

**Puente de la Costa Sur**  
**Audited Financial Statements and Supplemental Information**  
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**June 30, 2019**

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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, 2019, 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, 2019, 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.

### **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 March 31, 2020, 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, 2019**  
**(with comparative totals for 2018)**

	<u>2019</u>	<u>2018</u>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 1,543,725	\$ 1,490,633
Investments—Note 4	1,513,209	1,111,908
Government contracts receivable	256,793	168,903
Pledges and grants receivable	190,000	150,000
Other assets	50,834	43,075
	<u>3,554,561</u>	<u>2,964,519</u>
<b>Total Current Assets</b>	<b>3,554,561</b>	<b>2,964,519</b>
<b>Noncurrent Assets</b>		
Furniture and equipment, net of accumulated depreciation of \$204,108 and \$191,510 at June 30, 2019 and 2018, respectively	81,191	49,071
	<u>81,191</u>	<u>49,071</u>
<b>Total Noncurrent Assets</b>	<b>81,191</b>	<b>49,071</b>
	<u>\$ 3,635,752</u>	<u>\$ 3,013,590</u>
<b>Total Assets</b>	<b>\$ 3,635,752</b>	<b>\$ 3,013,590</b>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 39,530	\$ 31,792
Accrued liabilities	159,278	158,543
Deferred revenue	125,616	120,866
	<u>324,424</u>	<u>311,201</u>
<b>Total Liabilities</b>	<b>324,424</b>	<b>311,201</b>
<b>Net Assets</b>		
Without donor restrictions	2,149,404	2,017,738
With donor restrictions—Note 6	1,161,924	684,651
	<u>3,311,328</u>	<u>2,702,389</u>
<b>Total Net Assets</b>	<b>3,311,328</b>	<b>2,702,389</b>
	<u>\$ 3,635,752</u>	<u>\$ 3,013,590</u>
<b>Total Liabilities and Net Assets</b>	<b>\$ 3,635,752</b>	<b>\$ 3,013,590</b>

See notes to the financial statements.

Puente de la Costa Sur  
Statement of Activities  
Year Ended June 30, 2019  
(with comparative totals for 2018)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2019 Total</u>	<u>2018 Total</u>
<b>Operating Activities</b>				
<b>Revenue, Support, and Other Income</b>				
Contributions				
Foundations	\$	\$ 1,246,752	\$ 1,246,752	\$ 1,339,916
Individuals and charitable organizations	391,240	779,297	1,170,537	877,635
Corporate	29,865		29,865	13,968
In-kind contributions	63,729		63,729	53,228
Government contract income	930,132		930,132	870,543
Program service fees	64,594		64,594	72,728
Special events				
Gross revenue	67,035		67,035	78,993
In-kind contributions	69,618		69,618	
Less cost of direct benefit to donors	(86,911)		(86,911)	(23,895)
<b>Special Events , Net</b>	<b>49,742</b>		<b>49,742</b>	<b>55,098</b>
Interest and dividend income	30,287		30,287	12,155
<b>Total Revenue, Support, and Other Income</b>	<b>1,559,589</b>	<b>2,026,049</b>	<b>3,585,638</b>	<b>3,295,271</b>
Net assets released from restrictions	1,548,776	(1,548,776)		
<b>Total Revenue, Support, Other Income, and Releases of Restrictions</b>	<b>3,108,365</b>	<b>477,273</b>	<b>3,585,638</b>	<b>3,295,271</b>
<b>Expenses</b>				
Program services	2,184,455		2,184,455	2,039,116
General and administrative	463,884		463,884	393,315
Fundraising	339,684		339,684	260,662
<b>Total Expenses</b>	<b>2,988,023</b>		<b>2,988,023</b>	<b>2,693,093</b>
<b>Change in Net Assets From Operations</b>	<b>120,342</b>	<b>477,273</b>	<b>597,615</b>	<b>602,178</b>
<b>Nonoperating Activities</b>				
Investment return, net	11,324		11,324	(1,495)
<b>Total Nonoperating Activities</b>	<b>11,324</b>		<b>11,324</b>	<b>(1,495)</b>
<b>Change in Net Assets</b>	<b>131,666</b>	<b>477,273</b>	<b>608,939</b>	<b>600,683</b>
Net Assets at Beginning of Year	2,017,738	684,651	2,702,389	2,101,706
<b>Net Assets at End of Year</b>	<b>\$ 2,149,404</b>	<b>\$ 1,161,924</b>	<b>\$ 3,311,328</b>	<b>\$ 2,702,389</b>

See notes to financial statements.

Puente de la Costa Sur  
Statement of Functional Expenses  
Year Ended June 30, 2019  
(with comparative totals for 2018)

	Program Services											2019 Total	2018 Total	
	Community Bridge Building	Physical Wellness	Safety Net Services	Mental Health Program	Youth Program	Learning Center	Early Learning Program	Farmers Market	Total Program Services	General and Admin- istrative	Fundraising			Special Events
Salaries	\$ 53,878	\$ 179,416	\$ 182,166	\$ 264,965	\$ 162,550	\$ 89,478	\$ 160,436	\$ 6,127	\$ 1,099,015	\$ 180,706	\$ 172,052		\$ 1,451,773	\$ 1,410,735
Other employee benefits	5,664	29,044	24,934	17,878	12,943	7,556	19,521	12	117,553	17,305	29,338		164,196	148,442
Payroll taxes	4,757	15,901	15,663	22,646	14,152	7,712	13,778	540	95,149	19,469	15,375		129,993	125,444
<b>Total Personnel Expenses</b>	<b>64,298</b>	<b>224,361</b>	<b>222,763</b>	<b>305,489</b>	<b>189,646</b>	<b>104,747</b>	<b>193,734</b>	<b>6,679</b>	<b>1,311,717</b>	<b>217,480</b>	<b>216,765</b>		<b>1,745,962</b>	<b>1,684,621</b>
Accounting fees	104	360	358	526	313	175	312	13	2,161	123,114	361		125,636	113,893
Capital expenditures		1,639	15,337			1,633			18,609	21,298			39,907	2,951
Community outreach	5,882				2,906			2,000	10,788	2,800			13,588	7,483
Computer/internet access	1,534	5,245	5,945	7,635	4,543	2,602	4,618	175	32,297	9,509	5,594		47,400	48,061
Cost of direct benefits to donors												17,293	17,293	23,895
Depreciation expense	448	1,556	1,486	2,237	1,324	1,118	1,367	51	9,587	1,482	1,529		12,598	9,865
Equipment maintenance and rental	759	1,514	719	1,093	548	347	598	515	6,093	1,575	704		8,372	8,266
Food supplies	7,158	2,729	9,586	8,287	5,776	4,730	6,164	300	44,730	170	879		45,779	36,439
In-kind supplies and services	4,698		25,788			580			31,066		21,624	69,618	122,308	53,228
Insurance	746	2,580	2,583	3,753	2,234	1,284	2,275	85	15,540	2,534	2,579		20,653	17,414
Interest expense										100			100	
Material and supplies	18,881	9,127	14,987	7,150	3,800	5,674	5,428	1,525	66,572	25,940	3,759		96,271	75,979
Miscellaneous	290	128	2,037	164	105	62	106	5	2,897	1,142	2,130		6,169	3,905
Occupancy	646	3,616	4,469	11,525	2,196	1,298	2,931	77	26,758	8,506	2,663		37,927	38,231
Office expense	2,527	5,718	6,907	10,305	5,176	2,950	6,249	149	39,981	11,731	12,032		63,744	49,671
Printing and copying	8,483	1,319	553	739	411	231	780	21	12,537	779	6,352		19,668	28,855
Professional fees	81,344	35,648	7,819	101,088	3,315	340	63,688	11,350	304,592	14,988	61,714		381,294	284,573
Staff development	1,140	1,000		3,993	3,708		7,564		17,405	14,166			31,571	30,439
Scholarships and stipends	111,259	450	350	3,650	4,758	3,850	2,200		126,517	400			126,917	80,023
Shelter/emergency support		5,620	59,815	884	30				66,349				66,349	67,579
Transportation	35,352					1,261	1,646		38,259	6,170	999		45,428	51,617
<b>Total Expenses by Function</b>	<b>345,549</b>	<b>302,610</b>	<b>381,502</b>	<b>468,518</b>	<b>230,789</b>	<b>132,882</b>	<b>299,660</b>	<b>22,945</b>	<b>2,184,455</b>	<b>463,884</b>	<b>339,684</b>	<b>86,911</b>	<b>3,074,934</b>	<b>2,716,988</b>
Less expenses included in revenues on the statement of activities:														
Cost of direct benefit to donors												(86,911)	(86,911)	(23,895)
<b>Total Expenses</b>	<b>\$ 345,549</b>	<b>\$ 302,610</b>	<b>\$ 381,502</b>	<b>\$ 468,518</b>	<b>\$ 230,789</b>	<b>\$ 132,882</b>	<b>\$ 299,660</b>	<b>\$ 22,945</b>	<b>\$ 2,184,455</b>	<b>\$ 463,884</b>	<b>\$ 339,684</b>	<b>\$</b>	<b>\$ 2,988,023</b>	<b>\$ 2,693,093</b>

See notes to financial statements.

**Puente de la Costa Sur**  
**Statements of Cash Flows**  
**Year Ended June 30, 2019**  
**(with comparative totals for 2018)**

	<u>2019</u>	<u>2018</u>
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ 608,939	\$ 600,683
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	12,598	9,865
Realized and unrealized investment (gains) losses	(11,324)	1,495
Changes in operating assets and liabilities:		
Government contracts receivable	(87,890)	11,493
Pledges and grants receivable	(40,000)	(100,000)
In-kind contribution of furniture and equipment	(11,039)	
Other assets	(7,759)	(9,950)
Accounts payable	7,738	(9,677)
Accrued liabilities	735	22,879
Deferred revenue	4,750	120,866
	<u>476,748</u>	<u>647,654</u>
<b>Net Cash Provided by Operating Activities</b>	<b>476,748</b>	<b>647,654</b>
<b>Cash Flows from Investing Activities</b>		
Purchases of furniture and equipment	(33,679)	(54,390)
Purchases of investments	(751,516)	(505,479)
Proceeds from sale and maturities of investments	361,539	
	<u>(423,656)</u>	<u>(559,869)</u>
<b>Net Cash Used in Investing Activities</b>	<b>(423,656)</b>	<b>(559,869)</b>
<b>Increase in Cash and Cash Equivalents</b>	<b>53,092</b>	<b>87,785</b>
<b>Cash and Cash Equivalents at Beginning of Year</b>	<b>1,490,633</b>	<b>1,402,848</b>
	<u>1,490,633</u>	<u>1,402,848</u>
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 1,543,725</b>	<b>\$ 1,490,633</b>
	<u>\$ 1,543,725</u>	<u>\$ 1,490,633</u>
<b>Supplemental Disclosures</b>		
Income taxes paid	<u>\$</u>	<u>\$</u>
Interest paid	<u>\$ 100</u>	<u>\$</u>

See notes to financial statements.

**Puente de la Costa Sur**  
**Notes to Financial Statements**  
**June 30, 2019**  
**(with comparative totals for 2018)**

**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, farmers market, 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—In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adopted ASU 2016-14 for the year ended June 30, 2019 and has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

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.



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

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

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.

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

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, 2019 and 2018. 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, net of investment management fees, are reported as increases or decreases in the appropriate net asset category.

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, 2019 and 2018.

*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.

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

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

*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.

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, 2019 and 2018.

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, 2019 and 2018.

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

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.

Government contract income—Government contract income is recognized when the service is performed.

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.

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

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

Investment gain (loss)—Investment transactions are recorded on the trade date. Investment income and realized and unrealized gains and losses, net of investment management fees, are reported as increases or decreases in the appropriate net asset category.

In-Kind Supplies and Services—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, 2019 and 2018, donated supplies and services totaling \$133,347 and \$53,228, 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>Expense</u>	<u>Method of Allocation</u>
Accounting fees	Time and effort
Computer/internet access	Time and effort
Depreciation expense	Time and effort
Equipment rental and maintenance	Time and effort
Insurance	Time and effort
Material and supplies	Time and effort
Occupancy	Time and effort
Office expense	Time and effort
Printing and copying	Time and effort

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

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

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.

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, 2018, 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 \$1,545,000).

The following represents the availability and liquidity of the Organization's financial assets at June 30, 2019 to cover operating expenses for the next fiscal year:

Cash and cash equivalents	\$ 571,801
Investments	1,513,209
Government contracts receivable	256,793
	<hr/>
<b>Current Availability of Financial Assets</b>	<b><u>\$ 2,341,803</u></b>

The Organization has a total of \$1,543,725 in cash and cash equivalents. Of this, \$971,924 of cash has donor restrictions and was not included in the \$571,801 reflected in cash and cash equivalents.

**Note 4—Investments**

As of June 30, 2019 and 2018, the fair value of investments consists of the following:

	<u>2019</u>		<u>2018</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Mutual funds	\$ 113,890	\$ 119,520	\$ 109,301	\$ 112,179
Certificates of deposit	1,390,034	1,393,689	1,000,034	999,729
<b>Totals</b>	<b><u>\$ 1,503,924</u></b>	<b><u>\$ 1,513,209</u></b>	<b><u>\$ 1,109,335</u></b>	<b><u>\$ 1,111,908</u></b>

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

**Note 4—Investments—Continued**

Net investment income for the years ended June 30, 2019 and 2018, all recorded in net assets without donor restrictions, consists of the following:

	<u>2019</u>	<u>2018</u>
Realized investment gains and losses	\$ 4,612	\$
Unrealized investment gains and losses	6,712	(1,495)
<b>Investment Return, Net</b>	<b>11,324</b>	<b>(1,495)</b>
Interest and dividend income	30,287	12,155
<b>Total Investment Return</b>	<b><u>\$ 41,611</u></b>	<b><u>\$ 10,660</u></b>

**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, 2019 and 2018.

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, 2019 and 2018.

**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, 2019 and 2018 are as follows:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<b>2019:</b>				
Mutual funds	\$ 119,520	\$ 119,520	\$	\$
Certificates of deposit	1,393,689		1,393,689	
<b>Totals</b>	<b><u>\$ 1,513,209</u></b>	<b><u>\$ 119,520</u></b>	<b><u>\$ 1,393,689</u></b>	<b><u>\$</u></b>
<b>2018:</b>				
Mutual funds	\$ 112,179	\$ 112,179	\$	\$
Certificates of deposit	999,729		999,729	
<b>Totals</b>	<b><u>\$ 1,111,908</u></b>	<b><u>\$ 112,179</u></b>	<b><u>\$ 999,729</u></b>	<b><u>\$</u></b>

**Note 6—Net Assets**

Net assets with donor restrictions for the years ended June 30, 2019 and 2018 consist of the following:

	<u>2019</u>	<u>2018</u>
Subject to expenditure for specified purpose:		
Community Bridge Building	\$ 25,447	\$ 135,137
Early Learning Program	341,468	195,814
General support	164,325	100,000
Fundraising / Resource Development	29,972	
Learning Center Program	34,508	2,046
Mental health services	39,304	19,397
Physical Wellness Program	28,141	38,037
Safety net services	126,222	
Scholarship Program	28,018	44,220
Youth Program	154,519	
<b>Total Subject to Expenditure for Specified Purpose</b>	<b><u>971,924</u></b>	<b><u>534,651</u></b>
Subject to time restrictions:		
General support	190,000	
Early Learning Program		100,000
Learning Center Program		50,000
<b>Total Subject to Time Restrictions</b>	<b><u>190,000</u></b>	<b><u>150,000</u></b>
<b>Total Net Assets With Donor Restrictions</b>	<b><u>\$ 1,161,924</u></b>	<b><u>\$ 684,651</u></b>

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

**Note 6—Net Assets—Continued**

Net assets released from donor restrictions for the years ended June 30, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Satisfaction of purpose restrictions:		
Community Bridge Building	\$ 197,706	\$ 183,061
Early Learning Program	153,421	218,081
Farmers Market Program	9,600	10,425
General support	264,654	228,345
Fundraising / Resource Development	169,421	32,900
Learning Center Program	31,658	140,919
Mental health services	128,516	48,319
Physical Wellness Program	105,583	127,843
Safety net services	97,716	78,938
Scholarship Program	86,202	
Youth Program	154,299	186,814
	<u>1,398,776</u>	<u>1,255,645</u>
<b>Total Releases of Purpose Restrictions</b>	<b>1,398,776</b>	<b>1,255,645</b>
Satisfaction of passage of time:		
General support		50,000
Early Learning Program	100,000	
Learning Center Program	50,000	
	<u>150,000</u>	<u>50,000</u>
<b>Total Releases of Time Restrictions</b>	<b>150,000</b>	<b>50,000</b>
<b>Total Releases of Restrictions</b>	<b><u>\$ 1,548,776</u></b>	<b><u>\$ 1,305,645</u></b>

**Note 7—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 8—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 \$42,307 and \$43,408, respectively, for the years ended June 30, 2019 and 2018.

**Note 9—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, 2019, with early adoption permitted. The Organization is currently evaluating the impact that the adoption of ASU 2016-02 will have on its financial statements.

Contributions—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. ASU 2018-08 is effective for resource recipients with fiscal years beginning after December 15, 2018, and for resource providers with fiscal years beginning after December 15, 2019; early adoption is permitted. The Organization is currently evaluating the impact that the adoption of ASU 2018-08 will have on its financial statements.

**Note 10—Subsequent Events**

Management evaluated all activities of Puente de la Costa Sur through March 31, 2020, which is the date the financial statements were available to be issued, and concluded that no other 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 Governmental Awards  
Year Ended June 30, 2019

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Grantor's Number	Federal Grant Amount	Grant Period	Federal Expenditures
<b>U.S. Department of Health and Human Services</b>					
Health Center Program (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care)					
Passed through:					
County of San Mateo					
Health Care for the Homeless/Farmworker Health (HCH/FH) Program	93.224	76536	\$ 550,500	01/01/18-12/31/20	\$ 159,071
Homeless/ Farmworker Health (HCH/FH) Program Supplementary	93.224	68120-19-D059	23,268	10/31/18-02/28/19	17,325
<b>Total CFDA No. 93.224</b>					<b>176,396</b>
Medicaid Cluster					
Medical Assistance Program					
Passed through:					
County of San Mateo					
Health Systems Coverage Unit Medical Enrollment and Outreach	93.778	075602	70,401	01/01/16-3/31/19	16,556
<b>Total Medicaid Cluster CFDA Nos. 93.775, 93.777, and 93.778</b>					<b>16,556</b>
<b>Total Department of Health and Human Services</b>					<b>192,952</b>
<b>U.S. Department of Housing and Urban Development</b>					
Community Development Block Grant (CDBG)					
Passed through:					
County of San Mateo					
Department of Housing Childcare Renovations	14.218	79000-18-R074489	63,000	05/01/18-06/30/19	38,369
<b>Total Department of Housing and Urban Development</b>					<b>38,369</b>
<b>Total Federal Awards</b>					<b>\$ 231,321</b>

See accompanying notes to schedule of expenditures of governmental awards.

**Puente de la Costa Sur**  
**Notes to Schedule of Expenditures of Governmental Awards**  
**Year Ended June 30, 2019**

**Note A—Basis of Presentation**

The accompanying schedule of expenditures of governmental awards includes the federal grant activity of Puente de la Costa Sur under programs passed-through from the federal government to the indicated counties for the year ended June 30, 2019. Puente de la Costa Sur presents the information in this schedule in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Puente de la Costa Sur, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Puente de la Costa Sur.

**Note B—Summary of Significant Accounting Policies**

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. In addition, the indicated counties may impose their own reimbursement limits.

Puente de la Costa Sur has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

**Note C—Pass-Through Entities**

The pass-through agency for the Department of Agriculture, Health and Human Services and the Department of Housing is the County of San Mateo.

**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, 2019, 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 March 31, 2020.

**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.

Los Angeles, California  
March 31, 2020