

Puente de la Costa Sur
Audited Financial Statements and Supplemental Information
Table of Contents
June 30, 2018

	<u>Page Number</u>
Independent Auditor's Report	1
Audited Financial Statements	
Statements of Financial Position.....	3
Statements of Activities.....	4
Statements of Functional Expenses.....	5
Statements of Cash Flows.....	6
Notes to Financial Statements.....	7
Supplemental Information	
Schedule of Expenditures of Governmental Awards.....	15
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 Auditing Standards</i>	16

Certified Public Accountants

Suite 1660
3550 Wilshire Boulevard
Los Angeles, California 90010

Telephone: (213) 639-3550
Facsimile: (213) 639-3555

Suite 700
1999 South Bascom Avenue
Campbell, California 95008

Telephone: (408) 614-0100
Facsimile: (213) 639-3555

Independent Auditor's Report

Board of Directors
Puente de la Costa Sur
Pescadero, California

We have audited the accompanying financial statements of Puente de la Costa Sur (Organization), a nonprofit organization, which comprise the statements of financial position as of June 30, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Puente de la Costa Sur as of June 30, 2018, and the changes in its net assets and cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matter

The financial statements of Puente de la Costa Sur for the year ended June 30, 2017 were audited by another auditor who expressed an unmodified opinion on those statements on December 15, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of governmental awards is presented for purposes of additional analysis as required by the County of San Mateo and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 15, 2019, on our consideration of Puente de la Costa Sur's internal control over financial reporting, and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Puente de la Costa Sur's internal control over financial reporting and compliance.



Puente de la Costa Sur
Statement of Financial Position
June 30, 2018
(with comparative totals for 2017)

	<u>2018</u>	<u>2017</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 1,490,633	\$ 1,402,848
Investments—Note 4	1,111,908	607,924
Government contracts receivable	168,903	180,396
Grants receivable, net—Note 5	150,000	50,000
Other assets	43,075	33,125
Total Current Assets	2,964,519	2,274,293
Noncurrent Assets		
Furniture and equipment, net of accumulated depreciation of \$191,510 and \$181,645 at June 30, 2018 and 2017, respectively	49,071	4,546
Total Noncurrent Assets	49,071	4,546
Total Assets	<u>\$ 3,013,590</u>	<u>\$ 2,278,839</u>
Liabilities and Net Assets		
Current Liabilities		
Accrued liabilities	\$ 31,792	\$ 41,469
Deferred revenue	158,543	135,664
	120,866	
Total Liabilities	311,201	177,133
Net Assets		
Unrestricted	2,017,738	1,632,588
Temporarily restricted—Note 8	684,651	469,118
Total Net Assets	2,702,389	2,101,706
Total Liabilities and Net Assets	<u>\$ 3,013,590</u>	<u>\$ 2,278,839</u>

See notes to the financial statements.

Puente de la Costa Sur
Statement of Activities
Year Ended June 30, 2018
(with comparative totals for 2017)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2018 Total</u>	<u>2017 Total</u>
Revenue, Support, and Other Income				
Contributions				
Foundations	\$ 32,500	\$ 1,339,916	\$ 1,372,416	\$ 800,238
Individuals and charitable organizations	742,866	181,262	924,128	803,294
Corporate	13,968		13,968	7,396
In-kind contributions	53,228		53,228	43,737
Government contract income	870,543		870,543	921,567
Program service fees	72,728		72,728	73,495
Net investment income	10,660		10,660	5,397
Net assets released from restrictions	1,305,645	(1,305,645)		
Total Revenue, Support, and Other Income	3,102,138	215,533	3,317,671	2,655,124
Expenses				
Program services	2,062,410		2,062,410	1,951,568
General and administrative	393,315		393,315	321,113
Fundraising	261,263		261,263	254,407
Total Expenses	2,716,988		2,716,988	2,527,088
Change in Net Assets	385,150	215,533	600,683	128,036
Net Assets at Beginning of Year	1,632,588	469,118	2,101,706	1,973,670
Net Assets at End of Year	\$ 2,017,738	\$ 684,651	\$ 2,702,389	\$ 2,101,706

See notes to financial statements.

Puente de la Costa Sur
Statement of Functional Expenses
Year Ended June 30, 2018
(with comparative totals for 2017)

	Program Services	General and Admin- istrative	Fundraising	2018 Total	2017 Total
Salaries	\$ 1,067,348	\$ 177,535	\$ 166,765	\$ 1,411,648	\$ 1,314,793
Other employee benefits	96,698	23,912	27,874	148,484	127,218
Payroll taxes	95,891	15,015	14,617	125,523	125,104
Total Personnel Expenses	1,259,937	216,462	209,256	1,685,655	1,567,115
Accounting fees	2,166	111,386	343	113,895	111,614
Capital expenditures	2,951			2,951	7,794
Community outreach	7,483			7,483	10,562
Computer/internet access	34,949	7,527	5,618	48,094	49,045
Depreciation expense	7,451	1,257	1,157	9,865	4,103
Equipment mainten- ance and rental	7,264	742	653	8,659	6,500
Food supplies	36,609	120	61	36,790	37,334
Insurance	12,782	2,657	1,985	17,424	12,335
Material and supplies	69,815	7,638	3,321	80,774	86,947
Miscellaneous	1,231	2,405	269	3,905	4,763
Occupancy	32,158	3,357	2,733	38,248	52,941
Office expense	36,294	6,771	7,564	50,629	48,016
Printing and copying	17,664	4,283	8,785	30,732	24,438
Professional fees	274,338	9,096	13,633	297,067	230,620
Staff development	18,559	10,438	1,442	30,439	19,824
Scholarships and stipends	80,023			80,023	101,087
Shelter/emergency support	65,519		3,834	69,353	65,009
Transportation	47,191	4,125	458	51,774	43,305
In-kind supplies and services	48,026	5,051	151	53,228	43,736
Total Expenses	\$ 2,062,410	\$ 393,315	\$ 261,263	\$ 2,716,988	\$ 2,527,088

See notes to financial statements.

Puente de la Costa Sur
Statements of Cash Flows
Year Ended June 30, 2018
(with comparative totals for 2017)

	<u>2018</u>	<u>2017</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 600,683	\$ 128,036
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	9,865	4,103
Realized and unrealized investment (gains) losses	1,495	(3,203)
Changes in operating assets and liabilities:		
Government contracts receivable	11,493	(127,617)
Grants receivable	(100,000)	50,000
Other assets	(9,950)	2,891
Accounts payable	(9,677)	(7,369)
Accrued liabilities	22,879	9,848
Deferred revenue	120,866	
	<u>647,654</u>	<u>56,689</u>
Net Cash Provided by Operating Activities	647,654	56,689
Cash Flows from Investing Activities		
Purchases of furniture and equipment	(54,390)	
Purchases of investments	(505,479)	(502,177)
	<u>(559,869)</u>	<u>(502,177)</u>
Net Cash Used in Investing Activities	(559,869)	(502,177)
Increase (Decrease) in Cash and Cash Equivalents	87,785	(445,488)
Cash and Cash Equivalents at Beginning of Year	<u>1,402,848</u>	<u>1,848,336</u>
Cash and Cash Equivalents at End of Year	<u>\$ 1,490,633</u>	<u>\$ 1,402,848</u>
Supplemental Disclosures		
Income taxes paid	<u>\$</u>	<u>\$</u>
Interest paid	<u>\$</u>	<u>\$</u>

See notes to financial statements.

Puente de la Costa Sur
Notes to Financial Statements
June 30, 2018
(with comparative totals for 2017)

Note 1—Organization

Puente de la Costa Sur (Organization) is a non-profit California corporation that provides vital services to men, women, children, and families in the San Mateo County South Coast communities of Pescadero, La Honda, Loma Mar, and San Gregorio. The Organization provides programs and services to build healthy, sustainable and inclusive community, including: emergency food, seasonal clothing, bicycles and other essential items, rental and utility assistance, individual tax preparation assistance, financial literacy classes, English and Spanish literacy programs, GED and HiSet tutoring, enrollment in health insurance programs, educational health outreach through a health promoters program, health clinic services, farmers market, behavioral services and counseling, legal immigration services, parenting classes, early childhood development activities, childcare parent cooperative, leadership development and employment program for youth, advocacy and community engagement, academic tutoring programs for children grades k-12, scholarships for college students, office services, translation and interpretation. The Organization also works with nursery, ranch, and farm owners and workers to promote a sustainable agricultural economy on the South Coast.

Note 2—Summary of Significant Accounting Policies

Financial Statement Presentation—The financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The Organization recognizes contributions, including unconditional promises to give, as revenue in the period received. Contributions and net assets are classified on the existence or absence of donor-imposed restrictions. The net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets—Net assets that are not subject to donor-imposed stipulations and that may be expendable for any purpose in performing the primary objectives of the Organization.

Temporarily restricted net assets—Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or passage of time. As the restrictions are satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying financial statements as net assets released from restrictions.

Permanently restricted net assets—Net assets that are restricted by the donors for investment in perpetuity. The investment income generated from these funds is available for general support of the Organization's programs and operations. There were no permanently restricted net assets as of June 30, 2018 and 2017.

Income Taxes—The Organization is a nonprofit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (Code) and Section 23701(d) of the California Revenue and Taxation Code. Accordingly, no provision for income taxes is included in the financial statements. In addition, the Organization is not a private foundation within the meaning of Section 509(a) of the Code.

Puente de la Costa Sur

Notes to Financial Statements—Continued

Note 2—Summary of Significant Accounting Policies—Continued

Accounting standards require an organization to evaluate its tax positions and provide for a liability for any positions that would not be considered *'more likely than not'* to be upheld under a tax authority examination. Management has evaluated its tax positions and has concluded that a provision for a tax liability is not necessary at June 30, 2018 and 2017. Generally, the Organization's information returns remain open for examination for a period of three (federal) or four (state of California) years from the date of filing.

Cash and cash equivalents—The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Recently Adopted Accounting Principle—In May 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2015-07, *Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or its Equivalent)*. The amendment removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value (NAV) per share as a practical expedient. The Organization has adopted ASU 2015-07 for the year ended June 30, 2018, however, the retrospective approach requires that an investment for which fair value is measured using NAV as a practical expedient be removed from the fair value hierarchy in all periods presented in the financial statements.

Investments—Investments are valued at fair market value and investment transactions are recorded on the trade date. Investment income and realized and unrealized gains and losses, net of investment management fees, are reported as increases or decreases in the appropriate net asset category.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2018 and 2017.

Mutual Funds: Valued at the daily closing price as reported by the fund. Equity funds are open-ended mutual funds held by the Organization that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. Mutual funds held by the Organization are deemed to be actively traded.

Certificates of Deposit: Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.

Furniture and Equipment—Furniture and equipment are capitalized if there is a useful life greater than one year and the cost is above a minimum threshold established by management of \$5,000. Furniture and equipment are valued at cost or the fair market at the date of donation. The Organization provides for depreciation and amortization of furniture and equipment on a straight-line basis over the estimated useful lives of five years.

Puente de la Costa Sur
Notes to Financial Statements—Continued

Note 2—Summary of Significant Accounting Policies—Continued

Concentration of Credit Risk—Financial instruments which potentially subject the Organization to concentrations of credit risk consist of cash and cash equivalents, investments, and receivables. The Organization places its cash, money market funds and certificates of deposit with high credit quality financial institutions where the funds are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per institution. At times, such cash and cash equivalent balances may be in excess of the FDIC insurance limits, however, it is the intention of the Organization to ensure that these balances do not exceed FDIC-guaranteed levels. Management regularly reviews the financial stability of its cash and money market fund depositories and deems the risk of credit loss due to these concentrations to be minimal. Certain investments are held in mutual funds which are secured by the underlying assets of the mutual funds. Management of the Organization has assessed the credit risk associated with the investments in equity mutual funds and has determined the risk of credit loss to be minimal.

Government contracts receivable consist of balances from local, state and federal agencies in which the income has been earned but not received at year end. The Organization has determined that no allowance for potential losses due to uncollectible receivables is necessary at June 30, 2018 and 2017.

Grants receivable consist of balances from local foundations. The Organization has determined that no allowance for potential losses due to uncollectible receivables is necessary at June 30, 2018 and 2017.

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

Contributions and grants—Temporarily restricted and unrestricted grants and contributions are recorded in the period received. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows.

Program service fees—Program service fee revenue is recognized in the applicable period in which the program is performed. The portion related to a future period is reflected on the statement of financial position as deferred revenue.

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

Contributed Services and Materials—Contributions of services are recognized if they (a) create or enhance nonfinancial assets, or (b) require specialized skills and are provided by individuals possessing those skills and would need to be purchased if not provided by donation. A substantial number of volunteers have donated significant amounts of their time to the Organization and its programs. Such donated services are not reflected in the financial statements since these services do not meet the above criteria for recognition as contributed services. The Organization receives periodic donations of materials from local vendors and the community, which are recorded at estimated fair market value at the date of donation, if significant.

Puente de la Costa Sur
Notes to Financial Statements—Continued

Note 2—Summary of Significant Accounting Policies—Continued

Functional Expenses—The costs of providing the various program and supporting activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated between the program services and supporting services benefitted based on estimates of time and usage.

Use of Estimates—The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Comparative Totals—The financial statements include certain prior year summarized comparative information in total but not by net asset class, which has been audited by other auditors. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles accepted in the United States. Accordingly, such information should be read in conjunction with the audited financial statements for the year ended June 30, 2017, from which the summarized information was derived.

Reclassifications—Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

Note 3—Investments

As of June 30, 2018 and 2017, the fair value of investments consists of the following:

	2018		2017	
	Cost	Fair Value	Cost	Fair Value
Mutual Funds	\$ 107,169	\$ 112,179	\$ 104,701	\$ 107,904
Certificates of Deposit	1,003,031	999,729	500,020	500,020
Totals	\$ 1,110,200	\$ 1,111,908	\$ 604,721	\$ 607,924

Net investment income for the years ended June 30, 2018 and 2017, all recorded in unrestricted net assets, consists of the following:

	2018	2017
Interest income	\$ 12,155	\$ 2,194
Unrealized investment gains (losses)	(1,495)	3,203
Investment Return	\$ 10,660	\$ 5,397

Note 4—Fair Value Measurements

In determining the fair value of assets and liabilities the Organization utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. The Organization determines fair value based on assumptions that market participants would use in pricing an asset or liability in the principal or most advantageous market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are characterized in one of the following levels:

Level 1—Unadjusted quoted prices in active markets for identical assets or liabilities accessible to the Organization at the measurement date. The Organization’s Level 1 assets consist of equity securities and mutual funds value at the closing price reported on the active market on which the individual securities are traded.

Level 2—Valuations based on observable inputs (other than Level 1), such as quoted prices for similar assets at the measurement date, quoted prices in markets that are not active, or other inputs that are observable, either directly or indirectly. The Organization’s Level 2 assets consist of quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active.

Level 3—Valuations based on inputs that are unobservable and significant to the overall fair value measurement, and involve management judgment. The Organization had no Level 3 assets or liabilities at June 30, 2018 and 2017.

The Organization may utilize a practical expedient for the estimation of the fair value of investments in investment companies for which the investment does not have a readily determinable fair value. The practical expedient used by the Organization to value private investments is the Net Asset Value (NAV) per share, or its equivalent. In some instances, the NAV may not equal the fair value that would be calculated under fair value accounting standards. The Organization had no assets or liabilities classified at NAV as a practical expedient during the years ended June 30, 2018 and 2017.

Fair values of assets measured on a recurring basis at June 30, 2018 and 2017 are as follows:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
2018:				
Mutual funds	\$ 112,179	\$ 112,179	\$	\$
Certificates of deposit	999,729		999,729	
Totals	\$ 1,111,908	\$ 112,179	\$ 999,729	\$
2017:				
Mutual funds	\$ 107,904	\$ 107,904	\$	\$
Certificates of deposit	500,020		500,020	
Totals	\$ 607,924	\$ 107,904	\$ 500,020	\$

Puente de la Costa Sur
Notes to Financial Statements—Continued

Note 5—Temporarily Restricted Net Assets

Temporarily restricted net assets consist of the following at June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Programs	\$ 534,651	\$ 419,118
Pledges and grants restricted to future periods	150,000	50,000
Totals	<u>\$ 684,651</u>	<u>\$ 469,118</u>

Following is a rollforward of temporarily restricted net asset activity for the year ended June 30, 2018:

	<u>Balance 6/30/2017</u>	<u>Contributions</u>	<u>Releases</u>	<u>Balance 6/30/2018</u>
Community Bridge Building	\$ 61,160	\$ 257,038	\$ (181,413)	\$ 136,785
Early Learning Program	13,895	500,000	(218,081)	295,814
Farmers Market Program		10,425	(10,425)	
General support	103,125	275,220	(278,345)	100,000
Learning Center Program	37,529	167,000	(140,919)	63,610
Mental health services	42,716	25,000	(48,319)	19,397
Physical Wellness Program	20,880	145,000	(129,491)	36,389
Resource development	20,000	12,900	(32,900)	
Safety net services	4,967	73,971	(78,938)	
Youth Program	164,846	54,624	(186,814)	32,656
Totals	<u>\$ 469,118</u>	<u>\$ 1,521,178</u>	<u>\$ (1,305,645)</u>	<u>\$ 684,651</u>

Following is a rollforward of temporarily restricted net asset activity for the year ended June 30, 2017:

	<u>Balance 6/30/2016</u>	<u>Contributions</u>	<u>Releases</u>	<u>Balance 6/30/2017</u>
Community Bridge Building	\$ 9,273	\$ 125,692	\$ (73,805)	\$ 61,160
Early Learning Program	199,750	33,997	(219,852)	13,895
Farmers Market Program				
General support	100,000	202,487	(199,362)	103,125
Learning Center Program	76,144	144,790	(183,405)	37,529
Mental health services	33,997	49,720	(41,001)	42,716
Physical Wellness Program	28,916	63,003	(71,039)	20,880
Resource development		22,450	(2,450)	20,000
Safety net services	46,644	43,798	(85,475)	4,967
Youth Program	142,672	280,748	(258,574)	164,846
Totals	<u>\$ 637,396</u>	<u>\$ 966,685</u>	<u>\$ (1,134,963)</u>	<u>\$ 469,118</u>

Puente de la Costa Sur
Notes to Financial Statements—Continued

Note 6—Contingencies

Grants require the fulfillment of certain conditions as set forth in the instrument of the grant. Failure to fulfill the conditions could result in the return of the funds to the grantors. Although this is a possibility, except as described below, the Board generally deems the contingency remote, since, by accepting a grant and its terms, the Board is acknowledging the requirements of the grantor at the time of receipt of the grant.

In the normal course of operations, the Organization is subject to certain loss contingencies, such as litigation. In management's opinion, the liability, if any, for such contingencies will not have a material effect on the Organization's financial position.

Note 7—Retirement Benefits

The Organization has established a defined contribution plan for employees of Puente De La Costa Sur with more than one year of service. The plan provides for monthly contributions to be made by the Organization equal to a percentage of gross pay for each eligible employee. The employee is fully vested in the Organization's contributions. The Organization's contribution to the plan was \$43,408 and \$42,489, respectively, for the years ended June 30, 2018 and 2017.

Note 8—Recent Accounting Pronouncements

Leases—In February 2016, FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which requires organizations that lease assets (lessees) to recognize the assets and related liabilities for the rights and obligations created by the leases on the statement of financial position for leases with terms exceeding 12 months. ASU No. 2016-02 defines a lease as a contract or part of a contract that conveys the right to control the use of identified assets for a period of time in exchange for consideration. The lessee in a lease will be required to initially measure the right-of-use asset and the lease liability at the present value of the remaining lease payments, as well as capitalize initial direct costs as part of the right-of-use asset. ASU No. 2016-02 is effective for nonprofit organizations with fiscal years beginning after December 15, 2019, with early adoption permitted. The Organization is currently evaluating the impact that the adoption of ASU 2016-02 will have on its financial statements.

Contributions—In June 2018, FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 clarifies the definition of an exchange transaction. As a result, not-for-profit entities (NFPs) will account for most federal grants as donor-restricted conditional contributions rather than as exchange transactions (the prevalent practice today). An accommodation ("simultaneous release" option) is provided which, if elected, would allow grants received and used within the same period to be reported in net assets without donor restrictions, consistent with where the grant revenue is reported today. Donors will use the same criteria as recipients (i.e., a barrier or hurdle coupled with a right of return/right of release) to determine whether gifts or grants are conditional or unconditional. Expense recognition is deferred for conditional arrangements and is immediate for unconditional arrangements. No new disclosures are required. ASU 2018-08 is effective for resource recipients with fiscal years beginning after December 15, 2018, and for resource providers with fiscal years beginning after December 15, 2019; early adoption is permitted.

Puente de la Costa Sur
Notes to Financial Statements—Continued

Note 8—Recent Accounting Pronouncements—Continued

The Organization is currently evaluating the impact that the adoption of ASU 2018-08 will have on its financial statements.

Note 9—Subsequent Events

Management evaluated all activities of Puente de la Costa Sur through May 15, 2019, which is the date the financial statements were available to be issued, and concluded that no other material subsequent events have occurred that would require adjustment to the financial statements or disclosure in the notes to the financial statements.

Puente de la Costa Sur
Schedule of Expenditures of Governmental Awards
Year Ended June 30, 2018

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Grantor's Number	Federal Grant Amount	Grant Period	Federal Expenditures
U.S. Department of Health and Human Services					
Health Center Program (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care)					
Passed through the County of San Mateo Health Care for the Homeless/ Farmworker Health (HCH/FH) Program	93.224	73508	\$ 231,050 183,500	1/1/16-12/31/17 1/1/18-12/31/18	\$ 17,894 49,271
Passed through the San Mateo Medical Center Care for the Homeless/Farmworker Health (HCH/FH) Program	93.224	n/a	20,846	by 11/30/2017	17,987
Total CFDA No. 93.224					85,152
Promoting Safe and Stable Families					
Passed through the County of San Mateo Human Services Agency Monitoring Child Abuse Program	93.556	74161f	365,400	7/1/13-6/30/18	72,000
Total CFDA No. 93.556					72,000
Block Grants for Prevention and Treatment of Substance Abuse					
Passed through the County of San Mateo BHRS Prevention of Alcohol and Drug Abuse	93.959	MOU - 8/17	48,950	7/1/17-6/30/18	42,250
Total CFDA No. 93.959					42,250
Medicaid Cluster					
Medical Assistance Program Passed through the County of San Mateo Health Systems Coverage Unit Medical Enrollment and Outreach	93.778	075602	70,401	1/1/16-3/31/19	22,018
Total Medicaid Cluster CFDA Nos. 93.775, 93.777, and 93.778					22,018
Total Department of Health and Human Services					221,420
Total Federal Awards					\$ 221,420

See accompanying notes to schedule of expenditures of governmental awards.

Certified Public Accountants

Suite 1660
3550 Wilshire Boulevard
Los Angeles, California 90010

Telephone: (213) 639-3550
Facsimile: (213) 639-3555

Suite 700
1999 South Bascom Avenue
Campbell, California 95008

Telephone: (408) 614-0100
Facsimile: (213) 639-3555

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Directors
Puente de la Costa Sur
Pescadero, California

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Puente de la Costa Sur (Organization), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated May 15, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

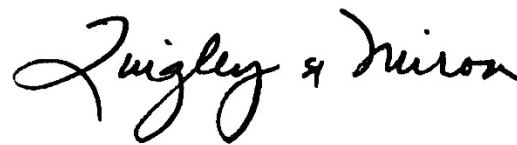
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Ziegler & Miron". The signature is written in a cursive, flowing style.

Los Angeles, California
May 15, 2019