

**Hispanic Foundation of
Silicon Valley
(a California non-profit public
benefit corporation)**

Financial Statements
And
Independent Auditors' Audit Report

For the Years Ended
December 31, 2019 and 2018



**HISPANIC
FOUNDATION**
OF SILICON VALLEY

Hispanic Foundation of Silicon Valley

For the Years Ended December 31, 2019 and 2018

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Hispanic Foundation of Silicon Valley
San Jose, CA

We have audited the accompanying financial statements of the Hispanic Foundation of Silicon Valley, (the Organization), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years 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 audits. We conducted our audits 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 from 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 auditor's 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 the Hispanic Foundation of Silicon Valley, as of December 31, 2019 and 2018, and the changes in its net assets, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in blue ink that reads 'Wheeler'.

San Jose, CA
July 16, 2020

Hispanic Foundation of Silicon Valley
Statements of Financial Position

	December 31,	
	2019	2018
<u>ASSETS:</u>		
Current assets:		
Cash and cash equivalents	\$ 3,491,028	\$ 2,705,050
Investments	169,321	152,763
Receivables	150,000	325,000
Prepaid expenses	17,352	45,419
Total current assets	3,827,701	3,228,232
Grant receivable - long term grants	50,000	-
Property and equipment, net	5,993	8,989
Total Assets	\$ 3,883,694	\$ 3,237,221
<u>LIABILITIES AND NET ASSETS:</u>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 36,600	\$ 277
Accrued payroll and employee benefits	58,946	43,643
Grants payable	-	3,300
Total current liabilities	95,546	47,220
Net assets:		
Without donor restrictions	367,127	871,285
With donor restrictions	3,421,021	2,318,716
Total net assets	3,788,148	3,190,001
Total liabilities and net assets	\$ 3,883,694	\$ 3,237,221

See notes to the financial statements.

Hispanic Foundation of Silicon Valley
Statements of Activities and Changes in Net Assets

	For the Year Ended December 31					
	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:						
Contributions and grants	\$ 27,925	\$ 1,718,274	\$ 1,746,199	\$ 607,230	\$ 1,417,000	\$ 2,024,230
Government grants	59,850	100,000	159,850	9,088	43,911	52,999
Other revenue	14,451	-	14,451	23,386	-	23,386
In-kind revenue	6,000	-	6,000	7,911	-	7,911
	108,226	1,818,274	1,926,500	647,615	1,460,911	\$ 2,108,526
Special events:						
Income	496,608	-	496,608	536,382	-	536,382
Direct expenses	(229,313)	-	(229,313)	(191,255)	-	(191,255)
Special events, net	267,295	-	267,295	345,127	-	345,127
Total support and revenue	375,521	1,818,274	2,193,795	992,742	1,460,911	2,453,653
Adjustments:						
Release of restricted net assets	715,969	(715,969)	-	1,407,529	(1,407,529)	-
Total adjustments	715,969	(715,969)	-	1,407,529	(1,407,529)	-
Expenses:						
Program services	1,133,370	-	1,133,370	1,613,557	-	1,613,557
Management and general	162,630	-	162,630	158,406	-	158,406
Fundraising	319,107	-	319,107	265,642	-	265,642
Total expenses	1,615,107	-	1,615,107	2,037,605	-	2,037,605
Other income and expenses						
Dividend and interest Income - net of investment expense	752	-	752	1,194	-	1,194
Investment gain (loss)	18,707	-	18,707	(7,050)	-	(7,050)
Total Other Income and expenses	19,459	-	19,459	(5,856)	-	(5,856)
Change in net assets	(504,158)	1,102,305	598,147	356,810	53,382	410,192
Net assets:						
Beginning of year	871,285	2,318,716	3,190,001	514,475	2,265,334	2,779,809
End of year	\$ 367,127	\$ 3,421,021	\$ 3,788,148	\$ 871,285	\$ 2,318,716	\$ 3,190,001

See notes to the financial statements.

Hispanic Foundation of Silicon Valley

Statement of Functional Expenses

For the Year Ended December 31, 2019

	<u>Total Program</u>	<u>Management & General</u>	<u>Fundraising</u>	<u>Total</u>
Payroll expenses				
Wages and stipends	\$ 317,104	\$ 59,963	\$ 244,417	\$ 621,484
Payroll Taxes	22,775	3,574	18,199	44,548
Employee Benefits	23,664	2,425	17,070	43,159
Total Labor Expense	<u>363,543</u>	<u>65,962</u>	<u>279,686</u>	<u>709,191</u>
Non-Labor Expenses				
Grants and Scholarships	456,000	3,000	109	459,109
Program Service Fees	242,185	-	-	242,185
Professional Service Fees	-	36,095	-	36,095
Marketing	-	1,216	15,000	16,216
Website Development	5,088	365	380	5,833
Food	11,049	9,158	-	20,207
Equipment Rentals	383	8,004	-	8,387
Office Supplies, Printing, and Postage	3,193	2,109	1,712	7,014
Telephone and Internet	3,983	464	2,867	7,314
Occupancy	33,893	5,114	14,814	53,821
Travel, Development, and Conferences	3,117	7,692	-	10,809
Miscellaneous Expenses	2,846	5,510	2,978	11,334
Payroll Processing Fees	5,613	1,036	3,683	10,332
Membership Dues and Subscriptions	-	7,393	22	7,415
Insurance Expense	422	53	374	849
Depreciation	1,668	166	1,162	2,996
Total Non-Labor Expense	<u>769,440</u>	<u>87,375</u>	<u>43,101</u>	<u>899,916</u>
In-Kind Expenses				
In-Kind Services	<u>6,000</u>	<u>-</u>	<u>-</u>	<u>6,000</u>
Total In-Kind Expenses	<u>6,000</u>	<u>-</u>	<u>-</u>	<u>6,000</u>
Total expenses	<u>\$ 1,138,983</u>	<u>\$ 153,337</u>	<u>\$ 322,787</u>	<u>\$ 1,615,107</u>

See notes to the financial statements.

Hispanic Foundation of Silicon Valley

Statement of Functional Expenses

For the Year Ended December 31, 2018

	<u>Total Program</u>	<u>Management & General</u>	<u>Fundraising</u>	<u>Total</u>
Payroll expenses				
Wages and stipends	\$ 276,094	\$ 63,667	\$ 199,143	\$ 538,904
Payroll Taxes	20,908	2,596	14,752	38,256
Employee Benefits	15,746	1,693	11,117	28,556
Total Labor Expense	<u>312,748</u>	<u>67,956</u>	<u>225,012</u>	<u>605,716</u>
Non-Labor Expenses				
Grants and Scholarships	883,371	11,000	-	894,371
Program Service Fees	342,649	-	-	342,649
Professional Service Fees	-	45,247	-	45,247
Marketing	-	2,491	1,919	4,410
Website Development	1,258	165	810	2,233
Food	9,661	8,260	-	17,921
Equipment Rentals	8,672	4,400	-	13,072
Office Supplies, Printing, and Postage	4,758	1,589	6,145	12,492
Telephone and Internet	3,347	618	2,396	6,361
Occupancy	28,477	2,230	12,239	42,946
Travel, Development, and Conferences	2,658	2,699	-	5,357
Miscellaneous Expenses	569	4,562	11,944	17,075
Payroll Processing Fees	4,886	902	3,206	8,994
Membership Dues and Subscriptions	-	5,262	-	5,262
Insurance Expense	1,005	765	822	2,592
Depreciation	1,587	261	1,149	2,997
Total Non-Labor Expense	<u>1,292,898</u>	<u>90,451</u>	<u>40,630</u>	<u>1,423,979</u>
In-Kind Expenses				
In-Kind Donated Goods	7,911	-	-	7,911
Total In-Kind Expenses	<u>7,911</u>	<u>-</u>	<u>-</u>	<u>7,911</u>
 Total expenses	 <u>\$ 1,613,557</u>	 <u>\$ 158,406</u>	 <u>\$ 265,642</u>	 <u>\$ 2,037,605</u>

See notes to the financial statements.

Hispanic Foundation of Silicon Valley
Statements of Cash Flows

	For the Year Ended December 31,	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 598,147	\$ 410,192
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation	2,996	2,997
In-kind revenue	(6,000)	(7,911)
In-kind expenses	6,000	7,911
(Gain) Loss on Investments, net	(16,558)	7,050
Change in Assets and Liabilities:		
(Increase) Decrease in Accounts receivable	175,000	(247,930)
(Increase) Decrease in Prepaid expenses	28,067	(20,211)
Increase (Decrease) in Grant receivable - long term grants	(50,000)	-
Increase (Decrease) in Accounts payable and accrued liabilities	36,323	(5,532)
Increase (Decrease) in Accrued payroll and benefits	15,303	5,118
Increase (Decrease) in Grants payable	(3,300)	(36,700)
	785,978	114,984
NET INCREASE IN CASH AND CASH EQUIVALENTS	785,978	114,984
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	2,705,050	2,590,066
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 3,491,028	\$ 2,705,050

See notes to the financial statements.

Hispanic Foundation of Silicon Valley

Notes to the Financial Statements

December 31, 2019 and 2018

1. ORGANIZATION

The Hispanic Foundation of Silicon Valley (HFSV or the Organization) is the recognized leader in Hispanic philanthropy in Silicon Valley, inspiring Hispanic families and children to achieve personal greatness.

Initiatives sponsored by the Organization include:

LATINOS IN TECHNOLOGY INITIATIVE

Latinos in Technology Scholarship Initiative (LITSI) - This program will provide up to 100 scholarships annually for five (5) years to incoming Latino college juniors and seniors who have chosen a science, technology, engineering, math (STEM) related major. Additionally, the HFSV will work with sponsoring corporate investors to provide summer internships to the scholarship recipients.

FAMILY COLLEGE SUCCESS CENTER

Family College Success Center (FCSC) - The FCSC is a resource hub to increase educational opportunities for Latino students and their families. The FCSC is the first of its kind in the region, if not the state. It is a "one-stop-shop" for college aspiring middle and high school students and their parents to obtain college access information, advice, guidance, workshops and on-line resources.

STEM

Elevate [Math]/Elevate [Math] Plus and Math Acceleration Program - Increasing education opportunities for Latino students in STEM is the primary focus of the HFSV education strategy. The HFSV is a Partner with the Silicon Valley Education Foundation's (SVEF) Elevate [Math] and Elevate [Math] Plus programs, and ALearn's Math Acceleration Program which are "out of school" math/Algebra programs designed to elevate the achievement of middle school students.

These programs aim to help 7th and 8th grade students prepare for success in math. Research has shown that successful completion of Algebra 1 by the 8th grade is a key predictor of a student's probability of getting on the college track and achieving college graduation.

PARENT EDUCATION & ENGAGEMENT

Parent Education & Engagement - The HFSV has partnered with the Parent Institute for Quality Education (PIQE) to train Latino parents to support their children to achieve greater educational success. Both the HFSV and PIQE engage parents and family members to be leaders guiding their children towards high school and college graduation. Obtaining both a high school diploma and college degree is the path to a fulfilling and fruitful career in the Silicon Valley job market.

Hispanic Foundation of Silicon Valley

Notes to the Financial Statements

December 31, 2019 and 2018

1. ORGANIZATION (continued)

LEADERSHIP DEVELOPMENT

Hispanic philanthropy is driven by a sense of connection to la Comunidad - a network of friends, neighbors, and the broader Hispanic community. A study conducted by the HFSV found that Latinos greatly under-report their volunteer activity. For Hispanics who volunteered, the number of hours spent volunteering each month was highest among all ethnic groups studied. However, Latinos do not yet have a leadership role in the region's nonprofit and philanthropic sectors.

To address the leadership gap and to better understand the level of Latino board leadership needs of Silicon Valley nonprofits, we have been working with professional associations and nonprofit leaders. While 85% of organizations who participated in a survey indicated that their organizations want greater Hispanic representation on their boards, 65% reported difficulty in recruiting from this segment of the population.

Working with program partners, HFSV developed the Latino Board Leadership Academy (LBLA), a comprehensive program designed to recruit and train Latinos to serve as potential nonprofit board members and match them with boards of non-profit organizations whose missions best match their personal interests. The focus is on Latino professionals, combined with the purposeful implementation of comprehensive follow-up, differentiates the LBLA from other community leadership development initiatives. Our Partners include Center for Excellence in Nonprofits.

CONVENING & ENGAGING INITIATIVE

Latinx Speaker Series - A vibrant, energetic, and diverse Latinx community of over 350 attended the first ever Latinx Speaker Series event on Friday, August 2, 2019. The Hispanic Foundation of Silicon Valley held a fireside chat with Francisco Ramos, Vice President of the Spanish Language Originals of Netflix and discussed topics centered around diversity and inclusion, the importance of storytelling, and the economic purchasing power of the Latinx market.

(1) Gather the various sectors of our Silicon Valley Latinx community such as: high-tech, education, government, and much more.

(2) Pull the curtains back and explore how different parts of our community are managed through the words of exciting expert speakers.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of the Organization is presented to assist in understanding its financial statements. The financial statements and notes are representations of management who is responsible for the integrity and objectivity of the financial statements. These accounting policies conform to accounting principles generally accepted in the United States of America (GAAP) and have been consistently applied in the preparation of the financial statements.

Hispanic Foundation of Silicon Valley

Notes to the Financial Statements

December 31, 2019 and 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation

The Organization prepares its financial statements using the accrual method of accounting in accordance with GAAP. The Organization's fiscal year is from January 1 to December 31.

Classes of Net Assets

In accordance with GAAP, where applicable, the financial statements report amounts separately by the following classes of net assets:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor restrictions. The Governing board has not designated any amount from net assets without donor restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the 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 may differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include all monies in banks and all highly liquid investments with an initial maturity of three months or less.

Receivables

Receivables consist of receivables relating to pledges and government agency grants and contracts. The Organization records accounts and contracts receivable at their net realizable value. Management expects to collect all receivables within one year. Management believes all receivables are collectable and therefore no allowance for doubtful accounts has been recorded.

Investments

The investments held by the Organization are recorded at fair value. They are managed by the Finance committee for the purpose of helping keep the "Latinos in Technology Scholarship Funds" program funded.

Hispanic Foundation of Silicon Valley

Notes to the Financial Statements

December 31, 2019 and 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Prepaid Expenses

Prepaid expenses consist of expenses that are paid in advance of when they are incurred.

Property and Equipment

Equipment is recorded at cost if purchased or at fair market value at date of gift, if donated. As of December 31, 2019, and 2018, the Organization had a capitalization policy of \$2,500. Depreciation is computed using the straight-line method over the estimated useful lives.

Grants Payable

Grants payable consist of amounts due for grants approved but not paid until the subsequent year.

Contributed Goods & Services

A number of individuals have contributed services to the Organization. The financial statements do not reflect the value of these contributed services because they do not meet the recognition criteria of GAAP. If these activities could be valued in the accompanying financial statements, their inclusion would increase the percent of expenses attributable to direct program expenditures.

In-kind donations of goods and services that meet the recognition criteria of GAAP are recorded at their fair market value if determinable at the date of gift or service.

Recognition of Contribution and Grant Income

Contributions without donor restrictions are recognized when a donation is pledged, granted, or received, or ownership of donated assets is transferred to the Organization.

Donor restricted contributions are recognized when a donation is pledged, received, or ownership of donated assets is transferred to the Organization. These contributions are subsequently transferred to the net assets without donor restrictions fund to cover expenses, which have been incurred in satisfaction of those restrictions.

Hispanic Foundation of Silicon Valley

Notes to the Financial Statements

December 31, 2019 and 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value Measurements

The Organization's financial instruments include cash, cash equivalents and investments. The carrying amount of these financial instruments has been estimated by management to approximate fair value. 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." When determining the inputs used to measure fair value, the highest priority is given to observable inputs and lowest priority is given to unobservable inputs. GAAP establishes a fair value hierarchy to prioritize the inputs used in measuring fair value. The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 - Quoted prices for identical assets and liabilities in active markets.

Level 2 - Observable inputs other than Level 1, which quoted prices for similar assets or liabilities in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair values of the assets and liabilities.

The Organization measured the fair value of cash, cash equivalents and investments using Level 1 inputs. (Refer to Note 3)

Fair Value of Investments Held by an Agency Fund

The Organization holds investments in the Silicon Valley Community Foundation (the "Foundation") under the terms of agreement that specify the Organization as the ultimate beneficiary of the funds. The Foundation maintains legal ownership and variance power over the assets of the Organization's funds. The agency fund is a financial asset that is valued on a recurring basis and reported at fair value. The Organization has an interest in a portion of one of the Foundation's investment portfolios, but does not have a direct claim to each individual stock, bond, or other investment within the underlying investment portfolio. Therefore, the value of investments held by the Foundation is measured based on Level 3 inputs.

Fund Income Allocations – With and Without Donor Restrictions

All gains and losses arising from the sale, collection or other disposition of investments and fixed assets are accounted for in the fund that owned such assets according to restrictions placed on the original gift. Ordinary income derived from temporarily restricted investments is accounted for in the net assets without donor restrictions fund.

Hispanic Foundation of Silicon Valley

Notes to the Financial Statements

December 31, 2019 and 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Functional Allocation of Expenses

Expenses are classified so that the functional use of resources is shown in the financial statements. Functional classification allocates expenses according to the purpose for which the costs are incurred. Examples of functional classifications are program services (expenses directly related to the purpose for which the organization exists) and supporting activities (those indirectly related to the purposes for which the organization exists but necessary for its operations, i.e., management and general, and fundraising).

Concentration of Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist of cash and cash equivalents accounts and investments in financial institutions. At times, cash balances may exceed the Federal Deposit Insurance Corporation limits. It is the opinion of management that the solvency of the financial institutions is not of particular concern at this time.

The Organization provides most of its program services to Latino community in Santa Clara County and San Mateo County.

Tax Exemption Status

The Organization is exempt from federal and state income taxes under Sections 501(c)(3) of the Internal Revenue Code (IRC) and 23701d of the California Revenue and Taxation Code, respectively. Furthermore, the Organization is not classified as a private foundation. The Organization has no unrelated business income for the years ended December 31, 2019 and 2018. Accordingly, no provision is made for income taxes in these financial statements.

In accordance with GAAP, an organization must recognize the tax benefit or liability associated with any tax positions taken for tax return purposes when it is more likely than not the position will be sustained. The Organization does not believe there are any material uncertain tax positions and accordingly, will not recognize any liability or benefit for unrecognized tax positions. For the years ended December 31, 2019 and 2018, there was no tax related interest or penalties recorded or included in the financial statements.

The Organization is subject to potential examination by taxing authorities for income tax returns filed in the U.S. federal jurisdiction and the State of California. The tax years that remain subject to potential examination for the U.S. federal jurisdiction are December 31, 2016 and forward. The State of California tax jurisdiction is subject to potential examination for fiscal tax years December 31, 2015 and forward.

Hispanic Foundation of Silicon Valley

Notes to the Financial Statements

December 31, 2019 and 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Changing Standards

Contributions

In June 2018, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2018-08, Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. The ASU 2018-08 improves existing guidance on revenue recognition of grants and contracts to reduce diversity in accounting practice. The amendments in the ASU provide clarified guidance on evaluating whether a transaction should be accounted for as a contribution or an exchange transaction, based on whether a resource provider is receiving corresponding value in return for the resources transferred. The ASU 2018-08 also includes an improved framework to determine whether a contribution is conditional and to better distinguish a donor-imposed condition from a donor-imposed restriction. The ASU also modifies the simultaneous release option currently in GAAP which allows a not-for-profit organization to recognize a restricted contribution directly in net assets without donor restrictions if the restriction is met in the same period that the revenue is recognized. This election may now be made for all restricted contributions that were initially classified as conditional without having to elect it for all other restricted contributions and investment returns. The guidance in ASU 2018-08 is effective as follows: transactions in which the Organization is the resource recipient in years beginning after December 15, 2018, and interim periods within years beginning after December 15, 2019; transactions in which the Organization is the resource provider in years beginning after December 15, 2019, and interim periods within years beginning after December 15, 2020. Early adoption is permitted. The Organization has adopted ASU 2018-08 for year ended December 31, 2019. The adoption of the new guidance did not have a material impact on the Organization's financial statements.

Leases

In February 2016, the FASB issued ASU No. 2016-02 ("ASU 2016-02"), Leases (Topic 842), which supersedes existing guidance on accounting for leases in "Leases (Topic 840)" and generally requires all leases to be recognized in the statement of financial position. The provisions of this ASU are to be applied using a modified retrospective approach. The provisions of this ASU were effective for reporting periods beginning after December 15, 2018. However, in June 2020, the FASB issued ASU 2020-05 to postpone the effective date for reporting periods beginning after December 15, 2021. Early adoption is permitted. The Organization is currently evaluating the effect that this ASU will have on its financial statements.

Hispanic Foundation of Silicon Valley

Notes to the Financial Statements

December 31, 2019 and 2018

3. INVESTMENTS

The Organization's financial statements reflect investments in Silicon Valley Community Foundation (the Foundation) pooled funds which amounted to \$169,321 and \$152,763 at December 31, 2019 and 2018, respectively. The Organization has retained the services of the Foundation to manage, act as agent and invest the Organization's funds held in trust, according to the Foundation's investment policy guidelines for balanced pool funds.

Description	December 31, 2019	Quoted prices in active markets for identical assets	Significant other observable inputs	Significant other unobservable inputs
		(level 1)	(level 2)	(level 3)
Long-term growth pool	\$ 169,321	\$ -	\$ -	\$ 169,321
	<u>\$ 169,321</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 169,321</u>

Description	December 31, 2018	Quoted prices in active markets for identical assets	Significant other observable inputs	Significant other unobservable inputs
		(level 1)	(level 2)	(level 3)
Long-term growth pool	\$ 152,763	\$ -	\$ -	\$ 152,763
	<u>\$ 152,763</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 152,763</u>

The Organization holds level 3 investments with the Foundation pooled funds, which is considered a beneficial interest in agency fund; valued on a recurring basis, the balance should be reported at fair value. The Organization has an interest in a portion of one or more of the Foundation's investment portfolios, but does not have a direct claim to a portion of each individual stock, bond or other investments within the underlying investment portfolio. The investment portfolio is comprised of many different investments with varying levels of observable inputs; valuation of the entire portfolio itself cannot directly be corroborated with observable market data.

The table below summarizes changes in investments measured at fair value for which the Organization has used Level 3 inputs to determine fair value. The table reflects gains and losses, as well as interest and dividend income, and investment fees for the full year for all financial assets classified as Level 3.

	<u>2019</u>	<u>2018</u>
Beginning Balance	\$ 152,763	\$ 159,813
Interest and Dividend Income	487	834
Net Realized Gain	8,053	11,048
Net Unrealized Gain (Loss)	10,654	(16,275)
Investment Management Fees	(2,636)	(2,657)
Ending Balance	<u>\$ 169,321</u>	<u>\$ 152,763</u>

Hispanic Foundation of Silicon Valley

Notes to the Financial Statements

December 31, 2019 and 2018

4. PROPERTY AND EQUIPMENT

The Organization owned the following property and equipment as of December 31, 2019 and 2018:

	Useful Life Years	<u>2019</u>	<u>2018</u>
Office equipment & computers	5	\$ 38,259	\$ 38,259
Less accumulated depreciation		<u>(32,266)</u>	<u>(29,270)</u>
Total property and equipment		<u>\$ 5,993</u>	<u>\$ 8,989</u>

Depreciation expense for the years ended December 31, 2019 and 2018 was \$2,996 and \$2,997, respectively.

5. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restriction are restricted by donors for specific programs and operations. Net assets with donor restrictions consisted of the following purposes during the years ended December 31:

	<u>2018</u>	<u>Increases</u>	<u>Releases</u>	<u>2019</u>
Elevate Math Plus	\$ 83,750	\$ -	\$ 20,000	\$ 63,750
Parent Education Grant	68,653	-	37,050	31,603
LBLA	35,000	16,000	41,000	10,000
Family College Success Center	163,659	311,141	106,378	368,422
LITSI	1,965,404	1,486,133	506,541	2,944,996
Elevate Math	2,250	-	-	2,250
Latinx Speaker Series	-	5,000	5,000	-
Total	<u>\$ 2,318,716</u>	<u>\$ 1,818,274</u>	<u>\$ 715,969</u>	<u>\$ 3,421,021</u>

	<u>2017</u>	<u>Increases</u>	<u>Releases</u>	<u>2018</u>
Elevate Math Plus	\$ 115,750	\$ 3,000	\$ 35,000	\$ 83,750
Parent Education Grant	205,653	5,000	142,000	68,653
LBLA	45,000	45,000	55,000	35,000
Family College Success Center	242,638	102,911	181,890	163,659
LITSI	1,594,043	1,280,000	908,639	1,965,404
Elevate Math	2,250	-	-	2,250
Latino Report Card	60,000	25,000	85,000	-
Total	<u>\$ 2,265,334</u>	<u>\$ 1,460,911</u>	<u>\$ 1,407,529</u>	<u>\$ 2,318,716</u>

Hispanic Foundation of Silicon Valley

Notes to the Financial Statements

December 31, 2019 and 2018

6. LIQUIDITY AND AVAILABILITY

The Organization strives to maintain liquid financial assets sufficient to cover 90 days of general expenditures. Financial assets in excess of daily cash requirements are invested in money market funds, exchange traded funds, and mutual funds.

The Organization considers investment income without donor restrictions, appropriated earnings from donor-restricted and contributions without donor restrictions to be available to meet cash needs for general expenditures. General expenditures include administrative and general expenses, program expenses, and fundraising expenses to be paid in the subsequent year.

The Organization manages its cash available to meet general expenditures following three guiding principles:

- Operating within a prudent range of financial soundness and stability,
- Maintaining adequate liquid assets, and
- Maintaining sufficient reserves to provide reasonable assurance that mission fulfillment will continue to be met, ensuring the sustainability of the Organization.

The following table reflects the Organization's financial assets as of December 31, 2019, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of contractual restrictions or internal board designations.

	December 31, 2019
Financial assets at year end:	
Cash and cash equivalents	\$ 3,491,028
Investments	169,321
Receivables	150,000
Total Financial assets	<u>3,810,349</u>
Less amounts not available to be used within one year:	
Net assets with donor restrictions	<u>-</u>
Financial assets available to meet general expenditures over the next twelve months	<u><u>\$ 3,810,349</u></u>

Hispanic Foundation of Silicon Valley

Notes to the Financial Statements

December 31, 2019 and 2018

7. CONCENTRATIONS

Two grants comprised 34% and 41% of the Organization's income during the years ended December 31, 2019 and 2018, respectively.

8. LEASES

During 2016 the organization entered into a lease agreement for an office in San Jose for 3 years. The lease became active on December 1, 2016 and ran through November 30, 2019. On March 25, 2019 the lease was extended 3 years and ends on November 30, 2022. The associated lease expenses are recognized on a straight-line basis in accordance with GAAP. The future minimum lease obligations related to these leases is as follows:

For the year ended December 31,		
2020	\$	41,756
2021		43,007
2022		40,502
<hr/>		
Total	\$	125,265

Rent expense for the years ended December 31, 2019 and 2018 was \$53,821 and \$42,947, respectively.

9. FUNCTIONAL EXPENSES

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include equipment rental, occupancy, depreciation, and amortization, which are allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, professional services, website development, office supplies & expenses, insurance, and other, which are allocated on the basis of estimates of time and effort.

10. RECLASSIFICATIONS

Certain reclassifications have been made to the prior year financial statement presentation to correspond to the current year's format. Net assets and changes in net assets are unchanged due to these reclassifications.

Hispanic Foundation of Silicon Valley

Notes to the Financial Statements

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11. SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the statement of financial position date but before the financial statements are issued. The Organization recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statement of financial position, including the estimates inherent in the process of preparing the financial statements. The Organization's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of financial position, but arose after the statement of financial position date and before financial statements are available to be issued.

Management evaluates events occurring subsequent to December 31, 2019 in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through the date of the independent auditors' report, which is the date the financial statements were available to be issued.

In recent days, the COVID-19 outbreak in the United States has resulted in economic uncertainties. The Organization's income is made up of contributions and grants, as such, other financial impact could occur, though such potential impact is unknown at this time. In May 2020, the Organization received a \$111,376 loan through the Paycheck Protection Program (PPP), provided by the Small Business Administration.

The PPP loans and accrued interest are forgivable after the covered period has ended as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the full time equivalent or salary was reduced without restoring by specified period. The unforgiven portion of the PPP loan have an interest rate of 1% with a maturity of two years. The Organization intends to use the proceeds for purposes consistent with the PPP. While the Organization currently believes that its use of the loan proceeds will meet the conditions for forgiveness of the loan, it is uncertain on how much of the loan will be forgiven.

No other subsequent events have been noted that required recognition or disclosure.