

Puente de la Costa Sur
Financial Statements
Years ended June 30, 2010 and 2009
with
Report of Independent Auditors

**WILSON
MARKLE
STUCKEY
HARDESTY
& BOTT LLP**

CERTIFIED PUBLIC
ACCOUNTANTS

DONALD WILSON
ALAN MARKLE
CHARLES STUCKEY
DAVID HARDESTY
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DAVID BAILEY
MICHAEL SMITH

Report of Independent Auditors

Board of Directors
Puente de la Costa Sur
Pescadero, CA

We have audited the accompanying statements of financial position of Puente de la Costa Sur as of June 30, 2010, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the management of Puente de la Costa Sur. Our responsibility is to express an opinion on these financial statements based on our audit. The prior-year summarized comparative information has been derived from the organization's June 30, 2009 financial statements and, in our report dated September 8, 2009; we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Puente de la Costa Sur as of June 30, 2010, and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

Wilson Markle Stuckey Hardesty & Bott
Wilson Markle Stuckey Hardesty & Bott
Larkspur, CA
November 11, 2010

Puente de la Costa Sur
Statements of Financial Position
at June 30, 2010

Assets	<u>2010</u>	<u>2009</u>
Current assets		
Cash and cash equivalents	\$ 96,760	\$ 130,424
Accounts and grants receivable	47,761	64,751
Prepaid expenses and other current assets	<u>7,797</u>	<u>11,370</u>
Total current assets	152,318	206,545
Property and equipment, at cost		
Furniture and equipment	19,239	19,239
Leasehold improvements	39,137	26,837
Accumulated depreciation and amortization	<u>(14,188)</u>	<u>(6,822)</u>
Total	<u>44,188</u>	<u>39,254</u>
Total assets	<u><u>\$ 196,506</u></u>	<u><u>\$ 245,799</u></u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 19,748	\$ 34,709
Accrued liabilities	18,518	10,432
Deferred income	<u>-</u>	<u>27,000</u>
Total current liabilities	38,266	72,141
Net assets		
Unrestricted	39,699	53,955
Temporarily restricted	<u>118,541</u>	<u>119,703</u>
Total net assets	<u>158,240</u>	<u>173,658</u>
Total liabilities and net assets	<u><u>\$ 196,506</u></u>	<u><u>\$ 245,799</u></u>

See accompanying notes.

Puente de la Costa Sur
Statements of Activities and Changes in Net Assets
Year ended June 30, 2010

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>2010 Total</u>	<u>2009 Total</u>
Revenue and support				
Government grants/contracts	\$ 437,944	\$ -	\$ 437,944	\$ 266,844
Contributions				
Foundations	6,056	\$ 257,702	263,758	311,689
Individuals	187,912	-	187,912	127,441
Corporate	6,069	-	6,069	23,241
Other charitable organizations	7,403	27,000	34,403	42,146
Program service fees	1,545	-	1,545	1,550
Interest income	-	-	-	33
Other income	362	-	362	364
In-kind contributions	203,248	-	203,248	284,810
Net assets released from restrictions	<u>285,864</u>	<u>(285,864)</u>	<u>-</u>	<u>-</u>
Total revenue and support	1,136,403	(1,162)	1,135,241	1,058,118
Expenses				
Programs	962,476	-	962,476	905,078
General and administrative	116,719	-	116,719	119,842
Fundraising and development	<u>71,464</u>	<u>-</u>	<u>71,464</u>	<u>69,445</u>
Total expenses	<u>1,150,659</u>	<u>-</u>	<u>1,150,659</u>	<u>1,094,365</u>
Change in net assets	(14,256)	(1,162)	(15,418)	(36,247)
Net assets, beginning of year	<u>53,955</u>	<u>119,703</u>	<u>173,658</u>	<u>209,905</u>
Net assets, end of year	<u>\$ 39,699</u>	<u>\$ 118,541</u>	<u>\$ 158,240</u>	<u>\$ 173,658</u>

See accompanying notes.

Puente de la Costa Sur
Statements of Functional Expenses
Year ended June 30, 2010

	2010				2009
	Programs	General and administrative	Fundraising	Total	Total
Salaries	\$ 468,623	\$ 26,876	\$ 23,904	\$ 519,403	\$ 439,064
Payroll taxes	48,196	3,046	2,280	53,522	44,931
Other employee benefits	38,076	6,070	5,786	49,932	58,781
Contract services	75,993	1,162	33,106	110,261	84,270
Accounting fees	-	53,680	-	53,680	44,271
Insurance	2,250	2,377	547	5,174	3,792
Depreciation and amortization	-	7,366	-	7,366	6,822
Program expenses					
In-kind food and supplies	187,948	3,000	-	190,948	284,811
Computer/internet access	18,279	4,297	2,797	25,373	20,867
Transportation	27,163	-	74	27,237	28,704
Food	23,286			23,286	6,781
Shelter	8,639			8,639	8,777
Other	18,741	-	-	18,741	13,289
Occupancy and space rental	8,870	4,796	79	13,745	19,510
Office expenses	14,663	3,746	658	19,067	18,384
Professional development	6,552	-	400	6,952	8,243
Community outreach	8,570	-	1,761	10,331	2,111
Miscellaneous	6,627	303	72	7,002	957
Total expenses	\$ 962,476	\$ 116,719	\$ 71,464	\$ 1,150,659	\$ 1,094,365
Percentage of expense to total expense	84%	10%	6%	100%	

See accompanying notes.

Puente de la Costa Sur
Statements of Cash Flows
Year ended June 30, 2010

	<u>2010</u>	<u>2009</u>
Cash flows to operating activities		
Change in net assets	\$ (15,418)	\$ (36,247)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Changes in current assets and liabilities		
Depreciation expense	7,366	6,822
Accounts receivable	16,990	(29,301)
Prepaid expenses	3,573	(3,399)
Accounts payable	(14,961)	9,039
Accrued liabilities	8,086	1,172
Deferred revenue	<u>(27,000)</u>	<u>27,000</u>
Net cash used by operating activities	(21,364)	(24,914)
Cash used by investing activities		
Purchases of property and equipment	<u>(12,300)</u>	<u>(24,619)</u>
Net cash used by investing activities	<u>(12,300)</u>	<u>(24,619)</u>
Net decrease in cash and cash equivalents	(33,664)	(49,533)
Cash and cash equivalents, beginning of year	<u>130,424</u>	<u>179,957</u>
Cash and cash equivalents, end of year	<u><u>\$ 96,760</u></u>	<u><u>\$ 130,424</u></u>

See accompanying notes.

Puente de la Costa Sur
Notes to the Financial Statements
06/30/10

Note 1 – Summary of significant accounting policies

Basis of presentation

Puente de la Costa Sur is a non-profit California corporation that provides vital services for men, women, children and families living in the South Coast communities of Pescadero, La Honda, Loma Mar and San Gregorio. Puente provides food, clothing, rental and utility assistance; literacy programs for English and Spanish learners; enrollment in health insurance programs; educational health outreach, screening, and immunizations; parenting education and support programs, counseling and peer support for adults and children, and opportunities for youth leadership development, economic development, and community engagement and action. Puente de la Costa Sur also works with nursery, ranch and farm owners and workers to promote sustainable agricultural economy on the South Coast.

Basis of accounting

The accompanying financial statements are prepared on the accrual basis of accounting. Puente de la Costa Sur records revenues when earned and expenses when incurring the related obligation. Puente de la Costa Sur recognizes revenues from reimbursable cost contracts when incurring the related expenses.

Cash and cash equivalents

Cash consists of amounts on deposit with a commercial bank, available on demand. The carrying amount of such cash equivalents approximates fair value due to the short-term nature of these instruments.

Allowance for uncollectible accounts receivable

Puente de la Costa Sur uses the allowance method to account for uncollectible accounts receivable. Under this method, Puente de la Costa Sur reviews all receivables for any problems with collectability. If Puente de la Costa Sur feels that there may be a problem with collections, an allowance is provided for the receivable. When attempts to collect a specific receivable are unsuccessful, the account is considered uncollectible and is written off against the allowance. At June 30, 2010 and 2009, Puente de la Costa Sur concluded that an allowance for doubtful accounts was not necessary.

Furniture and equipment

Puente de la Costa Sur capitalizes expenditures of \$2,500 or more when making outlays for property and equipment. Purchases of furniture and equipment are recorded at cost. Donated furniture and equipment are stated at fair value. Equipment and furniture depreciation will be computed on the straight-line method over estimated useful lives of five or seven years.

Puente de la Costa Sur
Notes to the Financial Statements
06/30/10

Note 1 – Summary of significant accounting policies (continued)

Leasehold improvements

Expenditures for improvements to leased facilities are amortized over the life of the lease relevant to that property.

Net assets

Financial statement presentation follows the recommendation of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. SFAS No. 117 requires Puente de la Costa Sur to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted.

Puente de la Costa Sur classifies net assets into one of the three classes depending on the presence and type of donor restrictions limiting the ability of Puente de la Costa Sur to use or dispose of specific contributed assets or the economic benefits embodied in those assets. Puente de la Costa Sur considers donor stipulations as restrictions only when they include limitations on the use of contributed assets that are more specific than the broad limits imposed by the purpose and nature of Puente de la Costa Sur.

Unrestricted net assets include those net assets not restricted by donors, although the board of directors may limit their use.

Temporarily restricted net assets include those net assets restricted by donor specified time or purpose. The balance of temporarily restricted net assets consists of funds received by or committed to Puente de la Costa Sur that had not yet met donor stipulations. Permanently restricted net assets include those net assets that must be maintained in perpetuity. Permanently restricted net assets increase when Puente de la Costa Sur receives contributions with donor-imposed restrictions limiting use of an asset or its economic benefits that neither expires with passage of time nor by meeting certain usage restrictions. In the absence of donor stipulations to the contrary, donor restrictions on the use of revenue from permanently restricted net assets also extend to net appreciation of the assets. Puente de la Costa Sur had no permanently restricted net assets at June 30, 2010.

In-kind support

Puente de la Costa Sur records contributions of goods and services at their fair market value only if they create or enhance a non-financial asset or require specialized skills, are provided by entities or persons possessing those skills and Puente de la Costa Sur would have purchased the goods or services if they did not receive them as contributions.

Puente de la Costa Sur
Notes to the Financial Statements
06/30/10

Note 1 – Summary of significant accounting policies (continued)

Allocation of functional expenses

The costs of providing Puente de la Costa Sur's various programs and other activities have been summarized on a functional basis in the statement of changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services based on estimates of time and usage.

Income taxes

Puente de la Costa Sur has been advised by governmental authorities that it is exempt from federal income and state franchise taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the Revenue and Taxation Code of the State of California. Puente de la Costa Sur has been classified as other than a private foundation under Internal Revenue Codes Section 509(a) (1). Accordingly, donors are entitled to the maximum charitable contribution allowed by law.

Puente de la Costa Sur has applied the provisions of Financial Accounting Standards Board (FASB) Interpretation Number 48 (FIN 48), *"Accounting for Uncertainty in Income Taxes – An interpretation of FASB Statement Number 109."* Puente de la Costa Sur has evaluated its uncertain tax positions using the provisions of FASB Statement Number 5, *"Accounting for Contingencies."*

Accordingly, Puente de la Costa Sur may recognize a loss contingency when it is probable that it has incurred a liability as of the date of the financial statements and it can estimate reasonably the amount of the loss.

The amount it recognizes is subject to estimate and management judgment with respect to the likely outcome of each uncertain tax position. The amount that taxing authorities ultimately sustain for individual or aggregate uncertain tax positions could differ from the amount recognized herein. Management has evaluated all positions taken on income tax returns and does not believe that any current positions would be subject to adjustments under FIN 48.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Although these estimates are based on management's knowledge of current events and actions it may undertake in the future, they may ultimately differ from actual results.

Puente de la Costa Sur
Notes to the Financial Statements
06/30/10

Note 1 – 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. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States. Accordingly, such information should be read in conjunction with the audited financial statements for the year ended December 31, 2009, from which the summarized information was derived.

Recent accounting pronouncements

In May 2009, the FASB issued SFAS No. 165, *Subsequent Events* (SFAS 165). SFAS 165 establishes general standards of accounting and disclosures of events that occur after the statement of financial position date but before financial statements are issued or are available to be issued. SFAS 165 requires disclosure of the date through which management has evaluated subsequent events and the basis for that date. SFAS 165 was effective for fiscal periods ending after June 15, 2009. The adoption of SFAS 165 did not have a material impact on Puente de la Costa Sur's disclosures.

Recent accounting pronouncements (continued)

In June 2009, the FASB issued SFAS No. 168, *The FASB Accounting Standards codification and the Hierarchy of Generally Accepted Accounting Principles* (SFAS 168), a replacement of FASB Statement No. 162, *The Hierarchy of generally Accepted Accounting Principles*. SFAS 168 establishes the FASB Accounting Standards Codification (Codification) as the source of authoritative accounting principles recognized by the FASB to be applied by nongovernmental entities in the preparation of financial statements in conformity with US-GAAP.

SFAS 168 is effective for financial statements issued for annual periods ending after September 15, 2009. The codification is not intended to change US-GAAP and will have no impact on Puente de la Costa Sur's financial statements. However, since the codification completely supersedes existing accounting standards, it will affect the way authoritative accounting pronouncements are referenced in future financial statements.

Fair value measurements

On July 1, 2009, Puente de la Costa Sur adopted Statement of Accounting Standards No. 157, *Fair value measurement* (SFAS 157), which defines fair value, establishes a framework for measuring fair value to measure assets and liabilities, and expands disclosures about fair value measurements.

Puente de la Costa Sur
Notes to the Financial Statements
06/30/10

Note 1 – Summary of significant accounting policies (continued)

Fair value measurements

Fair value is defined under SFAS 157 as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the assets or liabilities in an orderly transaction between market participants on the measurement date. Subsequent changes in fair value of these financial assets and liabilities are recognized in the change in net assets when they occur. SFAS 157 applies whenever other statements require or permit assets or liabilities to be measured at fair value. SFAS 157 was effective for fiscal years beginning after November 15, 2007, except for non-financial assets and liabilities that are recognized or disclosed at fair value in the financial statements on a nonrecurring basis, for which application has been deferred for one year by the issuance of FASB Staff Position 15-2.

On July 1, 2009, Puente de la Costa Sur also adopted SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* (SFAS 159), which provided an irrevocable option to elect fair value for the initial and subsequent measurement for certain financial assets and liabilities under an instrument-by-instrument election. Puente de la Costa Sur has not elected fair value as an irrevocable option for any of its financial assets or liabilities.

Note 2 – Accounts and grants receivable

Accounts receivable at June 30, 2010 consists of \$11,545 remaining to be received in service fees/government contract revenue from the County of San Mateo. Grants and pledges receivable at June 30, 2010 consists of \$27,351 remaining to be received from private foundations, \$7,500 in grants from United Way and \$1,365 from individuals.

Accounts receivable at June 30, 2009 consists of \$18,877 remaining to be received in service fees/government contract revenue from the County of San Mateo, \$25,000 of grant funds from the Kaiser Foundation, \$13,000 remaining to be received from the United Way, \$7,000 in pledges and an \$874 credit due from a vendor.

Note 3 – Commitments

Puente de la Costa Sur leased office space under an operating lease with the La Honda-Pescadero Unified School District. The lease commenced on July 1, 2008 with an annual rent payment of \$120 and a term of eight years. The contract is subject to annual review and may be modified at that time. Occupancy costs for the year ended June 30, 2010 was \$13,745, (2009 - \$19,510).

Puente de la Costa Sur
Notes to the Financial Statements
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Note 3 – Commitments (continued)

Included in occupancy costs is satellite space rental for La Sala, a place for local migrant workers to receive hot meals and assistance with emergency needs.

Puente de la Costa Sur has been granted \$25,000 from the San Francisco Foundation for the purpose of meeting disaster-related food, shelter, and health services in the event of a major disaster. Since this grant is contingent upon a disaster actually occurring, the grant has not been recognized as revenue on the organization's books.

Note 4 – Retirement account

Puente de la Costa Sur sponsors a defined contribution plan (Plan) under IRC Section 403(b) for its employees. The Plan allows participating employees to defer a portion of their compensation into income tax-deferred investments. The contribution rate is elective per employee and Puente de la Costa Sur does a match of 6%. For the year ended June 30, 2010, Puente de la Costa Sur made contributions to the plan totaling \$12,584 (2009 - \$16,189).

Note 5 – In-kind contributions

Puente receives a significant amount of in-kind contributions in the form of food and supplies. The primary source of these contributions is the Second Harvest Food Bank of Santa Clara and San Mateo Counties. The value of non-cash contributions for the year ended June 30, 2010 was \$203,248 (\$284,810 - 2009).

Included in the non-cash contributions for the year ended June 30, 2010 are capitalized improvements to the organization's facilities. Exterior upgrades to the building, access paths and water drains were contributed and installed by Rebuilding Together Peninsula.

Note 6 – Risks and uncertainties

Puente de la Costa Sur has received support that may be subject to audit or review by the grantor agencies. Management believes that Puente de la Costa Sur has complied with all aspects of grant and contract provisions and disallowed costs, if any, would be insignificant to its financial position. Revenues from government contracts in the accompanying statement of activities consist principally of amounts earned under the terms of contracts with the Counties of San Mateo and the Santa Clara Office of Education.

Puente de la Costa Sur
Notes to the Financial Statements
06/30/10

Note 7 – Temporarily restricted net assets

At June 30, 2010 Puente de la Costa Sur had temporarily restricted net assets of \$118,541. This balance consists of program restricted assets of \$118,541 and no time restricted assets.

	June 30, 2009	Additions	Releases	June 30, 2010
<u>Program Restrictions</u>				
Bella Vista Foundation	\$ -	\$ 40,000	\$ (15,289)	\$ 24,711
Bothin Foundation	9,200	-	(1,025)	8,175
David & Lucille Packard Foundation	-	20,000	(10,000)	10,000
Grove Foundation	12,854	50,000	(38,270)	24,584
Horizons Foundation-Youth Bridges	-	12,000	(12,000)	-
Kaiser Foundation	22,516	20,000	(22,516)	20,000
Mills Foundation	-	15,000	(15,000)	-
Morris Stulsaft Foundation (Learning Center)	11,201	-	(3,964)	7,237
Philanthropic Ventures Foundation	-	15,000	(15,000)	-
San Francisco Foundation	-	2,000	-	2,000
Silicon Valley Community Foundation	24,418	83,702	(101,977)	6,143
United Way of the Bay Area	8,614	17,000	(18,365)	7,249
University of CA -IME Becas	-	10,000	(1,558)	8,442
Total program restricted assets	88,803	284,702	(254,964)	118,541
<u>Time restrictions</u>				
Sand Hill Foundation	30,900	-	(30,900)	-
Total time restricted assets	30,900	-	(30,900)	-
	<u>\$ 119,703</u>	<u>\$ 284,702</u>	<u>\$ (285,864)</u>	<u>\$ 118,541</u>