

**Audited Financial Statements
and Supplemental Information**



June 30, 2020

Quigley & Miron

Puente de la Costa Sur
Audited Financial Statements and Supplemental Information
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Independent Auditor's Report

Board of Directors
Puente de la Costa Sur
Pescadero, California

We have audited the accompanying financial statements of Puente de la Costa Sur (Organization), a nonprofit organization, which comprise the statements of financial position as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 Puente de la Costa Sur as of June 30, 2020, and the changes in its net assets and cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

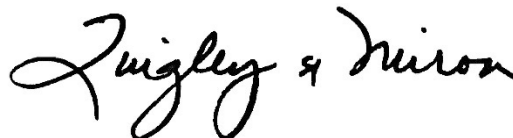
We have previously audited Puente de la Costa Sur's June 30, 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 25, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of governmental awards is presented for purposes of additional analysis as required by the County of San Mateo and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 19, 2021, on our consideration of Puente de la Costa Sur's internal control over financial reporting, and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Puente de la Costa Sur's internal control over financial reporting and compliance.



Puente de la Costa Sur
Statement of Financial Position
June 30, 2020
(with comparative totals for 2019)

	<u>2020</u>	<u>2019</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 3,563,625	\$ 1,543,725
Investments—Note 4	1,270,868	1,513,209
Government grants receivable	156,762	255,820
Pledges and grants receivable	210,581	190,000
Other assets	57,702	51,807
	<u>5,259,538</u>	<u>3,554,561</u>
Total Current Assets	5,259,538	3,554,561
Noncurrent Assets		
Furniture and equipment, net of accumulated depreciation of \$217,994 and \$204,108 at June 30, 2020 and 2019, respectively	67,305	81,191
	<u>67,305</u>	<u>81,191</u>
Total Noncurrent Assets	67,305	81,191
	<u>\$ 5,326,843</u>	<u>\$ 3,635,752</u>
Total Assets	\$ 5,326,843	\$ 3,635,752
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 68,887	\$ 39,530
Accrued liabilities	179,544	159,278
Deferred revenue	119,811	125,616
SBA PPP grant advance—Note 6	128,161	
	<u>496,403</u>	<u>324,424</u>
Total Liabilities	496,403	324,424
Net Assets		
Without donor restrictions	2,993,410	2,149,404
With donor restrictions—Note 7	1,837,030	1,161,924
	<u>4,830,440</u>	<u>3,311,328</u>
Total Net Assets	4,830,440	3,311,328
Total Liabilities and Net Assets	<u>\$ 5,326,843</u>	<u>\$ 3,635,752</u>

See notes to the financial statements.

Puente de la Costa Sur
Statement of Activities
Year Ended June 30, 2020
(with comparative totals for 2019)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2020 Total</u>	<u>2019 Total</u>
Operating Activities				
Revenue, Support, and Other Income				
Contributions				
Foundations	\$ 75,626	\$ 1,130,000	\$ 1,205,626	\$ 1,246,752
Individuals and charitable organizations	884,579	1,250,281	2,134,860	1,170,537
Corporate	27,442		27,442	29,865
In-kind contributions	26,996		26,996	63,729
Government contract income	890,579		890,579	930,132
SBA PPP grant revenue—Note 6	194,239		194,239	
Program service fees	81,789		81,789	64,594
Special events				
Gross revenue	75,389		75,389	67,035
In-kind contributions	5,567		5,567	69,618
Less cost of direct benefit to donors	(25,180)		(25,180)	(86,911)
Special Events , Net	55,776		55,776	49,742
Interest and dividend income	35,590		35,590	30,287
Total Revenue, Support, and Other Income	2,272,616	2,380,281	4,652,897	3,585,638
Net assets released from restrictions	1,705,175	(1,705,175)		
Total Revenue, Support, Other Income, and Releases of Restrictions	3,977,791	675,106	4,652,897	3,585,638
Expenses				
Program services	2,323,489		2,323,489	2,184,455
General and administrative	572,046		572,046	463,884
Fundraising	255,059		255,059	339,684
Total Expenses	3,150,594		3,150,594	2,988,023
Change in Net Assets From Operations	827,197	675,106	1,502,303	597,615
Nonoperating Activities				
Investment return, net—Note 4	16,809		16,809	11,324
Total Nonoperating Activities	16,809		16,809	11,324
Change in Net Assets	844,006	675,106	1,519,112	608,939
Net Assets at Beginning of Year	2,149,404	1,161,924	3,311,328	2,702,389
Net Assets at End of Year	\$ 2,993,410	\$ 1,837,030	\$ 4,830,440	\$ 3,311,328

See notes to financial statements.

Puente de la Costa Sur
Statement of Functional Expenses
Year Ended June 30, 2020
(with comparative totals for 2019)

	Program Services										2020 Total	2019 Total	
	Scholarships	Physical Wellness	Safety Net Services	Mental Health Program	Youth Program	Learning Center	Early Learning Program	Total Program Services	General and Admin- istrative	Fundraising			Special Events
Salaries	\$	\$ 221,511	\$ 276,389	\$ 260,208	\$ 177,470	\$ 88,392	\$ 152,058	\$ 1,176,028	\$ 223,481	\$ 168,897	\$	\$ 1,568,406	\$ 1,451,773
Other employee benefits		40,712	35,516	18,055	12,688	9,128	19,793	135,892	38,183	24,581		198,656	164,196
Payroll taxes		19,057	23,687	22,428	15,285	7,653	13,119	101,229	19,286	14,422		134,937	129,993
Total Personnel Expenses		281,280	335,592	300,691	205,443	105,173	184,970	1,413,149	280,950	207,900		1,901,999	1,745,962
Accounting fees		523	644	616	461	192	319	2,755	146,784	393		149,932	125,636
Capital expenditures			108				15,497	15,605	10,778			26,383	39,907
Community outreach			11,275		1,850			13,125	324			13,449	13,588
Computer/internet access		5,951	9,512	6,898	4,299	2,530	3,965	33,155	9,599	3,994		46,748	47,400
Cost of direct benefits to donors											19,613	19,613	13,668
Depreciation		1,954	2,488	2,348	1,473	817	1,344	10,424	1,961	1,501		13,886	12,598
Equipment maintenance and rental		1,991	2,461	1,691	925	501	833	8,402	1,231	931		10,564	8,372
Food supplies		10,037	48,557	6,833	3,060	3,258	3,440	75,185	503	167		75,855	45,779
In-kind supplies and services		50	24,396		850		1,500	26,796	200		5,567	32,563	122,308
Insurance		3,190	4,146	3,813	2,381	1,321	2,161	17,012	3,190	2,329		22,531	20,653
Interest expense									450			450	100
Material and supplies		8,223	29,366	5,045	11,061	1,382	6,934	62,011	19,081	913		82,005	96,271
Miscellaneous									170	121		291	6,169
Occupancy		2,392	4,563	8,621	1,786	4,529	1,664	23,555	7,890	1,720		33,165	37,927
Office expense		6,774	14,239	7,853	4,618	2,525	5,257	41,266	10,439	8,631		60,336	63,744
Printing and copying		1,787	1,430	602	280	146	254	4,499	6,849	10,297		21,645	19,668
Professional fees		35,731	26,666	140,868	4,311	712	60,896	269,184	38,338	15,714		323,236	384,692
Staff development		2,510	1,351	810	1,040		1,460	7,171	26,654	136		33,961	28,174
Scholarships and stipends	50,050		5,780	4,900			1,100	64,080				64,080	126,917
Shelter/emergency support		639	210,049					210,688				210,688	66,349
Transportation		2,012	9,456	3,306	9,235	945	473	25,427	6,655	312		32,394	45,428
Total Expenses by Function	50,050	365,044	742,079	494,895	253,073	125,131	293,217	2,323,489	572,046	255,059	25,180	3,175,774	3,071,310
Less expenses included in revenues on the statement of activities: Cost of direct benefit to donors											(25,180)	(25,180)	(83,286)
Total Expenses	\$ 50,050	\$ 365,044	\$ 742,079	\$ 494,895	\$ 253,073	\$ 125,131	\$ 293,217	\$ 2,323,489	\$ 572,046	\$ 255,059	\$	\$ 3,150,594	\$ 2,988,024
Percentage of Expenses	1.59%	11.59%	23.55%	15.71%	8.03%	3.97%	9.31%		18.16%	8.10%		100.00%	

See notes to financial statements.

Puente de la Costa Sur
Statements of Cash Flows
Year Ended June 30, 2020
(with comparative totals for 2019)

	<u>2020</u>	<u>2019</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 1,519,112	\$ 608,939
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	13,886	12,598
Unrealized investment gains	(16,677)	(6,712)
Realized investment gains	(132)	(4,612)
Changes in operating assets and liabilities:		
Government grants receivable	99,058	(87,890)
Pledges and grants receivable	(20,581)	(40,000)
In-kind contribution of furniture and equipment		(11,039)
Other assets	(5,895)	(7,759)
Accounts payable	29,357	7,738
Accrued liabilities	20,266	735
Deferred revenue	(5,805)	4,750
SBA PPP grant	128,161	
	<u>1,760,750</u>	<u>476,748</u>
Net Cash Provided by Operating Activities	1,760,750	476,748
Cash Flows from Investing Activities		
Purchases of furniture and equipment		(33,679)
Purchases of investments	(260,860)	(751,516)
Proceeds from sale and maturities of investments	520,010	361,539
	<u>259,150</u>	<u>(423,656)</u>
Net Cash Provided by (Used in) Investing Activities	259,150	(423,656)
Increase in Cash and Cash Equivalents	2,019,900	53,092
Cash and Cash Equivalents at Beginning of Year	<u>1,543,725</u>	<u>1,490,633</u>
Cash and Cash Equivalents at End of Year	<u>\$ 3,563,625</u>	<u>\$ 1,543,725</u>
Supplemental Disclosures		
Income taxes paid	<u>\$</u>	<u>\$</u>
Interest paid	<u>\$</u>	<u>\$ 100</u>

See notes to financial statements.

Puente de la Costa Sur
Notes to Financial Statements
June 30, 2020
(with comparative totals for 2019)

Note 1—Organization

Puente de la Costa Sur (Organization) is a non-profit California corporation that provides vital services to men, women, children, and families in the San Mateo County South Coast communities of Pescadero, La Honda, Loma Mar, and San Gregorio. The Organization provides programs and services to build a healthy, sustainable, and inclusive community, including: emergency food, seasonal clothing, bicycles and other essential items, rental and utility assistance, individual tax preparation assistance, financial literacy classes, English and Spanish literacy programs, GED and HiSet tutoring, enrollment in health insurance programs, educational health outreach through a health promoters program, health clinic services, behavioral services and counseling, legal immigration services, parenting classes, early childhood development activities, childcare parent cooperative, leadership development and employment program for youth, advocacy and community engagement, academic tutoring programs for children grades k-12, scholarships for college students, office services, translation and interpretation. The Organization also works with nursery, ranch, and farm owners and workers to promote a sustainable agricultural economy on the South Coast.

Note 2—Summary of Significant Accounting Policies

Financial Statement Presentation—The financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The Organization’s net assets are classified based on the existence or absence of donor-imposed restrictions. As such, the net assets of the Organization and changes therein are presented and reported as follows:

Net assets without donor restrictions—Net assets that are not subject to donor-imposed stipulations and that may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization’s management and the board of directors.

Net assets with donor restrictions—Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; such restrictions that may or will be met either by actions of the Organization and/or the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated that the funds be maintained in perpetuity. Generally, the donors of such assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes.

Donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restriction. When a time restriction expires or a purpose restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statement of activities as net assets released from restrictions.

Puente de la Costa Sur
Notes to Financial Statements—*Continued*

Note 2—Summary of Significant Accounting Policies—*Continued*

Measure of Operations—The statement of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of the Organization’s various community program services, and interest and dividends earned on investments. Nonoperating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual or nonrecurring nature.

Recently Adopted Accounting Standard—In June 2018, FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 clarifies the definition of an exchange transaction. As a result, not-for-profit entities (NFPs) will account for most federal grants as donor-restricted conditional contributions rather than as exchange transactions (the prevalent practice today). An accommodation (“simultaneous release” option) is provided which, if elected, would allow grants received and used within the same period to be reported in net assets without donor restrictions, consistent with where the grant revenue is reported today. Donors will use the same criteria as recipients (i.e., a barrier or hurdle coupled with a right of return/right of release) to determine whether gifts or grants are conditional or unconditional. Expense recognition is deferred for conditional arrangements and is immediate for unconditional arrangements. No new disclosures are required. The Organization adopted ASU No. 2018-08 for the year ending June 30, 2020. The adoption of ASU No. 2018-08 had no material impact on the financial statements.

Income Taxes—The Organization is a nonprofit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (Code) and Section 23701(d) of the California Revenue and Taxation Code. Accordingly, no provision for income taxes is included in the financial statements. In addition, the Organization is not a private foundation within the meaning of Section 509(a) of the Code.

Accounting standards require an organization to evaluate its tax positions and provide for a liability for any positions that would not be considered ‘*more likely than not*’ to be upheld under a tax authority examination. Management has evaluated its tax positions and has concluded that a provision for a tax liability is not necessary at June 30, 2020 and 2019. Generally, the Organization’s information returns remain open for examination for a period of three (federal) or four (state of California) years from the date of filing.

Cash and cash equivalents—The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Investments—Investments are valued at fair market value and investment transactions are recorded on the trade date. Investment income and realized and unrealized gains and losses are reported as increases or decreases in the appropriate net asset category.

Puente de la Costa Sur
Notes to Financial Statements—Continued

Note 2—Summary of Significant Accounting Policies—Continued

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2020 and 2019.

Mutual Funds: Valued at the daily closing price as reported by the fund. Equity funds are open-ended mutual funds held by the Organization that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. Mutual funds held by the Organization are deemed to be actively traded.

Certificates of Deposit: Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.

Contributions—Contributions with and without donor restrictions are recorded in the period received. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows.

Furniture and Equipment—Furniture and equipment are capitalized if there is a useful life greater than one year and the cost is above a minimum threshold established by management of \$5,000. Furniture and equipment are valued at cost or the fair market at the date of donation. The Organization provides for depreciation and amortization of furniture and equipment on a straight-line basis over the estimated useful lives of five years.

Concentration of Credit Risk—Financial instruments which potentially subject the Organization to concentrations of credit risk consist of cash and cash equivalents, investments, and receivables. The Organization places its cash, money market funds and certificates of deposit with high credit quality financial institutions where the funds are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per institution. At times, such cash and cash equivalent balances may be in excess of the FDIC insurance limits, however, it is the intention of the Organization to ensure that these balances do not exceed FDIC-guaranteed levels. Management regularly reviews the financial stability of its cash and money market fund depositories and deems the risk of credit loss due to these concentrations to be minimal. Certain investments are held in mutual funds which are secured by the underlying assets of the mutual funds. Management of the Organization has assessed the credit risk associated with the investments in equity mutual funds and has determined the risk of credit loss to be minimal.

Government contracts receivable consist of balances from local, state and federal agencies in which the income has been earned but not received at year end. The Organization has determined that no allowance for potential losses due to uncollectible receivables is necessary at June 30, 2020 and 2019.

Pledges and grants receivable consist of balances from local foundations. The Organization has determined that no allowance for potential losses due to uncollectible receivables is necessary at June 30, 2020 and 2019.

Puente de la Costa Sur
Notes to Financial Statements—Continued

Note 2—Summary of Significant Accounting Policies—Continued

Revenue recognition—The Organization’s revenue recognition policies are as follows:

Government grants and contracts—Revenues from government grants and contracts are reported as increases in net assets without donor restrictions, when allowable expenditures under such agreements are incurred. The amounts expended in excess of reimbursements are reported as grants receivable. Amounts received in excess of amounts expended are recorded as deferred revenue.

Program service fees—Program service fee revenue is recognized in the applicable period in which the program is performed. The portion related to a future period is reflected on the statement of financial position as deferred revenue.

In-Kind contributions—The Organization receives periodic donations of supplies from local vendors and the community, which are recorded at estimated fair market value at the date of donation, if significant. The Organization recognizes in-kind services if they (a) create or enhance nonfinancial assets, or (b) require specialized skills and are provided by individuals possessing those skills and would need to be purchased if not provided by donation. During the years ended June 30, 2020 and 2019, donated supplies and services totaling \$32,563 and \$133,347, respectively, were received by the Organization and recorded in the statement of activities.

A substantial number of volunteers have donated significant amounts of their time to the Organization and its programs. Such donated services are not reflected in the financial statements since these services do not meet the above criteria for recognition as contributed services.

Functional Allocation of Expenses—The costs of providing the various programs and student activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefitted. Such expenses are allocated per the following methods:

<u>Allocated Expense</u>	<u>Method of Allocation</u>
Accounting fees	Time and effort
Computer/internet access	Time and effort
Depreciation expense	Time and effort
Equipment maintenance and rental	Time and effort
Insurance	Time and effort
Occupancy	Time and effort
Office expense	Time and effort
Printing and copying	Time and effort

Use of Estimates—The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Puente de la Costa Sur
Notes to Financial Statements—Continued

Note 2—Summary of Significant Accounting Policies—Continued

Comparative Totals—The financial statements include certain prior year summarized comparative information in total but not by net asset class, which has been audited by other auditors. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles accepted in the United States. Accordingly, such information should be read in conjunction with the audited financial statements for the year ended June 30, 2019, from which the summarized information was derived.

Reclassifications—Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

Note 3—Availability and Liquidity

The Organization's goal is generally to maintain financial assets to meet 6 months of operating expenses (approximately \$1,579,000).

The following represents the availability and liquidity of the Organization's financial assets at June 30, 2020 to cover operating expenses for the next fiscal year:

Cash and cash equivalents	\$ 1,937,176
Investments	1,270,868
Government contracts receivable	156,762
Pledges and grants receivable	210,581
	<hr/>
Current Availability of Financial Assets	<u><u>\$ 3,575,387</u></u>

Note 4—Investments

As of June 30, 2020 and 2019, the fair value of investments consists of the following:

	<u>2020</u>		<u>2019</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Mutual funds	\$ 116,887	\$ 126,323	\$ 113,890	\$ 119,520
Certificates of deposit	1,128,019	1,144,545	1,390,034	1,393,689
	<hr/>	<hr/>	<hr/>	<hr/>
Totals	<u><u>\$ 1,244,906</u></u>	<u><u>\$ 1,270,868</u></u>	<u><u>\$ 1,503,924</u></u>	<u><u>\$ 1,513,209</u></u>

Puente de la Costa Sur
Notes to Financial Statements—Continued

Note 4—Investments—Continued

Net investment income for the years ended June 30, 2020 and 2019, all recorded in net assets without donor restrictions, consists of the following:

	<u>2020</u>	<u>2019</u>
Unrealized investment gains	\$ 16,677	\$ 6,712
Realized investment gains	132	4,612
	<u>16,809</u>	<u>11,324</u>
Investment Return, Net		
Interest and dividend income	35,590	30,287
	<u>52,399</u>	<u>41,611</u>
Total Investment Return	<u>\$ 52,399</u>	<u>\$ 41,611</u>

Note 5—Fair Value Measurements

In determining the fair value of assets and liabilities the Organization utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. The Organization determines fair value based on assumptions that market participants would use in pricing an asset or liability in the principal or most advantageous market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are characterized in one of the following levels:

Level 1—Unadjusted quoted prices in active markets for identical assets or liabilities accessible to the Organization at the measurement date. The Organization’s Level 1 assets consist of equity securities and mutual funds value at the closing price reported on the active market on which the individual securities are traded.

Level 2—Valuations based on observable inputs (other than Level 1), such as quoted prices for similar assets at the measurement date, quoted prices in markets that are not active, or other inputs that are observable, either directly or indirectly. The Organization’s Level 2 assets consist of quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active.

Level 3—Valuations based on inputs that are unobservable and significant to the overall fair value measurement and involve management judgment. The Organization had no Level 3 assets or liabilities at June 30, 2020 and 2019.

The Organization may utilize a practical expedient for the estimation of the fair value of investments in investment companies for which the investment does not have a readily determinable fair value. The practical expedient used by the Organization to value private investments is the Net Asset Value (NAV) per share, or its equivalent. In some instances, the NAV may not equal the fair value that would be calculated under fair value accounting standards. The Organization had no assets or liabilities classified at NAV as a practical expedient during the years ended June 30, 2020 and 2019.

Puente de la Costa Sur
Notes to Financial Statements—Continued

Note 5—Fair Value Measurements—Continued

Fair values of assets measured on a recurring basis at June 30, 2020 and 2019 are as follows:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
2020:				
Mutual funds	\$ 126,323	\$ 126,323	\$	\$
Certificates of deposit	1,144,545		1,144,545	
Totals	<u>\$ 1,270,868</u>	<u>\$ 126,323</u>	<u>\$ 1,144,545</u>	<u>\$</u>
2019:				
Mutual funds	\$ 119,520	\$ 119,520	\$	\$
Certificates of deposit	1,393,689		1,393,689	
Totals	<u>\$ 1,513,209</u>	<u>\$ 119,520</u>	<u>\$ 1,393,689</u>	<u>\$</u>

Note 6—SBA PPP Funding

On May 11, 2020, the Organization received funding in the amount of \$322,400 from the Small Business Administration (SBA) through the Paycheck Protection Program (PPP). The Organization has elected to treat \$322,400 as an advance. The funding is designed to provide a direct incentive for non-profit organizations struggling to keep their workers on the payroll during the global pandemic (see Note 11). As of June 30, 2020, the Organization has determined that it has met the requirements for forgiveness and has recorded grant income of \$194,239 in the statement of activities for the year ended June 30, 2020. A balance of \$128,161 remains outstanding and has been recorded as an advance liability in the statement of financial position at June 30, 2020.

Puente de la Costa Sur
Notes to Financial Statements—Continued

Note 7—Net Assets

Net assets with donor restrictions for the years ended June 30, 2020 and 2019 consist of the following:

	<u>2020</u>	<u>2019</u>
Subject to expenditure for specified purpose:		
Safety net services	\$ 456,108	\$ 151,669
General support	415,487	164,325
Youth Program	204,049	154,519
Mental health services	196,321	39,304
Fundraising / Resource Development	134,238	29,972
Early Learning Program	118,206	341,468
Learning Center Program	99,445	34,508
Physical Wellness Program	12,973	28,141
Scholarship Program	18,358	28,018
Total Subject to Expenditure for Specified Purpose	1,655,185	971,924
Subject to time restrictions:		
General support	72,571	190,000
Early Learning Program	50,000	
Physical Wellness Program	54,224	
Youth Program	5,050	
Total Subject to Time Restrictions	181,845	190,000
Total Net Assets With Donor Restrictions	<u>\$ 1,837,030</u>	<u>\$ 1,161,924</u>

Puente de la Costa Sur
Notes to Financial Statements—Continued

Note 7—Net Assets—Continued

Net assets released from donor restrictions for the years ended June 30, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Satisfaction of purpose restrictions:		
Safety net services	\$ 471,333	\$ 305,022
General support	196,580	264,654
Youth Program	214,715	154,299
Early Learning Program	214,022	153,421
Physical Wellness Program	153,329	105,583
Learning Center Program	114,000	31,658
Mental health services	95,983	128,516
Fundraising / Resource Development	89,787	169,421
Scholarship Program	35,426	86,202
Total Satisfaction of Purpose Restrictions	1,585,175	1,398,776
Satisfaction of passage of time:		
General support	120,000	
Early Learning Program		100,000
Learning Center Program		50,000
Total Satisfaction of Time Restrictions	120,000	150,000
Total Net Assets Released from Donor Restrictions	<u>\$ 1,705,175</u>	<u>\$ 1,548,776</u>

Note 8—Contingencies

Grants require the fulfillment of certain conditions as set forth in the instrument of the grant. Failure to fulfill the conditions could result in the return of the funds to the grantors. Although this is a possibility, except as described below, the Board generally deems the contingency remote, since, by accepting a grant and its terms, the Board is acknowledging the requirements of the grantor at the time of receipt of the grant.

In the normal course of operations, the Organization is subject to certain loss contingencies, such as litigation. In management's opinion, the liability, if any, for such contingencies will not have a material effect on the Organization's financial position.

Puente de la Costa Sur
Notes to Financial Statements—Continued

Note 9—Retirement Benefits

The Organization has established a defined contribution plan for employees of Puente De La Costa Sur with more than one year of service. The plan provides for monthly contributions to be made by the Organization equal to a percentage of gross pay for each eligible employee. The employee is fully vested in the Organization's contributions. The Organization's contribution to the plan was \$51,299 and \$42,307, respectively, for the years ended June 30, 2020 and 2019.

Note 10—Recent Accounting Pronouncements

Leases—In February 2016, FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which requires organizations that lease assets (lessees) to recognize the assets and related liabilities for the rights and obligations created by the leases on the statement of financial position for leases with terms exceeding 12 months. ASU No. 2016-02 defines a lease as a contract or part of a contract that conveys the right to control the use of identified assets for a period of time in exchange for consideration. The lessee in a lease will be required to initially measure the right-of-use asset and the lease liability at the present value of the remaining lease payments, as well as capitalize initial direct costs as part of the right-of-use asset. ASU No. 2016-02 is effective for nonprofit organizations with fiscal years beginning after December 15, 2021, with early adoption permitted. The Organization is currently evaluating the impact that the adoption of ASU No. 2016-02 will have on its financial statements.

Gifts-in-Kind—In September 2020, FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires increased transparency around the use and valuation of contributed nonfinancial assets (also known as gifts-in-kind) received by not-for-profit entities. Under the updated guidance, gifts-in-kind are required to be presented as a separate line item in the statement of activities, apart from contributions of cash or other financial assets, and to be disaggregated in the notes to the financial statements by the category that depicts the type of contributed nonfinancial assets. There are additional required disclosures regarding qualitative information denoting whether the gifts-in-kind were monetized or utilized during the reporting period; the entity's policy, if any, about monetizing rather than utilizing contributed nonfinancial assets; and the valuation techniques and inputs used to arrive at a fair value measure. ASU No. 2020-07 is to be applied retrospectively and is effective for annual reporting periods beginning after June 15, 2021, and interim periods within annual reporting periods beginning after June 15, 2022. Early adoption is permitted. The Organization is currently evaluating the impact that the adoption of ASU 2020-07 will have on its financial statements.

Puente de la Costa Sur
Notes to Financial Statements—Continued

Note 10—Recent Accounting Pronouncements—Continued

Revenue Recognition—In May 2014, FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*, which supersedes most of the current revenue recognition requirements. The underlying principle is that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. The guidance provides a five-step analysis of transactions to determine when and how revenue is recognized. Other major provisions include capitalization of certain contract costs, consideration of time value of money in the transaction price and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. The guidance also requires enhanced disclosures regarding the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity's contracts with customers. ASU No. 2014-09 is effective for fiscal years beginning after December 15, 2019; early adoption is permitted for fiscal years beginning after December 15, 2016. The guidance permits the use of either a retrospective or cumulative effect transition method. The Organization is evaluating whether this will have a material impact on its financial statements.

Note 11—Risks and Uncertainties

In early March 2020, the COVID-19 virus was declared a global pandemic. Business continuity, including supply chains and consumer demand across a broad range of industries and countries, has been, and continues to be, severely impacted, as governments and their citizens take significant and unprecedented measures to mitigate the consequences of the pandemic. The Organization has continued to conduct its activities, primarily on a remote basis, and to monitor the ongoing impact of the pandemic response on its overall operations. At the time of this reporting, the cumulative financial impact of the pandemic on the Organization, if any, cannot be fully determined, therefore no related adjustment has been made to these financial statements.

Note 12—Subsequent Events

Management evaluated all activities of Puente de la Costa Sur through April 19, 2021, which is the date the financial statements were available to be issued, and concluded that no material subsequent events have occurred that would require adjustment to the financial statements or disclosure in the notes to the financial statements.

**Puente de la Costa Sur
Schedule of Expenditures of County of San Mateo Awards
Year Ended June 30, 2020**

Program Title	Grant Number	Grant Amount	Grant Period	Amount Expended
Core Agency Services to At Risk and Homeless Residents	074891B	\$ 189,533	7/1/19-6/30/21	\$ 94,766
First Five grant for Suenos Unidos Parent Participatory Preschool	19500-19-D007	106,554	7/1/18-6/30/20	53,277
Health Care for the Homeless/Farmworker Health Program	76536	550,500	1/1/18-12/31/20	131,565
Promoter to Low Income, Hard-to-Reach Residents of the South Coast Communities	75388	367,824	7/1/19-6/30/21	183,914
Project Success and Mindfulness-Based Substance Use Treatment	76909	610,708	7/1/19-6/30/21	294,012
Trauma Informed Youth	75381	42,024	7/1/17-6/30/19	7,167
Trauma Informed Youth	75381	21,852	7/1/19-6/30/20	21,779
Health Care for the Homeless/Farmworker Health Program	68120-20-D060	18,499	10/1/19-03/31/20	17,143
Puente South Coast Facilities Improvements	79000-18-R074489	63,000	7/1/19-6/30/20	15,497
Census Outreach and Education Community Action Teams	12000-19-D031-B	55,256	10/31/19-12/31/20	41,442
Census Outreach and Education Questionnaire Assistance Centers	12000-19-D031-A	20,000	10/31/19-12/31/20	15,000
Homeless/Farmworker Health Program	68120-20-D090	13,126	3/30/20-5/29/20	13,126
Total County of San Mateo Awards Expended				<u>\$ 888,688</u>

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Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Directors
Puente de la Costa Sur
Pescadero, California

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Puente de la Costa Sur (Organization), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated April 19, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization’s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of the Organization’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization’s internal control and compliance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Ziegler & Miron". The signature is written in a cursive, flowing style.

Los Angeles, California
April 19, 2021