

**WILSON
MARKLE
STUCKEY
HARDESTY
& BOTT LLP**

CERTIFIED PUBLIC
ACCOUNTANTS

DONALD WILSON
ALAN MARKLE
CHARLES STUCKEY
DAVID HARDESTY
DAVID BOTT
DAVID BAILEY
MICHAEL SMITH
SHIRLEY CHEN-BLUM

November 25, 2016

To the Board of Directors
Puente de la Costa Sur

We have audited the financial statements of Puente de la Costa Sur (the Organization) for the year ended June 30, 2016, and have issued our report thereon dated November 25, 2016. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and OMB Circular A-133), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated September 12, 2016. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Puente de la Costa Sur are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during fiscal year 2016. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. None of the misstatements detected as a result of audit procedures were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 25, 2016.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Board of Directors and the Executive Director of Puente de la Costa Sur and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,



Wilson Markle Stuckey Hardesty & Bott, LLP

PUENTE DE LA COSTA SUR

Financial Statements

and

Report Required by Government Auditing Standards

Year ended June 30, 2016

Table of Contents

| | |
|---|----|
| Report of Independent Auditors..... | 1 |
| Financial Statements | |
| Statements of Financial Position..... | 3 |
| Statements of Activities and Changes in Net Assets | 4 |
| Statements of Functional Expenses | 5 |
| Statements of Cash Flows..... | 6 |
| Notes to Financial Statements..... | 7 |
| Supplemental Information | |
| Schedule of Expenditures of Federal Awards..... | 13 |
| 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 <i>Government</i> <i>Auditing Standards</i> | 14 |

Report of Independent Auditors

CERTIFIED PUBLIC
ACCOUNTANTS

DONALD WILSON
ALAN MARKLE
CHARLES STUCKEY
DAVID HARDESTY
DAVID BOTT
DAVID BAILEY
MICHAEL SMITH
SHIRLEY CHEN-BLUM

Board of Directors
Puente de la Costa Sur
Pescadero, California

Report on the Financial Statements

We have audited the accompanying financial statements of Puente de la Costa Sur (a nonprofit organization), which comprise the statement of financial position as of June 30, 2016 and the related statements of activities and changes in net assets, 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; 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.

Auditors' Responsibility

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 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 from 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 assessment 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 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 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 Puente de la Costa Sur as of June 30, 2016, and the changes in net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by the County of San Mateo, is presented for purposes of additional analysis 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 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 December 22, 2016, on our consideration of Puente de la Costa Sur's internal control over financial reporting and on 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 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.

Report on Summarized Comparative Information

We have previously audited Puente de la Costa Sur's 2015 financial statements, and in our report dated October 25, 2015, we expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Wilson Markle Stuckey Hardesty & Bott, LLP
December 22, 2016

Puente de la Costa Sur
Statement of Financial Position
June 30, 2016
with comparative totals as of June 30, 2015

| Assets | <u>2016</u> | <u>2015</u> |
|---|---------------------|---------------------|
| Current assets | | |
| Cash and cash equivalents | \$ 1,848,336 | \$ 972,975 |
| Investments | 102,544 | 99,289 |
| Accounts and grants receivable | 152,779 | 160,973 |
| Prepaid expenses and other current assets | <u>36,016</u> | <u>37,781</u> |
| Total current assets | 2,139,675 | 1,271,018 |
| Property and equipment, at cost | | |
| Furniture and equipment | 19,239 | 19,239 |
| Leasehold improvements | 166,952 | 160,552 |
| Accumulated depreciation and amortization | <u>(177,542)</u> | <u>(148,168)</u> |
| Net property and equipment | <u>8,649</u> | <u>31,623</u> |
| Total assets | <u>\$ 2,148,324</u> | <u>\$ 1,302,641</u> |
| | | |
| Liabilities and Net Assets | | |
| Current liabilities | | |
| Accounts payable | \$ 48,838 | \$ 43,300 |
| Accrued liabilities | <u>125,816</u> | <u>93,629</u> |
| Total current liabilities | 174,654 | 136,929 |
| Long term liabilities | | |
| Notes payable - County of San Mateo | <u>-</u> | <u>55,000</u> |
| Total long term liabilities | - | 55,000 |
| Total liabilities | <u>174,654</u> | <u>191,929</u> |
| Net assets | | |
| Unrestricted | 1,336,274 | 854,453 |
| Temporarily restricted | <u>637,396</u> | <u>256,259</u> |
| Total net assets | <u>1,973,670</u> | <u>1,110,712</u> |
| Total liabilities and net assets | <u>\$ 2,148,324</u> | <u>\$ 1,302,641</u> |

See accompanying notes.

Puente de la Costa Sur
Statement of Activities and Changes in Net Assets
For the year ended June 30, 2016
with comparative totals only for the year ended June 30, 2015

| | <u>Unrestricted</u> | <u>Temporarily restricted</u> | <u>2016 Total</u> | <u>2015 Totals</u> |
|---|---------------------|-----------------------------------|-----------------------|------------------------|
| Support and revenue | | | | |
| Contributions | | | | |
| Foundations | \$ 345,759 | \$ 1,103,475 | \$ 1,449,234 | \$ 745,933 |
| Individuals & charitable organizations | 433,350 | 159,400 | 592,750 | 528,082 |
| Corporate/business | 12,593 | - | 12,593 | 13,434 |
| In-kind contributions | 72,140 | - | 72,140 | 64,560 |
| Grants and contracts | 968,266 | - | 968,266 | 799,317 |
| Program service fees | 111,040 | - | 111,040 | 80,258 |
| Forgiveness of note payable - County of San Mateo | 55,000 | - | 55,000 | - |
| Net investment income | 3,409 | - | 3,409 | (420) |
| Net assets released from restrictions | 881,738 | (881,738) | - | - |
| Total support and revenue | 2,883,295 | 381,137 | 3,264,432 | 2,231,164 |
| Expenses | | | | |
| Programs | 1,831,587 | - | 1,831,587 | 1,550,573 |
| General and administrative | 328,388 | - | 328,388 | 258,155 |
| Fundraising and development | 241,498 | - | 241,498 | 94,006 |
| Total expenses | 2,401,474 | - | 2,401,474 | 1,902,734 |
| Change in net assets | 481,821 | 381,137 | 862,958 | 328,430 |
| Net assets, beginning of year | 854,453 | 256,259 | 1,110,712 | 782,282 |
| Net assets, end of year | <u>\$ 1,336,274</u> | <u>\$ 637,396</u> | <u>\$ 1,973,670</u> | <u>\$ 1,110,712</u> |

See accompanying notes.

Puente de la Costa Sur
Statement of Functional Expenses
For the year ended June 30, 2016
with comparative totals only for the year ended June 30, 2015

| | Programs | General and administrative | Fundraising and development | 2016 Total | 2015 Totals |
|--|---------------------|-------------------------------|-----------------------------------|---------------------|---------------------|
| Salaries | \$ 956,973 | \$ 111,367 | \$ 157,649 | \$ 1,225,989 | \$ 1,024,614 |
| Payroll taxes | 93,804 | 12,161 | 17,215 | 123,181 | 90,431 |
| Other employee benefits | 72,840 | 24,455 | 18,145 | 115,440 | 104,182 |
| Contract services | 140,172 | 31,896 | 22,180 | 194,248 | 193,851 |
| Accounting fees | - | 100,480 | - | 100,480 | 87,280 |
| In-kind supplies and services | 55,253 | 16,887 | - | 72,140 | 64,560 |
| Shelter/emergency support | 86,585 | - | - | 86,585 | 41,358 |
| Capital expenditures | 37,269 | 4,771 | 2,271 | 44,311 | - |
| Depreciation and amortization | 22,408 | 3,128 | 3,838 | 29,374 | 33,591 |
| Office expenses | 32,233 | 4,198 | 5,714 | 42,145 | 33,447 |
| Food | 41,348 | 1,018 | 304 | 42,670 | 26,796 |
| Occupancy and space rental | 46,077 | 3,559 | 4,579 | 54,215 | 33,241 |
| Computer/internet access | 31,084 | 5,024 | 4,384 | 40,492 | 32,071 |
| Transportation | 36,308 | 476 | 260 | 37,044 | 31,968 |
| Materials and supplies | 49,356 | 836 | 444 | 50,636 | 28,541 |
| Printing and copying | 17,458 | 443 | 2,080 | 19,981 | 28,334 |
| Scholarships/stipends | 69,293 | - | - | 69,293 | 21,063 |
| Insurance | 8,761 | 1,272 | 1,538 | 11,571 | 9,575 |
| Community outreach | 14,508 | 3,150 | 233 | 17,891 | 7,885 |
| Equipment rental and maintenance | 7,005 | 482 | 633 | 8,120 | 4,625 |
| Professional development | 12,133 | - | - | 12,133 | 3,455 |
| Miscellaneous | 719 | 2,785 | 31 | 3,535 | 1,866 |
| Total expenses | \$ 1,831,587 | \$ 328,388 | \$ 241,498 | \$ 2,401,474 | \$ 1,902,734 |
| Percentage of expense to total expense | 76% | 14% | 10% | 100% | |

See accompanying notes.

Puente de la Costa Sur
Statement of Cash Flows
For the year ended June 30, 2016
with comparative totals for the year ended June 30, 2015

| | <u>2016</u> | <u>2015</u> |
|---|---------------------|-------------------|
| Cash flows from operating activities | | |
| Change in net assets | \$ 862,958 | \$ 328,430 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Changes in current assets and liabilities | | |
| Depreciation expense | 29,374 | 33,591 |
| Change in investment | (3,255) | 711 |
| Accounts and grants receivable | 8,194 | 66,139 |
| Prepaid expenses and other current assets | 1,765 | (1,073) |
| Accounts payable | 5,538 | 4,914 |
| Accrued liabilities | 32,187 | 20,202 |
| | <u>936,761</u> | <u>452,913</u> |
| Net cash provided by operating activities | 936,761 | 452,913 |
| Cash used by investing activities | | |
| Purchases of property and equipment | (6,400) | (6,687) |
| Purchase of investment | - | (100,000) |
| | <u>(6,400)</u> | <u>(106,687)</u> |
| Net cash used by investing activities | (6,400) | (106,687) |
| Cash flows from financing activities | | |
| Forgiveness of note payable - County of San Mateo | (55,000) | - |
| Net increase in cash and cash equivalents | 875,361 | 346,226 |
| Cash and cash equivalents, beginning of year | <u>972,975</u> | <u>626,749</u> |
| Cash and cash equivalents, end of year | <u>\$ 1,848,336</u> | <u>\$ 972,975</u> |

See accompanying notes.

Puente de la Costa Sur
Notes to Financial Statements
June 30, 2016

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 to men, women, children and families in the San Mateo County South Coast communities of Pescadero, La Honda, Loma Mar, and San Gregorio. Puente provides programs and services to build a healthy, sustainable and inclusive community. Puente provides 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. Puente also works with nursery, ranch and farm owners and workers to promote a 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 contributions when promised, 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 commercial banks, available on demand. At various times during the year ended and 2016, 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.

Investments

Investments consist of shares in a publicly traded mutual fund. Puente de la Costa Sur records the investment at fair market value, based on unadjusted quoted prices in active markets for identical assets (level one inputs) and records dividends, gains, losses and changes in fair market value (unrealized appreciation or depreciation), net of custodial and administrative fees, as net investment income.

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 collection, an allowance is provided for the receivable. When attempts to collect a

Puente de la Costa Sur
Notes to Financial Statements
June 30, 2016

Note 1 – Summary of significant accounting policies (continued)

specific receivable are unsuccessful, the account is considered uncollectible and is written off against the allowance. At June 30, 2016, Puente de la Costa Sur concluded that an allowance for doubtful accounts was not necessary.

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, 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.

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 support 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 activities and 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 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

Puente de la Costa Sur
Notes to Financial Statements
June 30, 2016

Note 1 – Summary of significant accounting policies (continued)

on unrelated business income. Consequently, Puente de la Costa Sur did not provide for any income taxes.

Income taxes (continued)

Management believes that the organization has adequately addressed all tax positions and that there are no unrecorded tax liabilities. Tax years 2012 to 2015 are open for examination by the Internal Revenue Service and years 2011 to 2015 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, 2015, from which the summarized information was derived.

Subsequent events

Puente de la Costa Sur evaluated subsequent events for recognition and disclosure through December 22, 2016, the date which these financial statements were available to be issued. Management concluded that no material subsequent events have occurred since June 30, 2016 that required recognition or disclosure in such financial statements.

Note 2 – Accounts and grants receivable

Accounts and grants receivable at June 30, 2016 consisted primarily of reimbursable expenses remaining to be received from the County of San Mateo, totaling \$72,108, the La Honda-Pescadero Unified School District, totaling \$24,965, and the Youth Leadership Institute, totaling \$30,358. The sum of the other individual receivables is \$25,348.

Accounts and grants receivable at June 30, 2015 consisted primarily of reimbursable expenses remaining to be received from the County of San Mateo, totaling \$123,998 and

Puente de la Costa Sur
Notes to Financial Statements
June 30, 2016

Note 2 – Accounts and grants receivable (continued)

the La Honda-Pescadero Unified School District, totaling \$25,814. The sum of the other individual receivables is \$11,161.

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 loan amounts were \$30,000 and \$25,000, and were to reach maturity on November 1, 2015.

On November 5, 2015 Puente de la Costa received written confirmation of loan forgiveness from the County of San Mateo's Department of Housing. Management of Puente de la Costa Sur had complied with the agreement and, the County of San Mateo forgave the loans.

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. On December 31, 2015 the parties entered into a memorandum of understanding (MOU) extending the lease terms and amounts through June 30, 2024.

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 and has a monthly rent payment of \$900. The property is currently being leased on a month to month basis.

Occupancy costs for the year ended June 30, 2016 was \$54,214. Included in occupancy costs is satellite space rental for La Sala, a place for local farmworkers to receive hot meals and assistance with emergency needs. Also included are utilities, maintenance, and janitorial costs for all leased properties.

Puente de la Costa Sur has been granted \$25,000 from the Silicon Valley Community 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 future events the grant has not been recognized as revenue.

Puente de la Costa Sur
Notes to Financial Statements
June 30, 2016

Note 5 – Retirement account

Puente de la Costa Sur sponsors a defined contribution 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 100% matching of employee contributions with a cap of 6%. For the year ended June 30, 2016, Puente de la Costa Sur made contributions to the plan totaling \$38,601.

Note 6 – In-kind contributions

Puente de la Costa Sur receives contributions from the Second Harvest Food Bank of Santa Clara and San Mateo Counties. The fair value of non-cash food contributions for the year ended June 30, 2016 was \$1,761.

Puente de la Costa Sur also receives contributions from the public in the form of goods or services and issues receipts for those goods according to IRS guidelines. The fair value of contributions received for the year ended June 30, 2016 was \$70,378.

Note 7 – Risks and uncertainties

Puente de la Costa Sur has received support that may be subject to audit or review by the grantor agencies. Puente de la Costa Sur was recently audited by the State of California – Health and Human Service Agency for the fiscal period ended June 30, 2013. Audit Finding No. 1 – Unable to Verify Payroll Expense, determined that Puente de la Costa Sur relied on budgeted allocations for employee expense which were considered insufficient support, as compared to actual employee expense. This resulted in \$18,701 of disallowed expenses, which consequently reduced the grant by the same amount. Puente complied with the audit findings suggestions and subsequently received its final clearance letter dated August 9, 2016. The State's final clearance letter determined they would not reduce the grant by the same amount. No other issues have arisen since and Puente de la Costa Sur believes that they are in compliance.

Note 8 – Composition of foundation contributions

Puente de la Costa Sur received \$1,449,234 in foundations contributions for the year ended June 30, 2016. Inclusive in foundation contributions are amounts made by individuals through donor advised charitable funds, Network for Good, and Razoo. The amount of these contributions totaled \$528,528 for the year ended June 30, 2016.

Puente de la Costa Sur
Notes to Financial Statements
June 30, 2016

Note 9 – Temporarily restricted net assets

At June 30, 2016 Puente de la Costa Sur had temporarily restricted net assets of \$637,396. This balance consists of program restricted net assets only.

| Program restricted support: | June 30, 2015 | Puente Additions | Puente Releases | June 30, 2016 |
|---|-------------------|---------------------|--------------------|-------------------|
| Access to Achievement Education Foundation | \$ 60 | \$ - | \$ 60 | \$ - |
| Atkinson Foundation | 8,437 | 20,300 | 8,737 | 20,000 |
| Bella Vista Foundation | 44,205 | 50,000 | 44,205 | 50,000 |
| Gordon & Betty Moore Foundation | 3,702 | - | 3,702 | - |
| Grove Foundation | 3,270 | 57,500 | 57,500 | 3,270 |
| Heising-Simons Foundation | 50,855 | 380,246 | 241,351 | 189,750 |
| Kaiser Foundation | - | 10,010 | 5,010 | 5,000 |
| Latino Community Foundation | - | 10,000 | 7,650 | 2,350 |
| Lucille Packard Children's Hospital at Stanford | 4,146 | 60,000 | 41,165 | 22,981 |
| Mills-Peninsula Health Services | 14,481 | - | 14,481 | - |
| Orchard House Foundation | - | 15,000 | 15,000 | - |
| Philanthropic Ventures Foundation | 8,850 | 60,000 | 39,015 | 29,835 |
| San Francisco Foundation | 31,803 | 23,499 | 33,273 | 22,029 |
| Sand Hill Foundation | 25,000 | - | 25,000 | - |
| Silicon Valley Community Foundation | 13,702 | 201,120 | 161,554 | 53,268 |
| Sobrato Family Foundation | 109 | 110,300 | 37,909 | 72,500 |
| Sunlight Giving Foundation | - | 150,000 | 50,000 | 100,000 |
| University of California | - | 10,000 | 10,000 | - |
| Wells Fargo Foundation | - | 5,000 | - | 5,000 |
| Women's Foundation of CA | 15,000 | 15,000 | 15,000 | 15,000 |
| Yellow Chair Foundation | 24,123 | 30,000 | 32,146 | 21,977 |
| Individual donors | 8,516 | 1,900 | 7,834 | 2,582 |
| Other donors under \$5,000 | - | 53,000 | 31,146 | 21,854 |
| | <u>\$ 256,259</u> | <u>\$ 1,262,875</u> | <u>\$ 881,738</u> | <u>\$ 637,396</u> |

Supplemental Information

Puente de la Costa Sur
Schedule of Expenditures of Federal Awards
For the year ended June 30, 2016

| Sources, grantors and programs | CFDA | Contract | Expenditures |
|---|--------|---------------|--------------------------|
| C Department of Agriculture CalFresh Program | 10.561 | 77200-15-D006 | <u>\$ 7,500</u> |
| Total Department of Agriculture | | | 7,500 |
| C Department of Health & Human Services Farmworker Health | 93.224 | #73508 | 105,336 |
| C Monitoring Child Abuse | 93.556 | #72624 | 72,250 |
| C Prevention of alcohol and drug abuse | 93.959 | MOU - 8/15 | 50,000 |
| C Medical Enrollment and Outreach | 93.778 | 55100-14-D003 | <u>21,218</u> |
| Total Department of Health & Human Services | | | 248,804 |
| C Department of Housing Puente de la Costa Sur facility rehabilitation | 14.218 | #79000-11-C | <u>55,000</u> |
| Total Department of Housing | | | 55,000 |
| Total federal expenditures | | | <u><u>\$ 311,304</u></u> |

Notes to Schedule of Expenditures of Federal Awards

Note A - Basis of presentation

The accompanying schedule of expenditures of federal awards includes the governmental grant activity of Puente de la Costa Sur under programs of Federal agencies for the year ended June 30, 2016. 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 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***

CERTIFIED PUBLIC
ACCOUNTANTS

DONALD WILSON
ALAN MARKLE
CHARLES STUCKEY
DAVID HARDESTY
DAVID BOTT
DAVID BAILEY
MICHAEL SMITH
SHIRLEY CHEN-BLUM

Board of Directors
Puente de la Costa Sur
Pescadero, California

We have audited, in accordance with the 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, the financial statements of Puente de la Costa Sur (a nonprofit organization), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities and changes in net assets, 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 December 22, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Puente de la Costa Sur's internal control over financial reporting (internal control) 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 Puente de la Costa Sur's internal control. Accordingly, we do not express an opinion on the effectiveness of Puente de la Costa Sur'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 a 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 Puente de la Costa Sur's financial statements are free from 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 communication is not suitable for any other purpose.



Wilson Markle Stuckey Hardesty & Bott, LLP

December 22, 2016