtful accounts of \$12,497 for 2022 and \$9,917 for 2021	565,847	293,322
Contributions receivable, net	14,682	155,628
Deposits and prepaid expenses	185,235	93,798
Long-term investments, including endowment funds (Notes 4 and 7)	26,524,262	31,518,041
Property and equipment, net (Note 5)	19,283,670	19,908,479
	<b>\$ 49,752,413</b>	<b>\$ 54,625,299</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities:</b>		
Accounts payable and other liabilities	\$ 748,737	\$ 806,247
Total liabilities	748,737	806,247
<b>Net Assets:</b>		
Without donor restrictions:		
Board designated - endowment funds	26,168,631	29,987,942
Board designated - Capital Asset Replacement Fund	355,631	416,195
Board designated - Ready Reserve	388,188	828,387
Board designated - Bequest Balancing Fund	398,050	
Undesignated	19,543,518	21,522,934
Total without donor restrictions	46,854,018	52,755,458
With donor restrictions (Notes 2, 6 and 7)	2,149,658	1,063,594
Total net assets	49,003,676	53,819,052
	<b>\$ 49,752,413</b>	<b>\$ 54,625,299</b>

See accompanying notes to the financial statements.

# Avenidas

## Statement of Activities

Year ended June 30, 2022 (with comparative totals for 2021)

	2022			2021
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<b>Public Support and Revenue:</b>				
Program fees	\$ 1,196,315		\$ 1,196,315	\$ 1,141,859
Community support	1,601,721	\$ 1,144,971	2,746,692	1,411,534
Community support released from restrictions	208,907	(208,907)	-	-
Governmental support	1,447,867		1,447,867	1,084,058
Dividends and interest	1,915		1,915	87
Appropriation of endowment assets for expenditure	786,168		786,168	1,151,940
Board-designated funds authorized for operations	623,245		623,245	369,997
Total public support and revenue before in-kind contributions	5,866,138	936,064	6,802,202	5,159,475
In-kind contributions	60,417		60,417	91,145
Total public support and revenue	5,926,555	936,064	6,862,619	5,250,620
<b>Expenditures</b>				
Program services	4,810,357		4,810,357	4,157,532
Support services:				
Management and general	1,222,026		1,222,026	1,379,482
Fundraising	433,588		433,588	337,285
Total expenditures	6,465,971		6,465,971	5,874,299
<b>Change in Net Assets from Operating Activities</b>	(539,416)	936,064	396,648	(623,679)
<b>Non-Operating Net Assets Activity (Note 2k):</b>				
Investment (loss) income (endowment and CARF - Note 4), net of fees	(4,226,481)	18,870	(4,207,611)	6,619,811
Bequests	255,000		255,000	124,637
Governmental support		150,000	150,000	
Other governmental support (PPP loan forgiveness)			-	677,169
Appropriation of endowment assets for expenditure	(767,298)	(18,870)	(786,168)	(1,151,940)
Board-designated funds authorized for operations	(623,245)		(623,245)	(369,997)
<b>Change in Net Assets from Non-operating Activities</b>	(5,362,024)	150,000	(5,212,024)	5,899,680
<b>Total Change in Net Assets</b>	(5,901,440)	1,086,064	(4,815,376)	5,276,001
<b>Net Assets, beginning of year</b>	52,755,458	1,063,594	53,819,052	48,543,051
<b>Net Assets, end of year</b>	\$ 46,854,018	\$ 2,149,658	\$ 49,003,676	\$ 53,819,052

See accompanying notes to the financial statements.

# Avenidas

## Statement of Functional Expenses

Year ended June 30, 2022 (with comparative totals for 2021)

	2022					
	Total Program Services	Management and General	Fundraising	Total Support Services	2022 Total	2021 Total
<b>Expenditures:</b>						
Salaries	\$ 2,326,587	\$ 697,442	\$ 246,189	\$ 943,631	\$ 3,270,218	\$ 3,100,790
Benefits	248,411	63,477	27,512	90,989	339,400	334,839
Payroll taxes	168,724	48,485	19,467	67,952	236,676	220,667
Professional services	438,487	144,146	47,684	191,830	630,317	579,847
Transportation	158,555			-	158,555	6,358
Depreciation and amortization	645,573	46,365	14,657	61,022	706,595	711,829
In-kind professional services	39,661	20,756		20,756	60,417	91,145
Insurance	112,214	30,101	6,955	37,056	149,270	134,708
Building maintenance	168,994	7,597	2,401	9,998	178,992	101,731
Rent	23,469			-	23,469	21,576
Advertising and marketing	65,711	35,438	4,428	39,866	105,577	130,142
Printing, copying and publications	28,475	775	12,583	13,358	41,833	37,699
Utilities	50,758	807	255	1,062	51,820	37,837
Fundraising events and mailings			18,919	18,919	18,919	6,799
Nutrition	60,059			-	60,059	52
Office expense	50,784	9,794	1,925	11,719	62,503	46,703
Computer and equipment	100,228	42,650	18,763	61,413	161,641	136,407
Travel and conference	23,854	21,581	57	21,638	45,492	13,436
Postage	3,076	614	4,827	5,441	8,517	11,225
Telephone	51,881	16,205	3,620	19,825	71,706	54,604
Bank fees	25,880	14,792	1,873	16,665	42,545	35,594
Dues and subscriptions	7,017	5,170	1,473	6,643	13,660	10,302
Interest				-	-	27,014
Volunteers	169	3,394		3,394	3,563	3,251
Other	11,790	12,437		12,437	24,227	19,744
	\$ 4,810,357	\$ 1,222,026	\$ 433,588	\$ 1,655,614	\$ 6,465,971	\$ 5,874,299

See accompanying notes to the financial statements.



# Avenidas

## Statement of Cash Flows

<i>Year ended June 30, 2022(with comparative totals for 2021)</i>	2022	2021
<b>Cash Flows from Operating Activities:</b>		
Change in net assets	\$ (4,815,376)	\$ 5,276,001
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation and amortization	706,595	711,827
Principle forgiven on PPP loan		(671,201)
Realized and unrealized (gain) loss on short and long-term investments	4,895,711	(6,080,849)
Non-operating dividends and interest reinvested	(841,197)	(652,280)
Changes in operating assets and liabilities:		
Accounts receivable	(272,525)	(55,634)
Contributions receivable	140,946	200,695
Deposits and prepaid expenses	(91,437)	43,377
Accounts payable and other accrued liabilities	(57,510)	147,324
<b>Net cash used by operating activities</b>	<b>(334,793)</b>	<b>(1,080,740)</b>
<b>Cash Flows from Investing Activities:</b>		
Purchases of long-term investments	(688,100)	(942,020)
Proceeds from sale of long-term investments	786,168	1,274,030
Dividends and interest reinvested	841,197	652,280
Purchase of property and equipment	(81,786)	(239,515)
<b>Net cash provided by investing activities</b>	<b>857,479</b>	<b>744,775</b>
<b>Net Change in Cash and Cash Equivalents</b>	<b>522,686</b>	<b>(335,965)</b>
<b>Cash and Cash Equivalents, beginning of year</b>	<b>2,656,031</b>	<b>2,991,996</b>
<b>Cash and Cash Equivalents, end of year</b>	<b>\$ 3,178,717</b>	<b>\$ 2,656,031</b>
<b>Supplemental Disclosure of Cash Flow Information and Non-cash Financing Activities:</b>		
No payments for income taxes or interest were made during 2022 and 2021.		
Forgiveness of PPP loan		\$ 671,201

See accompanying notes to the financial statements.

# Avenidas

## Notes to the 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 typically serves between 3,500 to 5,500 individuals throughout the Mid-Peninsula of the San Francisco Bay Area. Since the COVID-19 Pandemic (the Pandemic) started, Avenidas has had varying numbers of individuals served due to changing needs. To keep fees for its services affordable, Avenidas receives funding from individuals, foundations, government grants and through fund-raising events.

### 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.

*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 6 and 7).

# Avenidas

## Notes to the 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 the 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 the Financial Statements

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Spending Policy and How the Investment Objectives Relate to Spending Policy – Avenidas has a policy of appropriating for distribution each year 3% of its endowment fund's average fair value measured based on the average value of the endowment assets over the last 12 quarters ended December 31, adjusted for any new contributions. In establishing and updating this policy as of July 1, 2021, 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, in the case of 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 the 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.

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 \$61,000 and was determined based on comparable rates for similar services. Contributed services expense are allocated to the functional area benefited and presented on the Statement of Functional Expenses.

Volunteers provide essential services through Avenidas' programs to others in the community and support the work of Avenidas staff. No amounts have been recorded for these donated services since they do not meet the criteria noted above, however, these volunteers contributed approximately 7,500 hours to Avenidas during FY22, the value of which is estimated to be about \$250,000, based on the Independent Sector calculation for the state of California.

As a result of the Pandemic, Avenidas saw the annual number of volunteers drop to approximately 200 for the year ended June 30, 2021, but for the year ended June 30, 2022, the number of volunteers increased to 288, which would be approaching the typical number of volunteers during the pre-Pandemic years of approximately 300.

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; and (c) contributions associated with capital projects. 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.

# Avenidas

## Notes to the Financial Statements

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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, 2021 from which the summarized information was derived.

o. Recent Accounting Pronouncement

In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This ASU enhanced the required presentation of in-kind contributions by requiring additional disclosure about how the in-kind gifts were utilized, donor restrictions associated with the gifts and valuation techniques employed. The ASU became effective for Avenidas beginning July 1, 2021, without significant effect on the financial statements.

p. Subsequent Events

Avenidas has evaluated subsequent events from June 30, 2022 through December 2, 2022, the date these financial statements were available to be issued. Except as mentioned in Note 4, there were no material subsequent events that required recognition or additional disclosure in these financial statements.

# Avenidas

## Notes to the Financial Statements

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

Avenidas' financial assets at June 30, 2022 and 2021 available to meet general expenditures over the next twelve months were as follows:

	2022	2021
Financial assets:		
Cash and cash equivalents	\$ 3,178,717	\$ 2,656,031
Accounts receivable, net of allowance for doubtful accounts	565,847	293,322
Contributions receivable, net	14,682	155,628
Expected annual appropriation of endowment earnings	834,205	786,168
	<hr/>	<hr/>
	4,593,451	3,891,149
Less amounts not available to be used for general expenditure:		
Long-term contributions receivables, net	12,928	12,928
Net assets with donor restrictions – purpose restrictions	1,451,959	328,970
Board designated - Ready Reserve	388,188	828,387
Board designated - Bequest Balancing Fund	398,050	
	<hr/>	<hr/>
Financial assets available to meet general expenditures over the next twelve months	\$ 2,342,326	\$ 2,720,864

Additionally, Avenidas' long-term investments include amounts designated by the Board of Directors to function as an endowment, in the amount of \$26,168,631. 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 \$355,631.



# Avenidas

## Notes to the Financial Statements

### Note 4 - Investments:

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

	2022	2021
Cash and short duration funds	\$ 20,305	\$ 7,038
Domestic fixed income funds	7,784,303	10,410,985
Alternative investments	1,850,971	219,284
Domestic equity funds	10,445,387	13,028,137
Foreign equity fund – developed markets	5,196,569	6,360,119
Foreign equity fund – emerging markets	1,226,727	1,492,478
<b>Total investments</b>	<b>\$ 26,524,262</b>	<b>\$ 31,518,041</b>

The investment portfolio of Avenidas as of June 30, 2022 includes both endowment funds of \$26,168,631 and a Capital Asset Replacement Fund (CARF) in the amount of \$355,631.

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 2e.

Avenidas uses the net asset value per share for its alternative investments as a practical expedient to approximate fair value. At June 30, 2022, alternative investments consisted of three investments in limited partnerships, with a fixed income strategy as follows:

- One fund with no unfunded commitments as of June 30, 2022. 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, 2022. Redemptions are not permitted.
- One fund, established on November 29, 2021, with no unfunded commitments as of June 30, 2022. The Fund allows monthly redemptions after 1 year, with aggregate fund redemptions limited to 2% Net Asset Value (NAV) per month and to 5% of NAV per calendar quarter,

# Avenidas

## Notes to the Financial Statements

Avenidas' endowment consists of both donor-restricted funds and funds designated by the Board of Directors to function as endowments. The donor-restricted endowments and their purposes are further described in Note 7. The purpose of the Board-designated endowment is to fund operations by providing an annual distribution of 3% of the immediate past twelve quarter average rolling value of these investments (prior to July 1, 2021, the annual distribution was between 3.5% and 5.5% of the immediate past twelve quarter average rolling value of these investments). The effective distribution rate was 3.0% and 3.8% for the years ending June 30, 2022 and 2021, respectively.

The endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions as follows at June 30, 2022:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 30,404,147	\$ 697,699	\$ 31,101,846
Investment return:			
Investment income	822,327	18,870	841,197
Management fees	(67,744)		(67,744)
Net appreciation (realized and unrealized)	(4,920,500)		(4,920,500)
Total investment gain	(4,165,917)	18,870	(4,147,047)
Appropriation of endowment assets for expenditure	(767,298)	(18,870)	(786,168)
Endowment net assets, end of year	\$ 25,470,932	\$ 697,699	\$ 26,168,631

In addition to the investment loss above, the Capital Asset Replacement Fund (CARF) had a total loss of \$60,564, for a total investment loss of \$4,207,611.

The Board has also designated funds which are included in cash and cash equivalents on the Statement of Financial Position totaling \$786,238 and \$828,386 at June 30, 2022 and 2021, respectively. As of July 1, 2021, the Board allocated a portion of the Ready Reserve fund to a new board-designated fund, called the Bequest Balancing Fund. The balances of those funds at June 30, 2022 were \$388,188 in the Ready Reserve and \$398,050 in the Bequest Balancing Fund.

# Avenidas

## Notes to the Financial Statements

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### Note 5 - Property and Equipment:

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

	2022	2021
Avenidas Rose Kleiner facility	\$ 3,917,991	\$ 3,867,121
Bryant Center expansion	17,853,375	17,853,375
Equipment	787,315	756,400
Furniture	703,785	703,784
	<hr/>	<hr/>
	23,262,466	23,180,680
Less accumulated depreciation and amortization	(3,978,796)	(3,272,201)
	<hr/>	<hr/>
	\$ 19,283,670	\$ 19,908,479

### Note 6 - Net Assets With Donor Restrictions:

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

	2022	2021
Avenidas Chinese Community Center	\$ 996,103	\$ 135,630
Endowment funds	697,699	697,699
Avenidas Village – future operations	175,994	151,978
Governmental Support restricted for 2023	150,000	
Avenidas Rose Kleiner Center	48,750	
Center programs	42,472	25,340
Avenidas Care Forum	14,572	25,795
Early Literacy Program	9,263	
Social Work Services	7,762	10,229
Mental Health Therapy	7,043	16,923
	<hr/>	<hr/>
	\$ 2,149,658	\$ 1,063,594

# Avenidas

## Notes to the Financial Statements

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

	2022	2021
Avenidas Chinese Community Center	\$ 135,630	\$ 159,773
Center programs	22,667	3,770
Avenidas Village	18,973	66,761
Avenidas Care Forum	16,417	59,994
Mental Health Therapy	9,880	
Social Work Services	5,340	4,424
	<hr/>	<hr/>
	\$ 208,907	\$ 294,722

**Note 7 - 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:

	2022	2021
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 8 - Commitments:**

a. Benefit Plan

Avenidas has a 403(b) tax-deferred retirement plan for the benefit of employees who are employed a minimum of 20 hours per week. Avenidas contributed 3% of each eligible employee's monthly pay for the years ended June 30, 2022 and 2021, respectively. Avenidas contributed \$84,038 and \$85,077 to the plan as of June 30, 2022 and 2021, respectively.

# Avenidas

## Notes to the 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,		
2023	\$	23,265
2024		23,963
2025		24,682
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Total	\$	71,910

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 2022, Avenidas 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 the Financial Statements

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### Note 9 - 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.

Accounts receivables are due from various individuals, insurance companies and government agencies which mitigates the risk associated therein. An allowance for doubtful accounts is also maintained as discussed in Note 2d. Contributions receivables are due from various individuals. Investments are subject to a formal investment policy.

#### *Major Donors*

Avenidas received donations totaling \$1,250,000 from two donors, included in community support on the Statement of Activities. These donations represented approximately 45% of the total community support for the year ended June 30, 2022. Avenidas may have major donors on an annual basis but does not believe it is dependent on any one donor on a long-term basis.

### Note 10 - 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 declared a state of emergency and issued a variety of recommendations impacting travel, group gatherings, etc. This state continued through 2021 and 2022 and, as a result, Avenidas' operations continue to be impacted in many ways.

Avenidas reopened two of its three centers to in-person operations in June and July 2021. The Cubberley Community Center remains primarily closed for in-person services, providing robust remote services. All other programs and services have returned to in-person services and/or a combination of in-person and hybrid. Many seniors are still cautious regarding a return to in-person services and many like the option of having programs from home. Remote services that continue, for many Avenidas programs, include on-line classes and lectures, phone calls, grocery shopping, and caregiver support.