

Puente de la Costa Sur

Financial Statements

Year ended June 30, 2008

with

Report of Independent Auditors

WILSON
MARKLE
STUCKEY
HARDESTY
& BOTT

Report of Independent Auditors

Board of Directors
Puente de la Costa Sur

We have audited the accompanying statement of financial position of Puente de la Costa Sur as of June 30, 2008, 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.

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, 2008, 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.

Wilson Markle Stuckey Hardesty & Bott
Wilson Markle Stuckey Hardesty & Bott
September 25, 2008

Puente de la Costa Sur
Statement of Financial Position
June 30, 2008

Assets

| | |
|---|--------------------------|
| Current assets | |
| Cash and cash equivalents | \$ 179,957 |
| Accounts receivable | 35,450 |
| Prepaid expenses and other current assets | <u>7,971</u> |
| Total current assets | 223,378 |
| Property and equipment, at cost | |
| Furniture and equipment | 17,957 |
| Leasehold improvements | <u>3,500</u> |
| Total | <u>21,457</u> |
| Total assets | <u><u>\$ 244,835</u></u> |

Liabilities and Net Assets

| | |
|----------------------------------|--------------------------|
| Current liabilities | |
| Accounts payable | \$ 25,670 |
| Accrued liabilities | <u>9,260</u> |
| Total current liabilities | 34,930 |
| Net assets | |
| Unrestricted | 90,592 |
| Temporarily restricted | <u>119,313</u> |
| Total net assets | <u>209,905</u> |
| Total liabilities and net assets | <u><u>\$ 244,835</u></u> |

See accompanying notes.

Puente de la Costa Sur
Statement of Activities and Changes in Net Assets
Year ended June 30, 2008

| | Unrestricted | Temporarily restricted | Total |
|---------------------------------------|---------------|---------------------------|----------------|
| Revenue and support | | | |
| Government grants/contracts | \$ 118,500 | \$ - | \$ 118,500 |
| Contributions | | | |
| Foundations | 135,000 | 214,200 | 349,200 |
| Individuals | 78,602 | - | 78,602 |
| Program service fees | 13,110 | - | 13,110 |
| Interest income | 996 | - | 996 |
| Other income | 3,810 | - | 3,810 |
| In-kind contributions | 275,354 | - | 275,354 |
| Net assets released from restrictions | 213,668 | (213,668) | - |
| Total revenue and support | 839,040 | 532 | 839,572 |
| Expenses | | | |
| Programs | 731,098 | - | 731,098 |
| Management and general | 74,893 | - | 74,893 |
| Fundraising and development | 31,600 | - | 31,600 |
| Total expenses | 837,591 | - | 837,591 |
| Change in net assets | 1,449 | 532 | 1,981 |
| Net assets, beginning of year | 89,143 | 118,781 | 207,924 |
| Net assets, end of year | \$ 90,592 | \$ 119,313 | \$ 209,905 |

See accompanying notes.

Puente de la Costa Sur
Statement of Functional Expenses
Year ended June 30, 2008

| | Programs | General and administrative | Fundraising | Total |
|--------------------------|-------------------|-------------------------------|------------------|-------------------|
| Salaries | \$ 268,705 | \$ 30,104 | \$ 15,444 | \$ 314,253 |
| Payroll taxes | 21,728 | 2,900 | 4,795 | 29,423 |
| Other employee benefits | 18,312 | 2,431 | 2,603 | 23,346 |
| Contract services | 53,297 | 755 | 5,055 | 59,107 |
| Accounting fees | - | 21,158 | - | 21,158 |
| Insurance | 2,366 | 789 | 563 | 3,718 |
| Program expenses | | | | |
| In-kind food | 271,816 | - | - | 271,816 |
| Transportation | 18,604 | 147 | 204 | 18,955 |
| Other | 33,367 | 169 | - | 33,536 |
| Professional development | 6,196 | 2,989 | 54 | 9,239 |
| Community outreach | 6,406 | 175 | 30 | 6,611 |
| Rent | 13,449 | 2,000 | - | 15,449 |
| Office expenses | 16,817 | 10,991 | 2,852 | 30,660 |
| Miscellaneous | 35 | 285 | - | 320 |
| Total expenses | \$ 731,098 | \$ 74,893 | \$ 31,600 | \$ 837,591 |

See accompanying notes.

Puente de la Costa Sur
Statement of Cash Flows
Year ended June 30, 2008

| | |
|---|--------------------------|
| Cash flows from operating activities | |
| Change in net assets | \$ 1,981 |
| Adjustments to reconcile change in net assets to net cash provided (used) by operating activities | |
| Changes in current assets and liabilities | |
| Accounts receivable | 63,284 |
| Prepaid expenses | (5,032) |
| Accounts payable | 10,390 |
| Accrued liabilities | <u>5,017</u> |
| Net cash provided by operating activities | 75,640 |
| | |
| Cash used by investing activities | |
| Decrease in certificates of deposit | 30,566 |
| Purchases of property and equipment | <u>(21,457)</u> |
| Net cash provided by investing activities | <u>9,109</u> |
| | |
| Net increase in cash and cash equivalents | 84,749 |
| | |
| Cash and cash equivalents, beginning of year | <u>95,208</u> |
| | |
| Cash and cash equivalents, end of year | <u><u>\$ 179,957</u></u> |

See accompanying notes.

PUENTE de la COSTA SUR
Notes to Financial Statements
June 30, 2008

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, renal 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 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.

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.

PUENTE de la COSTA SUR
Notes to Financial Statements
June 30, 2008

Note 1 – Summary of significant accounting policies (continued)

Net assets (continued)

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, 2008.

Property 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.

Cash and cash equivalents

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

PUENTE de la COSTA SUR
Notes to Financial Statements
June 30, 2008

Note 1 – Summary of significant accounting policies (continued)

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, 2008, Puente de la Costa Sur concluded that an allowance for doubtful accounts was not necessary.

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.

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 Financial Statements
June 30, 2008

Note 1 – Summary of significant accounting policies (continued)

Estimated fair value of financial instruments

Statement of Financial Accounting Standards No. 107, "Disclosure about Fair Value of Financial Instruments", requires the disclosure of the fair value of financial instruments, including assets and liabilities recognized on the statement of financial position. Management estimates that the aggregate net fair value of financial instruments recognized on the statement of financial position (including receivables, payables and accrued expenses) approximates their carrying value; as such financial instruments are short-term in nature or bear interest at current market rates.

Note 2 – Accounts receivable

Accounts receivable at June 30, 2008 consists of \$17,950 remaining to be received in service fees/government contract revenue primarily from the County of San Mateo.

Grants and pledges receivable at June 30, 2008 consists of \$15,000 remaining to be received from the United Way and a \$2,500 pledge from an individual.

Note 3 – Commitments

Puente de la Costa Sur leases office space under an operating lease with the La Honda-Pescadero Unified School District. The lease commences 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 also leases office space from a private individual for \$700 a month. The contract lapsed in 2005 and they have been on a month-to-month basis since then. Rent expense for the year ended June 30, 2008 was \$15,448 and this amount includes payments made for utilities.

PUENTE de la COSTA SUR
Notes to Financial Statements
June 30, 2008

Note 4 – 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 it 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 County of San Mateo.

Cash and cash equivalents at various times during the year ended June 30, 2008 included amounts with a commercial bank in excess of federal deposit insurance.

Note 5 – Temporarily restricted net assets

At June 30, 2008 Puente de la Costa Sur had temporarily restricted net assets of \$119,313. This balance consists of program restricted assets of \$11,655 and time restricted assets of \$107,658.

| | June 30, 2007 | 2007 Additions | 2007 Releases | June 30, 2008 |
|---|------------------|-------------------|------------------|------------------|
| <u>Program Restrictions</u> | | | | |
| <u>Adult Education</u> | | | | |
| University of California | \$ | \$ 14,000 | \$ (2,345) | \$ 11,655 |
| <u>Emergency Support</u> | | | | |
| Pescadero Community Foundation | 4,139 | 4,000 | (8,139) | - |
| Total program restricted assets | 4,139 | 18,000 | (10,484) | 11,655 |
| <u>Time Restrictions</u> | | | | |
| Lucille Packard Foundation | 28,602 | - | (28,602) | - |
| Silicon Valley Community Foundation | 25,628 | 60,000 | (82,295) | 3,333 |
| Community Action Agency | 3,914 | - | (3,914) | - |
| van Loben Sels/RembeRock Foundation | - | 7,500 | (4,375) | 3,125 |
| San Francisco Foundation | 34,900 | - | (34,900) | - |
| Sand Hill Foundation | 12,823 | 40,000 | (12,823) | 40,000 |
| United Way | - | 30,000 | (12,500) | 17,500 |
| Bothin Foundation | - | 28,700 | - | 28,700 |
| Atkinson Foundation | - | 30,000 | (15,000) | 15,000 |
| Management restricted | 8,775 | - | (8,775) | - |
| Total Time restricted assets | 114,642 | 196,200 | (203,184) | 107,658 |
| Total temporarily restricted net assets | \$ 118,781 | \$ 214,200 | \$(213,668) | \$ 119,313 |