

PUENTE DE LA COSTA SUR

Financial Statements

and

Reports Required by Government Auditing Standards
and OMB Circular A-133

Year ended June 30, 2012

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Report of Independent Auditors

CERTIFIED PUBLIC
ACCOUNTANTS

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

Board of Directors
Puente de la Costa Sur
Pescadero, California

We have audited the accompanying statement of financial position of Puente de la Costa Sur as of June 30, 2012, 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, 2011 financial statements and, in our report dated October 12, 2011; we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States 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 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, 2012, and the results of its operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 10, 2012, on our consideration of Puente de la Costa Surs' internal control over financial reporting and on our tests of compliance with certain provisions of laws, regulations, contracts, 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 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* and should be considered in assessing the results of our audit.



Wilson Markle Stuckey Hardesty & Bott, LLP
September 26, 2012

Puente de la Costa Sur
Statements of Financial Position
June 30, 2012

Assets	<u>2012</u>	<u>2011</u>
Current assets		
Cash and cash equivalents	\$ 242,562	\$ 139,589
Accounts and grants receivable	96,513	107,133
Prepaid expenses and other current assets	<u>17,645</u>	<u>9,944</u>
Total current assets	356,720	256,666
Property and equipment, at cost		
Furniture and equipment	19,239	19,239
Leasehold improvements	128,552	78,762
Accumulated depreciation and amortization	<u>(49,421)</u>	<u>(27,016)</u>
Total	<u>98,370</u>	<u>70,985</u>
Total assets	<u><u>\$ 455,090</u></u>	<u><u>\$ 327,650</u></u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 22,246	\$ 28,824
Accrued liabilities	60,238	43,030
Deferred revenue	<u>5,344</u>	<u>6,950</u>
Total current liabilities	87,828	78,803
Long term liabilities		
Notes payable - County of San Mateo - Facilities improvements	<u>37,603</u>	<u>-</u>
Total long term liabilities	37,603	-
Total liabilities	<u>125,431</u>	<u>78,803</u>
Net assets		
Unrestricted	112,256	93,984
Temporarily restricted	<u>217,403</u>	<u>154,863</u>
Total net assets	<u>329,659</u>	<u>248,847</u>
Total liabilities and net assets	<u><u>\$ 455,090</u></u>	<u><u>\$ 327,650</u></u>

See accompanying notes.

Puente de la Costa Sur
 Statements of Activities and Changes in Net Assets
 Year ended June 30, 2012
 With Comparative Totals Only for the Year Ended June 30, 2011

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>2012 Total</u>	<u>2011 Totals only</u>
Support and revenue				
Contributions				
Foundations	\$ 38,000	\$ 415,000	\$ 453,000	\$ 258,646
Individuals	213,904	1,300	215,204	266,603
Corporate	1,995	-	1,995	2,763
Other charitable organizations	36,020	-	36,020	29,896
In-kind contributions	88,146	-	88,146	232,722
Government grants/contracts	819,131	-	819,131	820,172
Program service fees	33,821		33,821	24,923
Net assets released from restrictions	<u>353,760</u>	<u>(353,760)</u>	<u>-</u>	<u>-</u>
Total revenue and support	1,584,777	62,540	1,647,317	1,635,725
Expenses				
Programs	1,325,007	-	1,325,007	1,316,140
General and administrative	156,059	-	156,059	138,003
Fundraising and development	<u>85,439</u>	<u>-</u>	<u>85,439</u>	<u>90,975</u>
Total expenses	<u>1,566,505</u>	<u>-</u>	<u>1,566,505</u>	<u>1,545,118</u>
Change in net assets	18,272	62,540	80,812	90,607
Net assets, beginning of year	<u>93,984</u>	<u>154,863</u>	<u>248,847</u>	<u>158,240</u>
Net assets, end of year	<u><u>\$ 112,256</u></u>	<u><u>\$ 217,403</u></u>	<u><u>\$ 329,659</u></u>	<u><u>\$ 248,847</u></u>

See accompanying notes.

Puente de la Costa Sur
 Statements of Functional Expenses
 Year ended June 30, 2012
 With Comparative Totals Only for the Year Ended June 30, 2011

	Programs	General and administrative	Fundraising and development	2012 Total	2011 Totals only
Salaries	\$ 669,222	\$ 80,032	\$ 27,466	\$ 776,720	\$ 717,175
Payroll taxes	71,446	7,688	2,679	81,813	81,838
Other employee benefits	52,440	17,603	3,286	73,329	67,693
Contract services	143,873	12,592	28,219	184,684	144,527
Accounting fees	64,368	7,260	2,772	74,400	74,148
Insurance	5,605	1,590	225	7,420	6,274
Depreciation and amortization	5,994	16,411	-	22,405	12,828
In-kind supplies and services	78,118	-	10,028	88,146	200,722
Computer/internet access	47,966	7,148	1,002	56,116	37,746
Transportation	38,496	172	38	38,706	43,884
Food	18,486	45	-	18,531	17,538
Shelter	2,166	-	-	2,166	5,926
Scholarships/stipends	13,744	-	-	13,744	21,001
Materials and supplies	14,524	989	5,399	20,912	30,797
Occupancy and space rental	24,023	1,151	350	25,524	12,144
Office expenses	43,031	2,449	3,575	49,055	53,448
Professional development	15,596	249	400	16,245	12,856
Community outreach	15,557	500	-	16,057	4,430
Miscellaneous	352	180	-	532	143
Total expenses	<u>\$ 1,325,007</u>	<u>\$ 156,059</u>	<u>\$ 85,439</u>	<u>\$ 1,566,505</u>	<u>\$ 1,545,118</u>
Percentage of expense to total expense	85%	10%	5%	100%	

See accompanying notes.

Puente de la Costa Sur
Statements of Cash Flows
Year ended June 30, 2012

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities		
Change in net assets	\$ 80,812	\$ 90,607
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Changes in current assets and liabilities		
Depreciation expense	22,405	12,828
Accounts and grants receivable	10,620	(59,372)
Prepaid expenses and other current assets	(7,701)	(2,147)
Accounts payable	(6,578)	9,076
Accrued liabilities	17,208	24,512
Deferred revenue	<u>(1,606)</u>	<u>6,950</u>
Net cash provided by operating activities	115,160	82,454
Cash used by investing activities		
Purchases of property and equipment	(49,790)	(7,625)
Borrowings under notes payable - County of San Mateo - Facilities improvements	37,603	-
Inkind donation of playground equipment	<u>-</u>	<u>(32,000)</u>
Net cash used by investing activities	<u>(12,187)</u>	<u>(39,625)</u>
Net increase in cash and cash equivalents	102,973	42,829
Cash and cash equivalents, beginning of year	<u>139,589</u>	<u>96,760</u>
Cash and cash equivalents, end of year	<u><u>\$ 242,562</u></u>	<u><u>\$ 139,589</u></u>

Noncash contribution of playground equipment and labor for installation were added during the year ended June 30, 2011 with a value of \$32,000.

See accompanying notes.

Puente de la Costa Sur
Notes to Financial Statements
June 30, 2012

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 de la Costa Sur 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 and cash equivalents consist of amounts on deposit with a commercial bank, available on demand. At June 30, 2012, and at various times during the year then ended, Puente de la Costa Sur had deposits exceeding federally insured amounts. For purposes of the statement of cash flows, Puente de la Costa Sur considers investments with initial maturities of three months or less to be cash equivalents.

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 the organization 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, 2012, Puente de la Costa Sur concluded that an allowance for doubtful accounts was not necessary.

Puente de la Costa Sur
Notes to Financial Statements
June 30, 2012

Note 1 – Summary of significant accounting policies (continued)

Property and equipment

Puente de la Costa Sur capitalizes expenditures of \$5,000 or more when making outlays for property and equipment. Purchases of property and equipment are recorded at cost. Donated property and equipment are stated at fair value. Depreciation is computed on the straight-line basis over estimated useful lives of five to seven years, except for leasehold improvement property which is amortized over the lesser of the life of the leasehold improvement or the life of the related lease.

Deferred revenue

Deferred revenue consists of amounts advanced or drawn down under fee-for-service contracts that exceed revenue earned.

Net Assets

Certain support for the programs of Puente de la Costa Sur may be directed by the donors to specific periods or programs. Puente de la Costa Sur classifies such amounts as temporarily restricted revenue and net assets in the accompanying financial statements. When donor restrictions expire or are otherwise met, Puente de la Costa Sur reclassifies temporarily restricted net assets as unrestricted net assets.

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.

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 23701(d) of the Revenue and Taxation Code of the State of California.

Puente de la Costa Sur
Notes to Financial Statements
June 30, 2012

Note 1 –Summary of significant accounting policies (continued)

Income taxes (continued)

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. Management of the organization concluded that no activities of Puente de la Costa Sur jeopardized its exemption from income taxes, its classification as a “public charity” or subjected the organization to taxes on unrelated business income. Consequently, Puente de la Costa Sur did not provide for any income taxes. Management believes that the organization has adequately addressed all tax positions and that there are no unrecorded tax liabilities. Tax years 2008 to 2011 are open for examination by the Internal Revenue Service and years 2007 to 2011 by the California Franchise Tax Board.

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.

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 June 30, 2011, from which the summarized information was derived.

Subsequent events

Puente de la Costa Sur evaluated subsequent events for recognition and disclosure through September 26, 2012, the date which these financial statements were available to be issued. Management concluded that no material subsequent events have occurred since June 30, 2012 that required recognition or disclosure in such financial statements.

Puente de la Costa Sur
Notes to Financial Statements
June 30, 2012

Note 2 – Accounts and grants receivable

Accounts and grants receivable at June 30, 2012 consists primarily of amounts remaining to be received in service fees/government contract revenue from the County of San Mateo, totaling \$69,590 and a grant from the University of California – Berkeley totaling \$15,000.

Accounts receivable at June 30, 2011 consisted primarily of reimbursable expenses remaining to be received from the County of San Mateo, totaling \$78,587. An additional amount of \$28,546 is the balance due from a grant provided by the Silicon Valley Community Foundation.

Note 3 – Notes payable – County of San Mateo

Puente de la Costa Sur was awarded two Community Development Block Grants for the purposes of renovation to the bathrooms and the resource center. These funds were granted under a loan forgiveness program through the County of San Mateo. The two notes bear fixed interest at three percent per year and both principal and interest are due at maturity. The loan amounts are \$30,000 and \$25,000 with maturity at June 30, 2015 and November 1, 2015, respectively. At June 30, 2012, \$30,000 of the first note has been borrowed and \$7,603 of the second note has been borrowed; total notes payable is \$37,603. The terms of the loans specify that default would be considered to have occurred if the Organization ceased to use the facilities in the manner for which the grant application stated or if they deserted the premises. The Organization has no plans to relocate and currently maintains a Memorandum of Understanding and a lease contract with the landlord (LaHonda-Pescadero Unified School District) that permits them to occupy the space through June 30, 2016.

Management of Puente de la Costa Sur intends to comply with the agreement in the future and believes that the County of San Mateo will ultimately forgive all deferred interest. Accordingly, the Puente de la Costa Sur does not accrue the interest deferral or record interest expense on this note. Deferred and non-accrued interest as of June 30, 2012 totals \$1,500 and \$0, respectively.

Note 4 – Commitments

Puente de la Costa Sur leases 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.

Puente de la Costa Sur
Notes to Financial Statements
June 30, 2012

Note 4 – Commitments (continued)

Puente de la Costa Sur entered into an operating lease for additional office space in the town of La Honda. The lease commenced on June 27, 2011 with a monthly rent payment of \$750 and term of one year. The contract includes a one year option to renew at the existing rate. The option was exercised in June 2012 with a monthly rent payment of \$850.

Occupancy costs for the year ended June 30, 2012 was \$25,524 (2011 - \$12,144). 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. Also included are utilities cost for all leased properties.

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 5 – 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 matching cap of the first 6% of employee contributions. For the year ended June 30, 2012, Puente de la Costa Sur made contributions to the plan totaling \$16,944, (2011 - \$17,221).

Note 6 – In-kind contributions

Previously, Puente de la Costa Sur had received a significant amount of in-kind contributions in the form of food and supplies. The primary source of these contributions was the Second Harvest Food Bank of Santa Clara and San Mateo Counties. During the year ended June 30, 2012, Puente partnered with another nonprofit to manage the distributions, thus the value of in-kind contributions dropped significantly. The value of non-cash contributions for the year ended June 30, 2012 was \$88,146 (2011 - \$232,722).

Included in the non-cash contributions for the year ended June 30, 2011 are capitalized improvements to the Puente de la Costa Surs' facilities. A children's playground structure was contributed and installed by The Institute for Human and Social Development, valued at \$32,000.

Puente de la Costa Sur
Notes to Financial Statements
June 30, 2012

Note 7 – Temporarily restricted net assets

At June 30, 2012 Puente de la Costa Sur had temporarily restricted net assets of \$217,403. This balance consists of program restricted net assets only.

<u>Program Restrictions</u>	<u>June 30, 2011</u>	<u>Additions</u>	<u>Releases</u>	<u>June 30, 2012</u>
Bella Vista Foundation	\$ -	\$ 40,000	\$ (214)	\$ 39,786
Bothin Foundation	6,396	-	(6,396)	-
David & Lucille Packard Foundation	22,387	20,000	(23,616)	18,771
Gordon & Betty Moore Foundation	-	10,000	(39)	9,961
Grove Foundation	44,421	32,000	(47,183)	29,238
Institute for Mexicans Abroad (UC Berkeley)	-	15,000	-	15,000
Mills-Peninsula Health Services	-	15,000	(7,553)	7,447
Morris Stulsaft Foundation	4,794	-	(1,285)	3,509
Philanthropic Ventures Foundation	-	60,000	(22,903)	37,097
San Francisco Foundation	14,282	30,000	(40,696)	3,586
The TomKat Foundation	35,166	45,000	(40,017)	40,149
Silicon Valley Community Foundation	27,158	148,000	(163,535)	11,623
Individual Donors – designated	259	1,300	(323)	1,236
	<u>\$ 154,863</u>	<u>\$416,300</u>	<u>\$(353,760)</u>	<u>\$ 217,403</u>
Total program restricted net assets	\$ 154,863	\$416,300	\$(353,760)	\$ 217,403
Total temporarily restricted net assets	<u>\$ 154,863</u>	<u>\$416,300</u>	<u>\$(353,760)</u>	<u>\$ 217,403</u>

Note 8 – 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.

DONALD WILSON

ALAN MARKLE

CHARLES STUCKEY

DAVID HARDESTY

DAVID BOTT

DAVID BAILEY

MICHAEL SMITH

Independent Auditors' Report on the Schedule of Expenditures of Federal Awards

Board of Directors
Puente de la Costa Sur
Pescadero, California

We have audited the accompanying schedule of expenditures of federal awards for the Workforce Investment Act-youth activities and Block Grants for Prevention and Treatment of Substance Abuse programs for Puente de la Costa Sur for the year ended June 30, 2012. Our responsibility is to express an opinion on the financial statement of the programs based upon our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and the 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 schedule of expenditures of federal awards referred to above presents fairly, in all material respects, the expenditures of federal awards under the Workforce Investment Act-youth activities and Block Grants for Prevention and Treatment of Substance Abuse programs in conformity with accounting principles generally accepted in the United States.



Wilson Markle Stuckey Hardesty & Bott, LLP
September 26, 2012

Puente de la Costa Sur
Schedule of Expenditures of Federal Awards
Year ended June 30, 2012

	Sources, grantors and programs	CFDA	Contract	Expenditures
C	Department of Housing and Urban Development Community Development Block Grant - Entitlement	14.218	75100-10-C329	\$ 20,000
C	Department of Housing and Urban Development Community Development Block Grant - Recovery	14.253	79000-11-C153	30,000
C	Department of Housing and Urban Development Community Development Block Grant - Recovery	14.253	79000-11-D013	<u>7,603</u>
	Total Department of Housing and Urban Development			57,603
C	Department of Labor Workforce Investment Act- youth activities	17.259	070759	232,800
C	Department of Health & Human Services Block Grants for Prevention and Treatment of Substance Abuse	93.959	071658	<u>119,023</u>
	Total federal expenditures			<u>\$ 409,426</u>

Notes to Schedule of Expenditures of Federal Awards

Note A - Basis of presentation

The accompanying schedule of expenditures of federal awards (Schedule) includes the governmental grant activity of Puente de la Costa Sur under programs of Federal agencies for the year ended June 30, 2012. Management presents the information in the Schedule in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Because the Schedule presents only a selected portion of the operations of Puente de la Costa Sur, it cannot 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

Management reports the expenditures on the Schedule using the accrual basis of accounting and recognizes such expenditures following the cost principles contained in OMB Circular A-122, Cost Principles for Non-Profit Organizations, which limits certain types of expenditures as not allowable or reimbursable.

Note C - Pass-through entities

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

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

We have audited the financial statements of Puente de la Costa Sur as of June 30, 2012 and for the year then ended, and have issued our report thereon dated September 26, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits in *Government Auditing Standards*, issued by the Comptroller General.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Puente de la Costa Sur's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Puente de la Costa Sur's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Puente de la Costa Sur's internal control over financial reporting.

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 a combination of significant 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.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Puente de la Costa Sur's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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*.

This report is intended solely for the information of the audit committee, management, and the County of San Mateo. This report is not intended to be and should not be used by anyone other than these specified parties.


Wilson Markle Stuckey Hardesty & Bott, LLP
September 26, 2012

Independent Auditors' Report on Compliance with Requirements that Could have a
Direct and Material Effect on Each Major Program and on Internal Control over
Compliance in Accordance With the Program-Specific Audit Option Under OMB Circular
A-133

Board of Directors
Puente de la Costa Sur
Pescadero, California

Compliance

We have audited the compliance of Puente de la Costa Sur with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on its major federal programs for the year ended June 30, 2012. We identified the major programs of Puente de la Costa Sur as Workforce Investment Act – youth activities and Block Grants for the Prevention and Treatment of Substance Abuse in the Schedule of Expenditures of Federal Awards. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of the management of Puente de la Costa Sur. Our responsibility is to express an opinion on the compliance of Puente de la Costa Sur, based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about compliance of Puente de la Costa Sur with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of compliance by Puente de la Costa Sur with those requirements.

In our opinion, Puente de la Costa Sur complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2012.

Internal Control over Compliance

Management of Puente de la Costa Sur is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Puente de la Costa Sur's internal control over compliance with the requirements that could have a direct and material effect on its major federal programs to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance.

A deficiency in the internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

We intend this report solely for the information and use of the audit committee, management, others within Puente de la Costa Sur, federal awarding agencies and pass-through entities and it is not intended to be and should not be used by anyone other than these specified parties.



Wilson Markle Stuckey Hardesty & Bott, LLP
September 26, 2012

PUENTE DE LA COSTA SUR
Schedule of Findings and Questioned Costs
June 30, 2012

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued:	Unqualified
Internal control over financial reporting:	
• Material weaknesses identified?	No
• Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
• Material weaknesses identified?	No
• Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Type of auditor’s report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in Accordance with section 510(a) of Circular A-133?	No
Identification of major programs:	

CFDA Number	Name of Major Federal Programs
17.259	Workforce Investment Act – youth activities
93.959	Block Grants for Prevention and Treatment of Substance Abuse

Dollar threshold used to distinguish between type A and type B Programs:	\$300,000
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Auditee qualified as low-risk auditee?	No
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PUENTE DE LA COSTA SUR
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SECTION II – FINANCIAL STATEMENT FINDINGS

None found or reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None found or reported.