

**Audited Financial Statements
and Supplemental Information**

PUENTE

June 30, 2022

Quigley & Miron

Puente de la Costa Sur
Audited Financial Statements and Supplementary Information
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Independent Auditor's Report

Board of Directors
Puente de la Costa Sur
Pescadero, California

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Puente de la Costa Sur (Organization), a nonprofit organization, which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2022, 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.

Basis of Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization’s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization’s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Report on Other Legal and Regulatory Requirements

Other Reporting Required by Government Auditing Standards

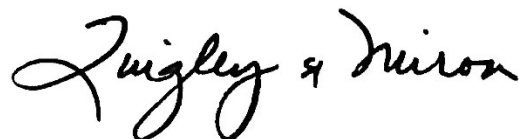
In accordance with *Government Auditing Standards*, we have also issued our report dated June 8, 2023 on our consideration of the Organization’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of 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 the Organization’s internal control over financial reporting and compliance.

Required Supplementary 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.

Report on Summarized Comparative Information

We have previously audited Puente de la Costa Sur's June 30, 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 26, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.



Puente de la Costa Sur
Statement of Financial Position
June 30, 2022
(with comparative totals for 2021)

	<u>2022</u>	<u>2021</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 6,131,379	\$ 5,521,746
Investments—Note 4	2,128,230	647,396
Government grants receivable	464,292	73,480
Pledges and grants receivable	390,000	225,567
Other assets	53,638	95,351
Total Current Assets	9,167,539	6,563,540
Noncurrent Assets		
Furniture and equipment, net of accumulated depreciation of \$257,928 and \$234,312 at June 30, 2022 and 2021, respectively	76,020	99,636
Total Noncurrent Assets	76,020	99,636
Total Assets	<u>\$ 9,243,559</u>	<u>\$ 6,663,176</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 50,778	\$ 90,649
Accrued liabilities	152,010	164,179
Deferred revenue	168,044	152,314
Total Liabilities	370,832	407,142
Net Assets		
Without donor restrictions	5,221,088	4,247,431
With donor restrictions—Note 7	3,651,639	2,008,603
Total Net Assets	8,872,727	6,256,034
Total Liabilities and Net Assets	<u>\$ 9,243,559</u>	<u>\$ 6,663,176</u>

See notes to the financial statements.

Puente de la Costa Sur
Statement of Activities
Year Ended June 30, 2022
(with summarized comparative totals for 2021)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2022 Total</u>	<u>2021 Total</u>
Operating Activities				
Revenue, Support, and Other Income				
Contributions				
Foundations	\$	\$ 1,717,650	\$ 1,717,650	\$ 1,577,461
Individuals and charitable organizations	1,100,107	2,679,443	3,779,550	2,998,203
Corporate	50,520		50,520	183,437
In-kind contributions—Note 8	26,274		26,274	42,729
Government contract income	1,201,340		1,201,340	964,364
SBA PPP grant income—Note 6				128,161
Program service fees	929		929	8,016
Interest and dividend income	7,151		7,151	17,357
	Total Revenue, Support, and Other Income	4,397,093	6,783,414	5,919,728
Net assets released from restrictions	2,754,057	(2,754,057)		
	Total Revenue, Support, Other Income, and Releases of Restrictions	1,643,036	6,783,414	5,919,728
Expenses				
Program services	3,227,130		3,227,130	3,534,883
General and administrative	561,455		561,455	681,983
Fundraising	358,339		358,339	276,536
	Total Expenses	4,146,924	4,146,924	4,493,402
	Change in Net Assets From Operations	1,643,036	2,636,490	1,426,326
Nonoperating Activities				
Investment return, net—Note 4	(19,797)		(19,797)	(732)
	Total Nonoperating Activities	(19,797)	(19,797)	(732)
	Change in Net Assets	1,643,036	2,616,693	1,425,594
Net Assets at Beginning of Year	4,247,431	2,008,603	6,256,034	4,830,440
	Net Assets at End of Year	\$ 3,651,639	\$ 8,872,727	\$ 6,256,034

See notes to financial statements.

Puente de la Costa Sur
Statement of Functional Expenses
Year Ended June 30, 2022
(with summarized comparative totals for 2021)

	Program Services							Total Program Services	General and Administrative	Fundraising	2022 Total	2021 Total
	Community Mental Health Program	Community Development Program	Community Health Program	Education Program	Advocacy Program	Emergency Response Program	Scholarship Program					
Salaries	\$ 250,318	\$ 345,199	\$ 276,857	\$ 279,633	\$ 116,158	\$ 1,215	\$	\$ 1,269,380	\$ 192,894	\$ 191,649	\$ 1,653,923	\$ 1,524,467
Other employee benefits	38,246	40,412	36,546	12,964	13,083	359		141,610	28,938	19,021	189,569	186,507
Payroll taxes	19,088	28,942	23,117	23,571	10,073	288		105,079	16,600	15,808	137,487	133,570
Total Personnel Expenses	307,652	414,553	336,520	316,168	139,314	1,862		1,516,069	238,432	226,478	1,980,979	1,844,544
Accounting fees	3,050	5,118	3,540	4,088	1,774	84		17,654	184,430	2,623	204,707	189,024
Capital expenditures	1,420	1,747	1,339	1,789	1,106			7,401	12,707	1,088	21,196	21,917
Community outreach	200	18,038	5,948			334,108		358,294	1,626		359,920	395,560
Computer/internet access	6,032	9,163	7,205	8,220	3,190	103		33,913	19,792	4,772	58,477	50,096
Depreciation	3,298	5,112	3,954	4,075	1,762	56		18,257	2,677	2,682	23,616	16,318
Equipment maintenance and rental	1,176	2,139	1,402	1,574	616	20		6,927	928	955	8,810	10,339
Food supplies	129	4,254	24,914	433	74	311,175		340,979	20		340,999	533,987
Insurance	3,620	5,516	4,319	4,574	1,903	63		19,995	2,868	2,962	25,825	25,020
Interest expense									565		565	3,604
Material and supplies	33,920	47,208	18,218	5,284	133	11,636		116,399	12,702	3,693	132,794	105,642
Miscellaneous	5,243	3,903	3,477	2,386	1,016	924		16,949	7,041	5,826	29,816	22,883
Occupancy	9,656	14,005	3,845	3,964	1,672	25		33,167	2,695	2,573	38,435	24,702
Office expense	9,406	10,177	6,272	7,293	2,315	3,692		39,155	12,316	11,221	62,692	78,246
Printing and copying	235	6,816	649	253	64	3,580		11,597	10,769	28,607	50,973	31,046
Professional fees	197,969	14,638	7,160	4,783	2,213	7,405		234,168	43,531	64,436	342,135	427,742
Staff development	440	1,556	1,314	1,252	1,380			5,942	2,369	67	8,378	17,649
Scholarships and stipends			1,200	42,315			78,061	121,576		50	121,626	54,758
Shelter/emergency support		102,873	39,549	7,737				321,423			321,423	633,775
Transportation	690	750	3,527	2,067	207	24		7,265	5,987	306	13,558	6,550
Total Expenses by Function	584,136	667,566	474,352	418,255	158,739	846,021	78,061	3,227,130	561,455	358,339	4,146,924	4,493,402
Total Expenses	\$ 584,136	\$ 667,566	\$ 474,352	\$ 418,255	\$ 158,739	\$ 846,021	\$ 78,061	\$ 3,227,130	\$ 561,455	\$ 358,339	\$ 4,146,924	\$ 4,493,402
Percentage of expenses	14.09%	16.10%	11.44%	10.09%	3.83%	20.40%	1.88%	77.82%	13.54%	8.64%	100.00%	

See notes to financial statements.

Puente de la Costa Sur
Statements of Cash Flows
Year Ended June 30, 2022
(with comparative totals for 2021)

	<u>2022</u>	<u>2021</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 2,616,693	\$ 1,425,594
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	23,616	16,318
Unrealized investment (gains) losses	27,440	2,978
Realized investment gains	(7,643)	(2,246)
Changes in operating assets and liabilities:		
Government grants receivable	(390,812)	83,282
Pledges and grants receivable	(164,433)	(14,986)
Other assets	41,713	(37,649)
Accounts payable	(39,871)	21,762
Accrued liabilities	(12,169)	(15,365)
Deferred revenue	15,730	32,503
SBA PPP grant advance		(128,161)
Net Cash Provided by Operating Activities	2,110,264	1,384,030
Cash Flows from Investing Activities		
Purchases of furniture and equipment		(48,649)
Purchases of investments	(3,875,131)	(2,260)
Proceeds from sale and maturities of investments	2,374,500	625,000
Net Cash Provided by (Used in) Investing Activities	(1,500,631)	574,091
Increase in Cash and Cash Equivalents	609,633	1,958,121
Cash and Cash Equivalents at Beginning of Year	5,521,746	3,563,625
Cash and Cash Equivalents at End of Year	\$ 6,131,379	\$ 5,521,746
Supplemental Disclosures		
Income taxes paid	\$	\$
Interest paid	\$ 565	\$ 3,604

See notes to financial statements.

Puente de la Costa Sur
Notes to Financial Statements
June 30, 2022
(with comparative totals for 2021)

Note 1—Organization

Puente de la Costa Sur (Organization) is a non-profit California corporation operating in San Mateo County since 1998. Puente’s mission is to foster wellness and prosperity in the San Mateo South Coast communities of Pescadero, La Honda, Loma Mar, and San Gregorio by promoting and advocating for equitable access to education, health, and economic security. Puente serves everyone who lives or works on the South Coast, regardless of immigration status although our focus is primarily to create equitable opportunities for children 0-5 years old, first-generation college students, families and children in the local school district, farmworkers, low-income households, and seniors. Our vision is a South Coast region with an inclusive and thriving community where people embrace diversity and equity.

The Organization provides programs and services in five areas: Education, Health, Community Development, Mental Health and Wellness, and Community Engagement and Policy. Some of the programs offered include: emergency food, bicycles and other essential items, rental and utility financial assistance, individual tax preparation assistance, financial literacy classes, English and Spanish literacy programs, enrollment in health insurance programs, educational health outreach through a health promoters program, health clinic services, mental health counseling, legal immigration services, parenting classes, early childhood development activities, childcare parent cooperative, leadership development and employment programs for youth, advocacy, scholarships for college students, office services, translation and interpretation, community organizing, housing and employment rights advocacy.

Note 2—Summary of Significant Accounting Policies

Financial Statement Presentation—The financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The Organization’s net assets are classified based on the existence or absence of donor-imposed restrictions. As such, the net assets of the Organization and changes therein are presented and reported as follows:

Net assets without donor restrictions—Net assets that are not subject to donor-imposed stipulations and that may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization’s management and the board of directors.

Net assets with donor restrictions—Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; such restrictions that may or will be met either by actions of the Organization and/or the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated that the funds be maintained in perpetuity. Generally, the donors of such assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes.

Puente de la Costa Sur
Notes to Financial Statements—Continued

Note 2—Summary of Significant Accounting Policies—Continued

Donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restriction. When a time restriction expires or a purpose restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statement of activities as net assets released from restrictions.

Measure of Operations—The statement of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of the Organization's various community services and programs, and interest and dividends earned on investments. Nonoperating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual or nonrecurring nature.

Recently Adopted Accounting Standards

Gifts In-Kind—In September 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires increased transparency around the use and valuation of contributed nonfinancial assets (also known as gifts-in-kind) received by not-for-profit entities. Under the updated guidance, gifts-in-kind are required to be presented as a separate line item in the statement of activities, apart from contributions of cash or other financial assets, and to be disaggregated in the notes to the financial statements by the category that depicts the type of contributed nonfinancial assets. There are additional required disclosures regarding qualitative information denoting whether the gifts-in-kind were monetized or utilized during the reporting period; the entity's policy, if any, about monetizing rather than utilizing contributed nonfinancial assets; and the valuation techniques and inputs used to arrive at a fair value measure. The Organization has adopted ASU No. 2020-07 for the year ended June 30, 2022 on a retrospective basis, which resulted in no change to revenue previously reported and no effect on revenue reported for the years ended June 30, 2022 and 2021.

Revenue Recognition—In May 2014, FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*, which supersedes most of the current revenue recognition requirements. The underlying principle is that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. The guidance provides a five-step analysis of transactions to determine when and how revenue is recognized. Other major provisions include capitalization of certain contract costs, consideration of time value of money in the transaction price and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. The guidance also requires enhanced disclosures regarding the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The Organization has adopted ASU No. 2014-09 for the year ended June 30, 2021, however, the retrospective approach requires that organizations reflect the effect of the new guidance in the earliest year presented in the financial statements.

Puente de la Costa Sur
Notes to Financial Statements—Continued

Note 2—Summary of Significant Accounting Policies—Continued

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. 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, 2022 and 2021. 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.

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 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, 2022 and 2021.

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.

Contributions—Contributions with and without donor restrictions 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.

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. Cash held in investment accounts at investment custodians firms are insured by the Securities Investors Protection Corporation (SIPC) up to \$250,000 and the investments in securities are insured up to \$500,000, per institution. Certain investments are held in mutual funds which are secured by the underlying assets of the mutual funds. SIPC insurance protects the custody function of the investment custodian; it does not provide protection against fluctuations in market value. Such balances are in excess of the SIPC coverage limits. Management of the Organization has assessed the credit risk associated with the investments in equity mutual funds and believes it is not exposed to any significant credit risk with its and investments, however, due to the current risk and uncertainties affecting financial institutions (see Note 12), the related impact cannot be reasonably estimated at this time.

Government grants 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, 2022 and 2021.

Pledges and 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, 2022 and 2021.

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

Government contracts and grants—Revenues from government contracts and grants are reported as increases in net assets without donor restrictions, when allowable expenditures under such agreements are incurred. The amounts expended in excess of reimbursements are reported as grants receivable. Amounts received in excess of amounts expended are recorded as deferred revenue.

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.

Interest and dividend income—Interest and dividend income earned on investments is recognized when received and is reported as interest and dividends under revenue and support in the statement of activities.

In-Kind Contributions—The Organization receives periodic donations of supplies from local vendors and the community, which are recorded at estimated fair market value at the date of donation, if significant. The Organization recognizes in-kind services 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.

Puente de la Costa Sur
Notes to Financial Statements—Continued

Note 2—Summary of Significant Accounting Policies—Continued

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.

Functional Allocation of Expenses—The costs of providing the various programs and student activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefitted. Accounting fees, capital expenditures, community outreach, computer/internet access, depreciation, equipment maintenance and rental, food supplies, insurance, material and supplies, miscellaneous, occupancy, office expense, printing and copying, professional fees, staff development, scholarship and stipends, shelter/emergency support, and transportation are allocated on the basis of estimates of time and effort. All other functional expenses are charged directly to appropriate classification.

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, 2021, 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—Availability and Liquidity

The Organization's goal is generally to maintain financial assets to meet 6 months of operating expenses (approximately \$2,200,000).

The following represents the availability and liquidity of the Organization's financial assets at June 30, 2022 and 2021 to cover operating expenses for the next fiscal year:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 2,869,740	\$ 3,738,710
Investments	2,128,230	647,396
Government grants receivable	464,292	73,480
Pledges and grants receivable	390,000	225,567
Current Availability of Financial Assets	<u>\$ 5,852,262</u>	<u>\$ 4,685,153</u>

Puente de la Costa Sur
Notes to Financial Statements—Continued

Note 4—Investments

As of June 30, 2022 and 2021, the fair value of investments consists of the following:

	2022		2021	
	Cost	Fair Value	Cost	Fair Value
Mutual funds	\$ 133,189	\$ 127,159	\$ 121,408	\$ 141,503
US Treasuries	1,749,496	1,751,334		
Certificates of deposit	250,001	249,737	503,004	505,893
Totals	\$ 2,132,686	\$ 2,128,230	\$ 624,412	\$ 647,396

Net investment income for the years ended June 30, 2022 and 2021, all recorded in net assets without donor restrictions, consists of the following:

	2022	2021
Unrealized investment losses	\$ (27,440)	\$ (2,978)
Realized investment gains	7,643	2,246
Investment Return, Net	(19,797)	(732)
Interest and dividend income	7,151	17,357
Total Investment Return	\$ (12,646)	\$ 16,625

Note 5—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.

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.

Level 3—Valuations based on inputs that are unobservable and significant to the overall fair value measurement and involve management judgment.

Puente de la Costa Sur
Notes to Financial Statements—Continued

Note 5—Fair Value Measurements—Continued

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, 2022 and 2021.

Fair values of assets measured on a recurring basis at June 30, 2022 and 2021 are as follows:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
2022:				
Mutual funds	\$ 127,159	\$ 127,159	\$	\$
US Treasury bills	1,751,334	1,751,334		
Certificates of deposit	249,737		249,737	
Totals	<u>\$ 2,128,230</u>	<u>\$ 1,878,493</u>	<u>\$ 249,737</u>	<u>\$</u>
2021:				
Mutual funds	\$ 141,503	\$ 141,503	\$	\$
Certificates of deposit	505,893		505,893	
Totals	<u>\$ 647,396</u>	<u>\$ 141,503</u>	<u>\$ 505,893</u>	<u>\$</u>

Note 6—SBA PPP Funding

On May 11, 2020, the Organization received funding in the amount of \$322,400 from the Small Business Administration (SBA) through the Paycheck Protection Program (PPP). The Organization elected to treat \$322,400 as an advance. The funding was designed to provide a direct incentive for non-profit organizations struggling to keep their workers on the payroll during the global pandemic (see Note 11). As of June 30, 2020, the Organization has determined that it had met the requirements for forgiveness and recorded grant income of \$194,239 in the statement of activities for the year ended June 30, 2020. A balance of \$128,161 remained outstanding and was recorded as an advance liability in the statement of financial position at June 30, 2020. During the year ended June 30, 2021, the Organization met the requirements for forgiveness of the remaining \$128,161 and has recorded this as SBA PPP grant income in the statement of activities for the year ended June 30, 2021.

Puente de la Costa Sur
Notes to Financial Statements—Continued

Note 7—Net Assets

Net assets with donor restrictions for the years ended June 30, 2022 and 2021 consist of the following:

	<u>2022</u>	<u>2021</u>
Subject to expenditure for specified purpose:		
Early Learning Program	\$ 746,860	\$ 206,916
Community Health Program	421,822	44,630
Community Mental Health Program	355,655	164,380
Community Development Program	333,443	135,391
General support	303,015	194,248
Advocacy	274,760	160,000
Fundraising / Resource Development	273,949	90,276
Youth Program	246,210	170,499
Learning Center Program	159,969	119,349
Scholarship Program	33,294	39,464
Emergency Relief Program		
Fire Relief	110,930	206,342
COVID Relief	1,732	251,541
Total Subject to Expenditure for Specified Purpose	<u>3,261,639</u>	<u>1,783,036</u>
Subject to time restrictions:		
General support	130,000	115,000
Community Development Program	100,000	10,000
Community Health Program	75,000	
Early Learning Program	60,000	
Advocacy	25,000	
Emergency Relief Program		
COVID Relief		60,185
Scholarship Program		24,115
Youth Program		11,917
Fundraising / Resource Development		4,350
Total Subject to Time Restrictions	<u>390,000</u>	<u>225,567</u>
Total Net Assets With Donor Restrictions	<u>\$ 3,651,639</u>	<u>\$ 2,008,603</u>

Puente de la Costa Sur
Notes to Financial Statements—Continued

Note 7—Net Assets—Continued

Net assets released from donor restrictions for the years ended June 30, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Satisfaction of purpose restrictions:		
General support	\$ 375,299	\$ 194,097
Community Development Program	369,424	281,511
Fundraising / Resource Development	302,223	89,787
Community Mental Health Program	202,111	95,983
Community Health Program	193,256	143,294
Youth Program	180,819	214,715
Advocacy	159,799	
Learning Center Program	135,131	114,000
Scholarship Program	58,062	35,426
Early Learning Program	56,636	214,022
Emergency Relief Program		
COVID Relief	373,924	202,340
Fire Relief	347,373	
Total Satisfaction of Purpose Restrictions	<u>2,754,057</u>	<u>1,585,175</u>
Satisfaction of passage of time:		
General support		120,000
Total Satisfaction of Time Restrictions		<u>120,000</u>
Total Net Assets Released from Donor Restrictions	<u>\$ 2,754,057</u>	<u>\$ 1,705,175</u>

Note 8—In-Kind Contributions

In-kind contributions include contributions of in-kind services and supplies used in operations of programs and other activities. For the years ended June 30, 2022 and 2021, in-kind contributions are reported in the statement of activities under revenue, support, & other income, and in the statement of functional expenses under the following expense captions:

	<u>2022</u>	<u>2021</u>
Materials and supplies	\$ 19,495	\$ 38,444
Use of facilities	2,700	305
Food	4,079	3,980
Totals	<u>\$ 26,274</u>	<u>\$ 42,729</u>

Materials and supplies and food are valued at the estimated fair market value at the time of donation based on information provided by the donor. Use of facilities is valued on management's estimated fair market value based on the square footage values of similar space.

Note 9—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 10—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 \$50,963 and \$51,299, respectively, for the years ended June 30, 2022 and 2021.

Note 11—Recent Accounting Pronouncement

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 to be applied using the modified retrospective approach and is effective for nonprofit organizations with fiscal years beginning after December 15, 2021, with early adoption permitted. The Organization is currently evaluating the impact that the adoption of ASU No. 2016-02 will have on its financial statements.

Note 12—Risks and Uncertainties

In March 2023, subsequent to year-end, the shut-down of certain financial institutions raised economic concerns over disruption in the United States (U.S.) banking system. The U.S. government took certain actions to strengthen public confidence in the U.S. banking system, however, there can be no certainty that the actions taken by the U.S. government will be effective in mitigating the effects of financial institution failures on the economy, which may include limits on access to short-term liquidity in the near term or other adverse effects. As noted in Note 2, the Organization maintains cash and cash equivalents and investment balances in excess of federally-insured limits. Given the uncertainty of the situation, the related financial impact cannot be reasonably estimated at this time.

Puente de la Costa Sur
Notes to Financial Statements—*Continued*

Note 13—Subsequent Events

Subsequent to year end, Puente de la Costa Sur is exploring housing solutions for the South Coast and has signed a purchase agreement for a property in Pescadero, CA, with a purchase price of \$4,600,000. Puente is performing a feasibility study to decide if this site has potential for affordable housing development before final execution of the agreement.

Management evaluated all activities of Puente de la Costa Sur through June 8, 2023, which is the date the financial statements were available to be issued, other than the banking crisis described in Note 12 and the purchase agreement described above, and concluded that no 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 County of San Mateo Awards
Year Ended June 30, 2022**

Program Title	Grant Number	Grant Amount	Grant Period	Amount Expended
Core Agency Services to At Risk and Homeless Residents	7510022-D002	\$ 121,165	7/1/21-6/30/22	\$ 116,165
First Five grant for Suenos Unidos Parent Participatory Preschool	19500-21-D001	100,000	7/1/21-6/30/22	92,626
Health Care for the Homeless/Farmworker Health Program	Resolution # 77844	574,906	7/1/21-6/30/24	278,746
Promoter to Low Income, Hard-to-Reach Residents of the South Coast Communities	Resolution # 75388	183,912	7/1/21-6/30/22	183,912
Project Success and Mindfulness-Based Substance Use Treatment		639,336	7/1/21-6/30/23	314,944
Trauma Informed Youth	Resolution # 78558	62,727	7/1/21-6/30/23	30,900
CSM-COVID 19-OCA 1001	80511-F21-D148	70,000	11/12/20-7/31/22	36,400
CSM-COVID Financial Assistance	PO # 2301199	125,000	4/25/22-12/31/22	90,500
CSM-COVID Get Healthy 60+	55511-22-D295	32,480	6/1/22-5/31/23	2,834
CSM - Measure K	Resolution # 78721	50,000	2/22/22-6/30/22	42,232
CSM - MHSA c/o CAMINAR	None	4,651	2/1/22-2/28/22	4,651
Total Expenditures of County of San Mateo Awards				<u>\$ 1,193,910</u>

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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, 2022, 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 June 8, 2023.

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.

Los Angeles, California
June 8, 2023

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