

Puente de la Costa Sur

Financial Statements

For the year ended June 30, 2011

with

Report of Independent Auditors

Report of Independent Auditors

CERTIFIED PUBLIC
ACCOUNTANTS

DONALD WILSON

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MICHAEL SMITH

Board of Directors
Puente de la Costa Sur
Pescadero, California

We have audited the accompanying statement of financial position of Puente de la Costa Sur as of June 30, 2011, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the management of Puente de la Costa Sur. Our responsibility is to express an opinion on these financial statements based on our audit. The prior-year summarized comparative information has been derived from the organization's June 30, 2010 financial statements and, in our report dated November 11, 2010, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Puente de la Costa Sur as of June 30, 2011, and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

Wilson Markle Stuckey Hardesty & Bott

Wilson Markle Stuckey Hardesty & Bott, LLP
October 12, 2011

Puente de la Costa Sur
Statement of Financial Position
June 30, 2011

Assets	<u>2011</u>	<u>2010</u>
Current assets		
Cash and cash equivalents	\$ 139,589	\$ 96,760
Accounts and grants receivable	107,133	47,761
Prepaid expenses and other current assets	<u>9,944</u>	<u>7,797</u>
Total current assets	256,666	152,318
Property and equipment, at cost		
Furniture and equipment	19,239	19,239
Leasehold improvements	78,762	39,137
Accumulated depreciation and amortization	<u>(27,016)</u>	<u>(14,188)</u>
Total	<u>70,985</u>	<u>44,188</u>
Total assets	<u>\$ 327,650</u>	<u>\$ 196,506</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 28,824	\$ 19,748
Accrued liabilities	43,030	18,518
Deferred revenue	<u>6,950</u>	<u>-</u>
Total current liabilities	78,803	38,266
Net assets		
Unrestricted	93,984	39,699
Temporarily restricted	<u>154,863</u>	<u>118,541</u>
Total net assets	<u>248,847</u>	<u>158,240</u>
Total liabilities and net assets	<u>\$ 327,650</u>	<u>\$ 196,506</u>

See accompanying notes.

Puente de la Costa Sur
Statement of Activities and Changes in Net Assets
Year ended June 30, 2011

	Unrestricted	Temporarily restricted	2011 Total	2010 Total
Revenue and support				
Government grants/contracts	\$ 820,172	\$ -	\$ 820,172	\$ 437,944
Contributions				
Foundations	7,053	251,593	258,646	263,758
Individuals	261,790	4,813	266,603	187,912
Corporate	2,763	-	2,763	6,069
Other charitable organizations	29,896	-	29,896	34,403
Program service fees	24,923	-	24,923	1,545
Other income	-	-	-	362
In-kind contributions	232,722	-	232,722	203,248
Net assets released from restrictions	220,084	(220,084)	-	-
Total revenue and support	1,599,403	36,322	1,635,725	1,135,241
Expenses				
Programs	1,316,140	-	1,316,140	962,476
General and administrative	138,003	-	138,003	116,719
Fundraising and development	90,975	-	90,975	71,464
Total expenses	1,545,118	-	1,545,118	1,150,659
Change in net assets	54,285	36,322	90,607	(15,418)
Net assets, beginning of year	39,699	118,541	158,240	173,658
Net assets, end of year	\$ 93,984	\$ 154,863	\$ 248,847	\$ 158,240

See accompanying notes.

Puente de la Costa Sur
Statement of Functional Expenses
Year ended June 30, 2011

	Programs	General and Administrative	Fundraising	2011 Total	2010 Total
Salaries	\$ 625,617	\$ 29,366	\$ 62,192	\$ 717,175	\$ 519,403
Payroll taxes	72,980	1,707	7,151	81,838	53,522
Other employee benefits	56,729	5,618	5,346	67,693	49,932
Contract services	136,601	2,035	5,891	144,527	110,261
Accounting fees	-	74,148	-	74,148	53,680
Insurance	5,488	236	550	6,274	5,174
Depreciation and amortization	-	12,828	-	12,828	7,366
Program expenses:					
In-kind food and supplies	200,722	-	-	200,722	190,948
Computer/internet access	29,832	5,849	2,065	37,746	25,373
Transportation	43,681	124	79	43,884	27,237
Food	17,538	-	-	17,538	23,286
Shelter	5,926	-	-	5,926	8,639
Scholarships/stipends	21,001	-	-	21,001	-
Other	30,674	123	-	30,797	18,741
Occupancy and space rental	9,316	2,161	667	12,144	13,745
Office expenses	43,334	3,288	6,826	53,448	19,067
Professional development	12,271	377	208	12,856	6,952
Community outreach	4,430	-	-	4,430	10,331
Miscellaneous	-	143	-	143	7,002
Total expenses	\$ 1,316,140	\$ 138,003	\$ 90,975	\$ 1,545,118	\$ 1,150,659
Percentage of expense to total expense	85%	9%	6%	100%	

See accompanying notes.

Puente de la Costa Sur
Statement of Cash Flows
Year ended June 30, 2011

	2011	2010
Cash flows from (to) operating activities		
Change in net assets	\$ 90,607	\$ (15,418)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Changes in current assets and liabilities		
Depreciation expense	12,828	7,366
Accounts receivable	(59,372)	16,990
Prepaid expenses	(2,147)	3,573
Accounts payable	9,076	(14,961)
Accrued liabilities	24,512	8,086
Deferred revenue	6,950	(27,000)
Net cash provided (used) by operating activities	82,453	(21,364)
Cash used by investing activities		
Cash outlays for property and equipment	(7,625)	(12,300)
Inkind donation of playground equipment	(32,000)	-
Net cash used by investing activities	(39,625)	(12,300)
Net increase (decrease) in cash and cash equivalents	42,828	(33,664)
Cash and cash equivalents, beginning of year	96,760	130,424
Cash and cash equivalents, end of year	\$ 139,589	\$ 96,760

Noncash contribution of playground equipment and labor for installation were added this year for a value of \$32,000.

Puente de la Costa Sur
Notes to Financial Statements
June 30, 2011

Note 1 – Summary of significant accounting policies

Basis of presentation

Puente de la Costa Sur is a non-profit California corporation that provides vital services for men, women, children and families living in the South Coast communities of Pescadero, La Honda, Loma Mar and San Gregorio. Puente provides food, clothing, rental and utility assistance; literacy programs for English and Spanish learners; enrollment in health insurance programs; educational health outreach, screening, and immunizations; parenting education and support programs, counseling and peer support for adults and children, and opportunities for youth leadership development, economic development, and community engagement and action. Puente de la Costa Sur also works with nursery, ranch and farm owners and workers to promote sustainable agricultural economy on the South Coast.

Basis of accounting

The accompanying financial statements are prepared on the accrual basis of accounting. Puente de la Costa Sur records revenues when earned and expenses when incurring the related obligation. Puente de la Costa Sur recognizes revenues from reimbursable cost contracts when incurring the related expenses.

Cash and cash equivalents

Cash consists of amounts on deposit with a commercial bank, available on demand. At June 30, 2011 and 2010 and at various times during the year then ended, Puente de la Costa Sur may have had deposits exceeding federally insured amounts. For purposes of the statement of cash flows, Puente de la Costa Sur considers investments with initial maturities of three months or less to be cash equivalents.

Allowance for uncollectible accounts receivable

Puente de la Costa Sur uses the allowance method to account for uncollectible accounts receivable. Under this method, Puente de la Costa Sur reviews all receivables for any problems with collectability. If the organization feels that there may be a problem with collections, an allowance is provided for the receivable. When attempts to collect a specific receivable are unsuccessful, the account is considered uncollectible and is written off against the allowance. At June 30, 2011 and 2010, Puente de la Costa Sur concluded that an allowance for doubtful accounts was not necessary.

Puente de la Costa Sur
Notes to Financial Statements
June 30, 2011

Note 1 – Summary of significant accounting policies (continued)

Property and equipment

Puente de la Costa Sur capitalizes expenditures of \$2,500 or more when making outlays for property and equipment. Purchases of furniture and equipment are recorded at cost. Donated furniture and equipment are stated at fair value. Equipment and furniture depreciation will be computed on the straight-line method over estimated useful lives of five or seven years.

Leasehold improvements

Expenditures for improvements to leased facilities are amortized over the life of the lease relevant to that property.

Deferred revenue

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

Net Assets

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

In-kind support

Puente de la Costa Sur records contributions of goods and services at their fair market value only if they create or enhance a non-financial asset or require specialized skills, are provided by entities or persons possessing those skills and Puente de la Costa Sur would have purchased the goods or services if they did not receive them as contributions.

Allocation of functional expenses

The costs of providing Puente de la Costa Sur's various programs and other activities have been summarized on a functional basis in the statement of changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services based on estimates of time and usage.

Income taxes

Puente de la Costa Sur has been advised by governmental authorities that it is exempt from federal income and state franchise taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the Revenue and Taxation Code of the State of California.

Puente de la Costa Sur
Notes to Financial Statements
June 30, 2011

Note 1 –Summary of significant accounting policies (continued)

Income taxes (continued)

Puente de la Costa Sur has been classified as other than a private foundation under Internal Revenue Codes Section 509(a) (1). Accordingly, donors are entitled to the maximum charitable contribution allowed by law. Management of the organization concluded that no activities of Puente de la Costa Sur jeopardized its exemption from income taxes, its classification as a “public charity” or subjected the organization to taxes on unrelated business income. Consequently, Puente de la Costa Sur did not provide for any income taxes. The organization follows accounting principles generally accepted in the United States relating to the accounting for uncertainty in income taxes. Adoption of these provisions did not have any impact on the organization's provision for unrecognized tax liabilities. Management believes that the organization has adequately addressed all tax positions and that there are no unrecorded tax liabilities. Tax years 2007 to 2010 are open for examination by the Internal Revenue Service and years 2006 to 2010 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, 2010, from which the summarized information was derived.

Subsequent events

Puente de la Costa Sur evaluated subsequent events for recognition and disclosure through October 12, 2011, the date which these financial statements were available to be issued. Management concluded that no material subsequent events have occurred since June 30, 2011 that required recognition or disclosure in such financial statements.

Puente de la Costa Sur
Notes to Financial Statements
June 30, 2011

Note 2 – Accounts and grants receivable

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

Accounts receivable at June 30, 2010 consists of \$11,545 remaining to be received in service fees/government contract revenue from the County of San Mateo. Grants and pledges receivable at June 30, 2010 consists of \$27,351 remaining to be received from private foundations, \$7,500 in grants from United Way and \$1,365 from individuals.

Note 3 – Commitments

Puente de la Costa Sur leases office space under an operating lease with the La Honda-Pescadero Unified School District. The lease 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. Occupancy costs for the year ended June 30, 2011 was \$12,144, (2010 - \$13,745).

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

Included in occupancy costs is satellite space rental for La Sala, a place for local migrant workers to receive hot meals and assistance with emergency needs.

Puente de la Costa Sur has been granted \$25,000 from the San Francisco Foundation for the purpose of meeting disaster-related food, shelter, and health services in the event of a major disaster. Since this grant is contingent upon a disaster actually occurring, the grant has not been recognized as revenue on the organization's books.

Note 4 – Retirement account

Puente de la Costa Sur sponsors a defined contribution plan (Plan) under IRC Section 403(b) for its employees. The Plan allows participating employees to defer a portion of their compensation into income tax-deferred investments. The contribution rate is elective per employee and Puente de la Costa Sur does a match of 6%. For the year ended June 30, 2011, Puente de la Costa Sur made contributions to the plan totaling \$17,221, (2010 - \$12,584).

Puente de la Costa Sur
Notes to Financial Statements
June 30, 2011

Note 5 – In-kind contributions

Puente receives a significant amount of in-kind contributions in the form of food and supplies. The primary source of these contributions is the Second Harvest Food Bank of Santa Clara and San Mateo Counties. The value of non-cash contributions for the year ended June 30, 2011 was \$232,722 (2010 -\$203,248).

Included in the non-cash contributions for the year ended June 30, 2011 are capitalized improvements to the organization's facilities. A children's playground structure was contributed and installed by The Institute for Human and Social Development.

Note 6 – Temporarily restricted net assets

At June 30, 2011 Puente de la Costa Sur had temporarily restricted net assets of \$154,863. This balance consists of program restricted assets only.

	June 30, 2010	Additions	Releases	June 30, 2011
<u>Program Restrictions</u>				
Bella Vista Foundation	\$ 24,711	\$ -	\$ (24,711)	\$ -
Bothin Foundation	8,175	-	(1,779)	6,396
David & Lucille Packard Foundation	10,000	25,000	(12,613)	22,387
Grove Foundation	24,584	44,200	(24,363)	44,421
Kaiser Foundation	20,000	-	(20,000)	-
Morris Stulsaft Foundation (Learning Center)	7,237	-	(2,443)	4,794
San Francisco Foundation	2,000	35,800	(23,518)	14,282
The TomKat Foundation	-	45,000	(9,834)	35,166
Silicon Valley Community Foundation	6,143	101,593	(80,578)	27,158
United Way of the Bay Area	7,249	-	(7,249)	-
University of CA -IME Becas	8,442	-	(8,442)	-
Individual donors - designated	-	4,813	(4,554)	259
Total program restricted assets	118,541	256,406	(220,084)	154,863
Total temporarily restricted net assets	\$ 118,541	\$ 256,406	\$ (220,084)	\$ 154,863

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. Management believes that Puente de la Costa Sur has complied with all aspects of grant and contract provisions and disallowed costs, if any, would be insignificant to its financial position.

Puente de la Costa Sur
Notes to Financial Statements
June 30, 2011

Note 7 – Risks and uncertainties (continued)

Revenues from government contracts in the accompanying statement of activities consist principally of amounts earned under the terms of contracts with the Counties of San Mateo and the Santa Clara Office of Education.

**WILSON
MARKLE
STUCKEY
HARDESTY
& BOTT LLP**

CERTIFIED PUBLIC
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MICHAEL SMITH

To the Board of Directors
Puente de la Costa Sur

We have audited the financial statements of Puente de la Costa Sur for the year ended June 30, 2011, and have issued our report thereon dated October 12, 2011. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under Generally Accepted Auditing Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing.

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 the year ended June 30, 2011.

We noted no transactions entered into by Puente de la Costa Sur during the year for which there is a lack of authoritative guidance or consensus.

There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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 known and likely misstatements identified during the audit, other than those that are 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, professional standards define a disagreement with management as 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 October 12, 2011.

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 Puente de la Costa Sur'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 Puente de la Costa Sur's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

No Material Weaknesses

As part of our audit, we made a study and evaluation of Puente de la Costa Sur's system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards. The purpose of our study and evaluation, which included obtaining an understanding of the accounting system, was to determine the nature, timing and extent of the auditing procedures necessary for expressing an opinion on the financial statements.

The management of Puente de la Costa Sur is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system and the practices and procedures are to provide management with reasonable, but not absolute, assurance that assets for which the company has responsibility are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal accounting control procedures or the practices and procedures referred to above, errors or irregularities may nevertheless occur and not be detected. In addition, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the degree of compliance with them may deteriorate.

Our study and evaluation, made for the limited purpose described in the first paragraph, would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal accounting control, taken as a whole. No condition that may be considered a material weakness came to our attention during our study and evaluation.

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

Wilson Markle Stuckey Hardesty & Bott

Wilson Markle Stuckey Hardesty & Bott, LLP

October 12, 2011