

**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, 2018 and 2017



**HISPANIC
FOUNDATION**
OF SILICON VALLEY

Hispanic Foundation of Silicon Valley

For the Years Ended December 31, 2018 and 2017

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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, 2018 and 2017, 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, 2018 and 2017, 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 25, 2019

Hispanic Foundation of Silicon Valley

Statements of Financial Position

	December 31,	
	2018	2017
<u>ASSETS:</u>		
Current assets:		
Cash and cash equivalents	\$ 2,705,050	\$ 2,590,066
Investments	152,763	159,813
Receivables	325,000	77,070
Prepaid expenses	45,419	25,208
Total current assets	3,228,232	2,852,157
Property and Equipment, net	8,989	11,986
Total Assets	<u>\$ 3,237,221</u>	<u>\$ 2,864,143</u>
<u>LIABILITIES AND NET ASSETS:</u>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 277	\$ 5,809
Accrued payroll and employee benefits	43,643	38,525
Grants payable	3,300	40,000
Total current liabilities	47,220	84,334
Net assets:		
Without donor restrictions	871,285	514,475
With donor restrictions	2,318,716	2,265,334
Total net assets	3,190,001	2,779,809
Total liabilities and net assets	<u>\$ 3,237,221</u>	<u>\$ 2,864,143</u>

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					
	2018			2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:						
Contributions and grants	\$ 607,230	\$ 1,417,000	\$ 2,024,230	\$ 300,028	\$ 1,337,600	\$ 1,637,628
Government grants	9,088	43,911	52,999	213,177	-	213,177
Other revenue	23,386	-	23,386	18,455	-	18,455
In-kind revenue	7,911	-	7,911	-	-	-
	647,615	1,460,911	2,108,526	531,660	1,337,600	1,869,260
Special events:						
Income	536,382	-	536,382	466,399	-	466,399
Direct expenses	(182,662)	-	(182,662)	(169,498)	-	(169,498)
Special events, net	353,720	-	353,720	296,901	-	296,901
Total support and revenue	1,001,335	1,460,911	2,462,246	828,561	1,337,600	2,166,161
Adjustments:						
Release of restricted net assets	1,407,529	(1,407,529)	-	819,130	(819,130)	-
Total adjustments	1,407,529	(1,407,529)	-	819,130	(819,130)	-
Expenses:						
Program services	1,613,561	-	1,613,561	1,302,849	-	1,302,849
Management and general	158,404	-	158,404	132,922	-	132,922
Fundraising	274,233	-	274,233	180,570	-	180,570
Total expenses	2,046,198	-	2,046,198	1,616,341	-	1,616,341
Other Income and Expenses						
Interest income	1,194	-	1,194	828	-	828
Investment gain (loss), net	(7,050)	-	(7,050)	19,728	-	19,728
Total Other Income and expenses	(5,856)	-	(5,856)	20,556	-	20,556
Change in net assets	356,810	53,382	410,192	51,906	518,470	570,376
Net assets:						
Beginning of year	514,475	2,265,334	2,779,809	462,569	1,746,864	2,209,433
End of year	\$ 871,285	\$ 2,318,716	\$ 3,190,001	\$ 514,475	\$ 2,265,334	\$ 2,779,809

See notes to the financial statements.

Hispanic Foundation of Silicon ValleyStatement 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 Expenses	<u>312,748</u>	<u>67,956</u>	<u>225,012</u>	<u>605,716</u>
Non-Labor Expenses				
Grants and Scholarships	1,116,551	11,000	-	1,127,551
Professional Services	97,969	47,737	7,007	152,713
Website Development	17,645	1,067	4,016	22,728
Food	9,661	8,260	-	17,921
Equipment Rental	8,673	5,250	-	13,923
Office Supplies & Expense	8,106	2,207	8,540	18,853
Occupancy	28,477	2,230	12,240	42,947
Travel, Conferences, and Meetings	2,658	2,699	2,500	7,857
Miscellaneous Expense	569	8,973	12,948	22,490
Insurance Expense	1,006	764	822	2,592
Depreciation	1,587	261	1,149	2,997
Total Non-Labor Expenses	<u>1,292,902</u>	<u>90,448</u>	<u>49,221</u>	<u>1,432,571</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>\$ 1,613,561</u>	<u>\$ 158,404</u>	<u>\$ 274,233</u>	<u>\$ 2,046,198</u>

See notes to the financial statements.

Hispanic Foundation of Silicon ValleyStatement of Functional Expenses
For the Year Ended December 31, 2017

	<u>Total Program</u>	<u>Management & General</u>	<u>Fundraising</u>	<u>Total</u>
Payroll expenses				
Wages and stipends	\$ 279,681	\$ 50,134	\$ 139,453	\$ 469,268
Payroll Taxes	24,370	-	10,647	35,017
Employee Benefits	23,928	1,569	6,904	32,401
Total Labor Expenses	<u>327,979</u>	<u>51,703</u>	<u>157,004</u>	<u>536,686</u>
Non-Labor Expenses				
Grants and Scholarships	890,007	-	-	890,007
Professional Service Fees	12,497	39,483	1,770	53,750
Website Development	6,414	1,356	2,124	9,894
Food	12,849	9,171	-	22,020
Equipment Rentals	6,359	3,887	-	10,246
Office Supplies & Expenses	6,716	9,262	2,755	18,733
Occupancy	26,376	703	10,590	37,669
Travel, Development, and Conferences	4,515	7,814	143	12,472
Miscellaneous Expenses	6,807	8,493	4,508	19,808
Insurance Expense	968	306	785	2,059
Depreciation	1,362	744	891	2,997
Total Non-Labor Expenses	<u>974,870</u>	<u>81,219</u>	<u>23,566</u>	<u>1,079,655</u>
Total Expenses	<u>\$ 1,302,849</u>	<u>\$ 132,922</u>	<u>\$ 180,570</u>	<u>\$ 1,616,341</u>

See notes to the financial statements.

Hispanic Foundation of Silicon Valley
Statements of Cash Flows

	For the Year Ended December 31,	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 410,192	\$ 570,376
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation	2,997	2,997
In-Kind Revenue	(7,911)	-
In-Kind Expenses	7,911	-
(Gain) Loss on Investments, net	7,050	(19,728)
Change in Assets and Liabilities:		
(Increase) Decrease in Accounts receivable	(247,930)	(77,070)
(Increase) Decrease in Prepaid expenses	(20,211)	1,039
Increase (Decrease) in Accounts payable and accrued liabilities	(5,532)	139
Increase (Decrease) in Accrued payroll and benefits	5,118	3,101
Increase (Decrease) in Grants payable	(36,700)	40,000
	114,984	520,854
Net cash provided by (used in) operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	-	(14,983)
	-	(14,983)
Net cash provided by (used in) operating activities		
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	114,984	505,871
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	2,590,066	2,084,195
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 2,705,050	\$ 2,590,066

See notes to the financial statements.

Hispanic Foundation of Silicon Valley

Notes to the Financial Statements

December 31, 2018 and 2017

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 (LITS) -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 (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-start-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, 2018 and 2017

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; CompassPoint; Notre Dame de Namur University; University of California Santa Cruz Silicon Valley Campus; and University of Phoenix.

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of the Organization is presented to assist in understanding their financial statements. The financial statements and notes are representations of their 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.

Basis of Presentation

The Organization prepares its financial statements using the accrual method of accounting in accordance with GAAP.

Classes of Net Assets

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

Hispanic Foundation of Silicon Valley

Notes to the Financial Statements

December 31, 2018 and 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor restrictions. The Governing board has not designed 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.

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, 2018, and 2017, the Organization had a capitalization policy of \$2,500. Depreciation is computed using the straight-line method over the estimated useful lives.

Hispanic Foundation of Silicon Valley

Notes to the Financial Statements

December 31, 2018 and 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Grants Payable

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

Contributed Goods & Services

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.

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.

Recognition of Contribution and Grant Income

Contribution and grant income are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

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)

Hispanic Foundation of Silicon Valley

Notes to the Financial Statements

December 31, 2018 and 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 reoccurring 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 investment held by the Foundation is reported 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.

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).

Concentration of Investment 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 operates in Silicon Valley and the majority of the membership is located in the surrounding area.

Hispanic Foundation of Silicon Valley

Notes to the Financial Statements

December 31, 2018 and 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2018 and 2017. Accordingly, no provision is made for income taxes in these financial statements.

The Organization does not believe there are any material uncertain tax positions and accordingly, will not recognize any liability for unrecognized tax positions. For the years ended December 31, 2018 and 2017, 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, 2015 and forward. The State of California tax jurisdiction is subject to potential examination for fiscal tax years December 31, 2014 and forward.

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. 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. 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 unrestricted net assets/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 is in the process of evaluating the impact of the adoption of this standard will have on its financial statements and related disclosures.

Hispanic Foundation of Silicon Valley

Notes to the Financial Statements

December 31, 2018 and 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 ASU 2016-02 are effective for reporting periods beginning after December 15, 2018; early adoption is permitted. The provisions of this ASU are to be applied using a modified retrospective approach. The Organization is currently evaluating the effect that this ASU will have on its financial statements.

Presentation of Financial Statements of Not-for-Profit Organizations

In August 2016, the FASB issued ASU No. 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities ("ASU 2016-14"), which significantly amends the standards for the presentation and accompanying disclosures of the financial statements of nonprofit organizations. This issuance of ASU 2016-14 is the first phase of a FASB project with the broad objective of re-examining the standards for financial statement presentation by nonprofit organizations. Some of the more significant changes are (a) only two classes of net assets are reported in the statement of financial position, (b) accumulated losses of donor-restricted endowment funds are no longer classified in unrestricted net assets and additional disclosures about endowment funds are required, (c) all nonprofit organizations are required to present an analysis of expenses by both nature and function either on the face of the statement of activities, as a separate statement, or in the notes to the financial statements, (d) nonprofit organizations are required to describe the methods used to allocate costs among the program and support functions, (e) while nonprofit organizations continue to be permitted to report cash flows from operating activities using either the direct or indirect method, a reconciliation to the indirect method is no longer required when the direct method is used, (f) investment return is reported net of external and direct internal investment expenses, (g) the release of restrictions on donor-restricted capital gifts is recognized when the assets are placed in service, (i) nonprofit organizations are required to provide qualitative and quantitative information about the organization's liquidity and the availability of its resources to fund general expenditures, and (j) enhanced disclosures about net assets with donor restrictions and designations of net assets made by the governing board are required. The guidance in ASU 2016-14 is effective for annual financial statements issued for fiscal years beginning after December 15, 2017, and interim periods within fiscal years beginning after December 15, 2018.

The Organization has adapted ASU 2016-14 for the year ended December 31, 2018 and has adjusted the presentation in these financial statements accordingly. Certain comparative amounts for the year ended December 31, 2017 have been reclassified with no effect on net assets, total assets or total liabilities to conform to the 2018 presentation.

Hispanic Foundation of Silicon Valley

Notes to the Financial Statements

December 31, 2018 and 2017

3. INVESTMENTS

The Organization's financial statements reflect investments in Silicon Valley Community Foundation (the Foundation) pooled funds which amounted to \$152,763 and \$159,813 at December 31, 2018 and 2017, 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, 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>

Description	December 31, 2017	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	\$ 159,813	\$ -	\$ -	\$ 159,813
	<u>\$ 159,813</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 159,813</u>

The Organization holds level 3 investments with the Foundation pooled funds, which is considered beneficial interest of an 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 for the full year for all financial assets classified as Level 3.

	2018	2017
Beginning Balance	\$ 159,813	\$ 140,085
Interest and Dividend Income	834	1,038
Net Realized Gain	11,048	13,146
Net Unrealized Gain (Loss)	(16,275)	7,553
Investment Management Fees	(2,657)	(2,009)
Ending Balance	<u>\$ 152,763</u>	<u>\$ 159,813</u>

Hispanic Foundation of Silicon Valley

Notes to the Financial Statements

December 31, 2018 and 2017

4. PROPERTY AND EQUIPMENT

The Organization owned the following property and equipment as of December 31, 2018 and 2017:

	Useful Life Years		<u>2018</u>		<u>2017</u>
Office equipment & computers	5	\$	38,259	\$	38,259
Less accumulated depreciation			<u>(29,270)</u>		<u>(26,273)</u>
Total property and equipment		\$	<u>8,989</u>	\$	<u>11,986</u>

Depreciation expense for both the years ended December 31, 2018 and 2017 was \$2,997.

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>2017</u>		<u>Increases</u>		<u>Releases</u>		<u>2018</u>
Elevate Math Plus E[M]+	\$ 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>

	<u>2016</u>		<u>Increases</u>		<u>Releases</u>		<u>2017</u>
Elevate Math Plus E[M]+	\$ 109,500	\$	12,250	\$	6,000	\$	115,750
Parent Education Grant	279,353		2,500		76,200		205,653
LBLA	20,000		45,000		20,000		45,000
Family College Success Center	267,419		130,000		154,781		242,638
LITSI	1,063,692		1,085,350		554,999		1,594,043
Elevate Math	6,900		2,500		7,150		2,250
Latino Report Card	-		60,000		-		60,000
Total	\$ <u>1,746,864</u>	\$	<u>1,337,600</u>	\$	<u>819,130</u>	\$	<u>2,265,334</u>

Hispanic Foundation of Silicon Valley

Notes to the Financial Statements

December 31, 2018 and 2017

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 deposited into a saving account, 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, 2018, 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. Amounts not available include board-designated special projects fund that is intended to fund special board initiatives not considered in the annual operating budget. In the event the need arises to utilize the board-designated funds for liquidity purposes, the reserves could be drawn upon through board resolution. Amounts not available to meet general expenditures within one year also include net assets with donor restrictions.

	<u>December 31, 2018</u>
Financial assets at year end:	
Cash and cash equivalents	\$ 2,705,050
Investments	152,763
Receivables	325,000
Prepaid expenses	45,419
Total Financial assets	<u>3,228,232</u>
Less: Current liabilities	(47,220)
Less amounts not available to be used within one year:	
Net assets with donor restrictions	<u>(1,029,800)</u>
	<u>(1,077,020)</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 2,151,212</u>

7. CONCENTRATIONS

Two grants comprised 41% and 40% of the Organization's income during the years ended December 31, 2018 and 2017, respectively.

Hispanic Foundation of Silicon Valley

Notes to the Financial Statements

December 31, 2018 and 2017

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 runs through November 30, 2019. 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,		
2019	\$	32,318
2020		-
2021		-
2022		-
2023		-
Thereafter		-
<hr/>		<hr/>
Total	\$	32,318

Rent expense for the years ended December 31, 2018 and 2017 was \$42,947 and \$37,669, 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

December 31, 2018 and 2017

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, 2018 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.

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