

PUENTE Learning Center

FINANCIAL REPORTS

YEAR ENDED JUNE 30, 2016

PUENTE Learning Center

FINANCIAL REPORTS

YEAR ENDED JUNE 30, 2016

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SECTION A

Financial Statements

PUENTE Learning Center

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

PUENTE Learning Center

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
PUENTE Learning Center

Report on the Financial Statements

We have audited the accompanying financial statements of PUENTE Learning Center (the Center), which comprise the statement of financial position as of June 30, 2016 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 audit 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including 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 Center as of June 30, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Center's June 30, 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 7, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

To the Board of Directors
PUENTE Learning Center

Other Matters - Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying statements of financial position, activities, and cash flows - charter school program, the charter school organization structure, and the schedules of average daily attendance - classroom based and instructional time, and reconciliation of annual financial report with audited financial statements are presented for purposes of additional analysis and are 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 supplementary 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 January 24, 2017 on our consideration of the Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Center's internal control over financial reporting and compliance.

Green Hasson & Janks LLP

January 24, 2017
Los Angeles, California

PUENTE Learning Center

STATEMENT OF FINANCIAL POSITION June 30, 2016 With Summarized Totals at June 30, 2015

	2016				2015 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
ASSETS					
Cash and Cash Equivalents	\$ 468,448	\$ 55,001	\$ -	\$ 523,449	\$ 1,017,429
Cash and Cash Equivalents - Board Designated	5,000,000	-	-	5,000,000	6,000,000
Investments	4,286,001	4,725,795	6,761,532	15,773,328	15,059,068
Accounts Receivable	129,920	-	-	129,920	172,827
Pledges Receivable	-	-	-	-	63,774
Prepaid Expenses and Other Assets	31,716	-	-	31,716	75,060
Property and Equipment (Net)	6,500,446	-	-	6,500,446	5,979,463
TOTAL ASSETS	\$ 16,416,531	\$ 4,780,796	\$ 6,761,532	\$ 27,958,859	\$ 28,367,621
LIABILITIES AND NET ASSETS					
LIABILITIES:					
Accounts Payable and Accrued Expenses	\$ 156,813	\$ -	\$ -	\$ 156,813	\$ 202,139
NET ASSETS:					
Unrestricted	16,259,718	-	-	16,259,718	16,458,091
Temporarily Restricted	-	4,780,796	-	4,780,796	4,945,859
Permanently Restricted	-	-	6,761,532	6,761,532	6,761,532
TOTAL NET ASSETS	16,259,718	4,780,796	6,761,532	27,802,046	28,165,482
TOTAL LIABILITIES AND NET ASSETS	\$ 16,416,531	\$ 4,780,796	\$ 6,761,532	\$ 27,958,859	\$ 28,367,621

The Accompanying Notes are an Integral Part of These Financial Statements

PUENTE Learning Center

STATEMENT OF ACTIVITIES

Year Ended June 30, 2016

With Summarized Totals for the Year Ended June 30, 2015

	2016			Total	2015 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted		
REVENUE AND PUBLIC SUPPORT:					
Foundations	\$ 290,500	\$ 210,800	\$ -	\$ 501,300	\$ 742,996
Charter School	1,222,433	-	-	1,222,433	1,060,172
In-Kind Contributions	1,132,273	-	-	1,132,273	192,765
Corporations	10,658	70,000	-	80,658	152,700
Individuals	25,004	1,082	-	26,086	22,685
Special Events (Net of Direct Donor Benefits of \$29,381)	100,309	-	-	100,309	116,053
TOTAL REVENUE AND PUBLIC SUPPORT	2,781,177	281,882	-	3,063,059	2,287,371
OTHER REVENUE:					
Investment Income	523,620	195,186	-	718,806	818,815
Other Income	190,096	-	-	190,096	206,455
Net Assets Released from Purpose Restrictions	240,215	(240,215)	-	-	-
Net Assets Released from Time Restrictions	50,000	(50,000)	-	-	-
Appropriation of Endowment Assets for Expenditure	351,916	(351,916)	-	-	-
TOTAL OTHER REVENUE	1,355,847	(446,945)	-	908,902	1,025,270
TOTAL REVENUE, PUBLIC SUPPORT AND OTHER REVENUE	4,137,024	(165,063)	-	3,971,961	3,312,641
EXPENSES:					
Program Expenses:					
Adult Program	1,194,604	-	-	1,194,604	1,407,944
Charter School	1,245,381	-	-	1,245,381	1,172,315
Donated Materials and Services	166,296	-	-	166,296	192,765
After-School Enrichment / HS Tutorial	253,733	-	-	253,733	281,235
Pre-School Readiness Program	288,796	-	-	288,796	329,802
Job Referral	83,002	-	-	83,002	103,546
TOTAL PROGRAM EXPENSES	3,231,812	-	-	3,231,812	3,487,607
Supporting Services:					
Management and General	797,319	-	-	797,319	544,932
Fundraising	306,266	-	-	306,266	392,510
TOTAL SUPPORTING SERVICES	1,103,585	-	-	1,103,585	937,442
TOTAL EXPENSES	4,335,397	-	-	4,335,397	4,425,049
CHANGE IN NET ASSETS FROM OPERATIONS	(198,373)	(165,063)	-	(363,436)	(1,112,408)
OTHER NON-OPERATING INCOME:					
Gain on Sale of South LA Campus	-	-	-	-	1,899,789
CHANGE IN NET ASSETS	(198,373)	(165,063)	-	(363,436)	787,381
Net Assets - Beginning of Year	16,458,091	4,945,859	6,761,532	28,165,482	27,378,101
NET ASSETS - END OF YEAR	\$ 16,259,718	\$ 4,780,796	\$ 6,761,532	\$ 27,802,046	\$ 28,165,482

The Accompanying Notes are an Integral Part of These Financial Statements

PUENTE Learning Center

STATEMENT OF FUNCTIONAL EXPENSES Year Ended June 30, 2016 With Summarized Totals for the Year Ended June 30, 2015

	2016							2015 Total
	Program	Charter School	Total Program	Management and General	Fundraising	Total Supporting Services	Total	
Salaries	\$ 1,068,945	\$ 800,303	\$ 1,869,248	\$ 343,889	\$196,560	\$ 540,449	\$ 2,409,697	\$ 2,533,518
Payroll Taxes	75,852	58,344	134,196	21,440	13,208	34,648	168,844	188,238
Employee Benefits	79,927	50,622	130,549	34,219	5,888	40,107	170,656	182,776
TOTAL PERSONNEL COSTS	1,224,724	909,269	2,133,993	399,548	215,656	615,204	2,749,197	2,904,532
Depreciation	329,264	23,736	353,000	17,714	26,820	44,534	397,534	488,929
Professional Services	7,276	89,486	96,762	207,839	10,594	218,433	315,195	179,546
Donated Materials and Services	166,296	-	166,296	105,383	-	105,383	271,679	192,765
Insurance	87,902	52,244	140,146	15,399	12,638	28,037	168,183	141,595
Utilities	80,027	15,584	95,611	2,356	6,617	8,973	104,584	185,919
Building Lease	-	87,698	87,698	-	-	-	87,698	61,929
Other	18,859	14,939	33,798	25,849	22,950	48,799	82,597	91,492
Equipment Rental and Maintenance	23,093	11,756	34,849	193	2,764	2,957	37,806	46,138
Office Supplies and Expense	11,378	16,807	28,185	4,931	4,072	9,003	37,188	43,436
Text Books	20,528	9,645	30,173	-	-	-	30,173	29,805
Telephone	12,296	6,513	18,809	3,935	1,629	5,564	24,373	33,396
Dues and Subscriptions	1,138	3,382	4,520	9,105	1,531	10,636	15,156	10,273
Travel	324	1,519	1,843	2,596	399	2,995	4,838	2,029
Training and Workshops	1,536	2,248	3,784	2,471	482	2,953	6,737	8,378
Property Taxes	1,790	555	2,345	-	114	114	2,459	4,887
TOTAL 2016 FUNCTIONAL EXPENSES	\$ 1,986,431	\$ 1,245,381	\$ 3,231,812	\$ 797,319	\$ 306,266	\$ 1,103,585	\$ 4,335,397	
			75%	18%	7%		100%	
TOTAL 2015 FUNCTIONAL EXPENSES	\$ 2,315,292	\$ 1,172,315	\$ 3,487,607	\$ 544,932	\$ 392,510	\$ 937,442		\$ 4,425,049
			79%	12%	9%			100%

The Accompanying Notes are an Integral Part of These Financial Statements

PUENTE Learning Center

STATEMENT OF CASH FLOWS

Year Ended June 30, 2016

With Summarized Totals for the Year Ended June 30, 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ (363,436)	\$ 787,381
Adjustments to Reconcile Change in Net Assets to Net Cash Used in Operating Activities:		
Depreciation	397,534	488,929
Donated Fixed Assets	(857,584)	-
Gain on Sale of South LA Campus	-	(1,899,789)
Contributed Investments	-	(296,438)
Proceeds from Sale of Contributed Investments	-	291,697
Realized and Unrealized Gains on Investments	(558,692)	(643,373)
(Increase) Decrease in:		
Accounts Receivable	42,907	(41,427)
Pledges Receivable	63,774	192,723
Prepaid Expenses and Other Assets	43,344	(6,020)
(Decrease) Increase in Accounts Payable and Accrued Expenses	(45,326)	(251,416)
NET CASH USED IN OPERATING ACTIVITIES	(1,277,479)	(1,377,733)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from Sale of Investments	862	850,619
Reinvested Interest and Dividends	(156,430)	(172,886)
Purchase of Property and Equipment	(60,933)	(493,996)
Net Proceeds from Sale of South LA Campus	-	6,718,505
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(216,501)	6,902,242
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,493,980)	5,524,509
Cash and Cash Equivalents - Beginning of Year	7,017,429	1,492,920
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 5,523,449	\$ 7,017,429

The Accompanying Notes are an Integral Part of These Financial Statements

PUENTE Learning Center

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

NOTE 1 - ORGANIZATION

PUENTE Learning Center (the Center) is a not-for-profit, tax-exempt, community-based organization founded in 1985 and incorporated in 1989. The Center's mission is stated within its name: People United to Enrich the Neighborhood Through Education. "Puente" is also the Spanish word for "bridge." The Center offers a bridge to opportunity by addressing barriers that prevent individuals from building strong educational foundations and achieving self-sufficiency for themselves, their families, and their communities. Celebrating its 30th anniversary in 2015, the Center has provided a respectful, safe learning environment that welcomes all members of the community, regardless of age, educational background, or economic circumstances.

The campus, located in Boyle Heights, offers tuition-free classes. In its over 30 years in service to the community, approximately 100,000 students have benefited from PUENTE's programs, which include:

- Preschool Readiness
- Charter Kindergarten
- Summer Intensive Reading
- After School Enrichment
- College Access
- English as a Second Language
- Adult High School Diploma
- High School Intensive Reading
- High School Credit Recovery
- Computer Applications
- Computer Repair/A+ Certification Preparation
- Veterans Job Training

Limited educational opportunities and widespread poverty profoundly affect the vitality of the neighborhoods the Center serves. These communities have a particularly urgent need for English-language instruction and supplementary educational activities, combined with job training programs that focus on specific workforce needs. Offering a blend of traditional classroom instruction and current computer technology, the Center is a vibrant resource for neighborhood empowerment and opportunity.

PUENTE Learning Center

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) BASIS OF PRESENTATION

The financial statements have been prepared on the accrual basis of accounting.

(b) ACCOUNTING

To ensure observance of certain constraints and restrictions placed on the use of resources, the accounts of the Center are maintained in accordance with the principles of net assets accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into net asset classes that are in accordance with specified activities or objectives. Accordingly, all financial transactions have been recorded and reported by net asset class as follows:

- **Unrestricted.** These generally result from revenues generated by receiving unrestricted contributions, providing services, receiving rental income and receiving income from investments less expenses incurred in providing program related services, raising contributions, and performing administrative functions.
- **Temporarily Restricted.** The Center reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from purpose or time restrictions. The Center has \$ \$4,780,796 of temporarily restricted net assets at June 30, 2016.
- **Permanently Restricted.** These net assets are received from donors who stipulate that resources are to be maintained permanently, but permit the Center to expend all of the income (or other economic benefits) derived from the donated assets. The Center has \$6,761,532 of permanently restricted net assets at June 30, 2016.

(c) CASH AND CASH EQUIVALENTS

Cash and cash equivalents are short-term, highly liquid investments with original maturities of three months or less at the time of purchase. The carrying value of cash and cash equivalents at June 30, 2016 approximates its fair value.

The Center maintains its cash and cash equivalents in bank accounts and other investment accounts, which, at times, may exceed federally insured limits. The Center has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

At June 30, 2016, the Center had \$5,000,000 cash and cash equivalents that the Board of Directors has designated to be used for capital expansion. The Center released \$1,000,000 of the Board designated net assets in the current year towards program enhancement.

PUENTE Learning Center

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) INVESTMENTS

Investments in equity and debt securities with readily determinable market values are reported at fair value. The fair value of investments is valued at the closing price on the last business day of the fiscal year. Securities are generally held in custodial investment accounts administered by financial institutions.

Investment purchases and sales are accounted for on a trade-date basis. Interest and dividend income is recorded when earned. Gains or losses (including investments bought, sold, and held during the year), and interest and dividend income are reflected in the statement of activities as increases or decreases in unrestricted net assets unless their use is temporarily restricted by donor stipulations or by law.

Investments are made according to the investment policies, guidelines, and objectives adopted by the Center's Board of Directors. These guidelines provide for investments in equities, fixed income, and other securities with performance measured against appropriate indices. The investments are generally managed by outside investment managers contracted by the Center. Market values of such investments and credit ratings of bond issuers are routinely reviewed by the Board of Directors.

Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain long-term investments, it is reasonably possible that changes in the values of these investments will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

(e) ACCOUNTS RECEIVABLE

Receivables are recorded when billed or accrued and represent claims against third parties that will be settled in cash. The carrying value of receivables, net of the allowance for doubtful accounts, if any, represents their estimated net realizable value. The allowance for doubtful accounts, if any, is estimated based on historical collection trends, type of customer, the age of outstanding receivables and existing economic conditions. If events or changes in circumstances indicate that specific receivable balances may be impaired, further consideration is given to the collectability of those balances and the allowance is adjusted accordingly. Past due receivable balances are written off when internal collection efforts have been unsuccessful in collecting the amount due. At June 30, 2016, all receivables are deemed fully collectible; therefore, no allowance for doubtful accounts has been established.

(f) CONTRIBUTIONS AND PLEDGES RECEIVABLE

Unconditional contributions, including pledges, are recorded at estimated fair value, and recognized as revenues in the period received. The Center reports unconditional contributions as restricted support if they are received with donor stipulations that limit the use of the donated assets. At June 30, 2016, the Center evaluated the collectability of pledges receivable. No allowance for uncollectible pledges was deemed necessary.

PUENTE Learning Center

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost if purchased or at fair value at the date of donation if donated. Depreciation expense is computed using the straight-line method over the estimated useful lives of the related assets, as follows:

Buildings	30 Years
Furniture and Equipment	3 - 8 Years
Software	5 Years

Expenditures for repairs and maintenance are charged to operations when incurred, while major renewals and betterments are capitalized. Property and equipment are capitalized if the cost of an asset is greater than or equal to \$1,000 and the useful life is greater than one year.

(h) LONG-LIVED ASSETS

The Center reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the book value of the assets may not be recoverable. An impairment loss is recognized when the sum of the undiscounted future cash flows is less than the carrying amount of the asset, in which case a write-down is recorded to reduce the related asset to its estimated fair value. No impairment losses were recognized on long-lived assets during the year ended June 30, 2016.

(i) CONTRIBUTED GOODS AND SERVICES

Contributions of donated non-cash assets are recorded at fair value in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at fair value in the period received. The Los Angeles Unified School District provides teachers and administrative support to the Center at no cost. The Center also received pro-bono legal services and donated software during the year ended June 30, 2016.

Contributed goods and services received by the Center during the year ended June 30, 2016 consist of the following:

Teacher and Administrative Support	\$ 166,296
Legal Services	105,383
Software	857,584
Direct Donor Benefit Expense	<u>3,010</u>
TOTAL	<u>\$ 1,132,273</u>

(j) INCOME TAXES

The Center has been granted exemption from income tax under Section 501(c)(3) of the Internal Revenue Code and the corresponding California provisions.

PUENTE Learning Center

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the Center's various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and services benefited by a method that best measures the relative degree of benefit. The Center uses full-time equivalents, salary dollars, and facility square footage to allocate indirect costs.

(l) USE OF ESTIMATES

In preparing financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses during the reporting period. Actual results could differ from those estimates.

(m) COMPARATIVE TOTALS

The financial statements include certain prior-year summarized comparative information in total but not by net assets class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Center's financial statements for the year ended June 30, 2015 from which the summarized information was derived.

(n) RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS

In August 2016, FASB issued Accounting Standards Update (ASU) No. 2016-14, Presentation of Financial Statements of Not-for-Profit Entities (Topic 958), which is intended to reduce complexity in financial reporting. The ASU focuses on improving the current net asset classification requirements and information presented in financial statements that is useful in assessing a nonprofit's liquidity, financial performance, and cash flows. For the Center, the ASU will be effective for the year ending June 30, 2019.

In February 2016, FASB issued ASU No. 2016-02, Leases, which is intended to improve financial reporting about leasing transactions. The new standard will require organizations that lease assets with terms of more than 12 months to recognize on the statement of financial position the assets and liabilities for the rights and obligations created by those leases. The ASU also will require disclosures to help financial statement users better understand the amount, timing, and uncertainty of cash flows arising from leases. These disclosures include qualitative and quantitative requirements and providing additional information about the amounts recorded in the financial statements. For the Center, the ASU will be effective for the year ending June 30, 2021.

(o) SUBSEQUENT EVENTS

The Center has evaluated events and transactions occurring subsequent to the statement of financial position date of June 30, 2016 for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through January 24, 2017, the date these financial statements were available to be issued. No such material events or transactions were noted to have occurred.

PUENTE Learning Center

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

NOTE 3 - INVESTMENTS

The Center has implemented the fair value measurement accounting standard, which defines fair value for those assets (and liabilities) that are re-measured and reported at fair value at each reporting period. This standard establishes a single authoritative definition of fair value, sets out a framework for measuring fair value based on inputs used, and requires additional disclosures about fair value measurements. This standard applies to fair value measurements already required or permitted by existing standards.

In general, fair values determined by Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets (or liabilities). Fair values determined by Level 2 inputs utilize data points that are observable such as quoted prices, interest rates and yield curves. Fair values determined by Level 3 inputs utilize unobservable data points for the asset (or liability) and include situations where there is little, if any, market activity for the asset (or liability).

The following table presents information about the Center's assets that are measured at fair value on a recurring basis at June 30, 2016 and indicates the fair value hierarchy of the valuation techniques utilized to determine such fair value:

	Year Ended June 30, 2016	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Common Stock	\$ 7,594,125	\$ 7,594,125	\$ -	\$ -
Bond Funds	6,537,601	6,537,601	-	-
Equity Mutual Funds	1,641,602	1,641,602	-	-
TOTAL INVESTMENTS	\$ 15,773,328	\$ 15,773,328	\$ -	\$ -

The fair values of the marketable securities within Level 1 were obtained based on quoted market prices at the closing of the last business day of the fiscal year.

Investment income for the year ended June 30, 2016 consists of the following:

Interest and Dividends	\$ 160,114
Realized and Unrealized Gains	558,692
INVESTMENT INCOME	\$ 718,806

The Center recognizes transfers at the beginning of each reporting period. Transfers between level 1 and 2 generally relate to whether a market becomes active or inactive. Transfers between level 2 and 3 investments relate to whether significant relevant observable inputs are available for the fair value measurement in their entirety and when redemption rules become more or less restrictive. There were no transfers between levels during the year ended June 30, 2016.

PUENTE Learning Center

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2016 consist of the following:

Land	\$ 2,191,853
Buildings	8,493,130
Furniture and Equipment	636,405
Software	857,584
Construction In Progress	<u>46,549</u>
TOTAL	12,225,521
Less: Accumulated Depreciation	<u>(5,725,075)</u>
PROPERTY AND EQUIPMENT (NET)	<u>\$ 6,500,446</u>

Depreciation expense for the year ended June 30, 2016 was \$397,534. The Center is in the process of making capital improvements to their South Boyle Campus in order to expand their charter school program through 3rd grade. The improvements are to expand the campus and to be in compliance with all State regulations. The total anticipated costs of the project are anticipated to be approximately \$2,500,000 and the project is expected to be completed in September 2017.

NOTE 5 - ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses at June 30, 2016 consist of the following:

Accrued Vacation	\$ 75,405
Accrued Payroll	67,325
Accrued Other	<u>14,083</u>
TOTAL ACCOUNTS PAYABLE AND ACCRUED EXPENSES	<u>\$ 156,813</u>

NOTE 6 - CHARTER SCHOOL REVENUES

Charter School revenues for the year ended June 30, 2016 consist of the following:

State	\$ 975,636
Local	204,672
Federal	<u>42,125</u>
TOTAL CHARTER SCHOOL REVENUES	<u>\$ 1,222,433</u>

PUENTE Learning Center

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

NOTE 7 - GRANTS AND CONTRACTS

The Center's grants and contracts are subject to inspection and audit by the appropriate governmental funding agencies. The purpose is to determine whether program funds were used in accordance with their respective guidelines and regulations. The potential exists for disallowance of previously funded program costs. The ultimate liability, if any, which may result from these governmental audits cannot be reasonably estimated and, accordingly, the Center has no provision for the possible disallowance of program costs in its financial statements.

NOTE 8 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30, 2016 are available for the following purposes:

Donor Restricted Endowment Funds	\$ 4,725,795
Specific Programs Conducted by the Center	<u>55,001</u>
<i>TEMPORARILY RESTRICTED NET ASSETS</i>	<u>\$ 4,780,796</u>

NOTE 9 - ENDOWMENTS

The Center's endowments consist of funds established for a variety of purposes. Endowment funds are established by donor-restricted gifts to either provide a permanent endowment, which is to provide a permanent source of income to the Center, or a term endowment, which is to provide income for a specified period to the Center.

The Center's management understands California State law as (1) requiring the preservation of the fair value of the original gifts as of the gift date of the donor restricted endowment funds, absent donor stipulations to the contrary and (2) allowing the spending of income and gains on permanently restricted endowments, absent explicit donor stipulations that all or a portion of such gains be maintained in perpetuity.

The primary long-term financial objective for the Center's endowments is to preserve the real (inflation-adjusted) purchasing power of endowment assets and income after accounting for endowment spending, inflation and costs of portfolio management. Performance of the overall endowment against this objective is measured over an investment horizon of five to seven years. The endowments are also managed to optimize the long run total rate of return on invested assets, assuming a prudent level of risk. The goal for this rate of return is one that funds the Center's existing spending policy and allows sufficient reinvestment to grow the endowment principal at a rate that exceeds inflation (as measured by the Consumer Price Index). Over the short term, the return for each element of the endowment portfolio should match or exceed each of the returns for the broader capital markets in which assets are invested. The Center has adopted a flexible spending policy for its endowment and elected to spend 3% of the last three years average of the fair value of these investments in the current year.

PUENTE Learning Center

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

NOTE 9 - ENDOWMENTS (continued)

The goal of the spending policy is to better identify potential income generated from endowment and long-term investment, and to minimize the probability of eroding the principal over the long term.

Endowment Net Asset Composition by Type of Fund at June 30, 2016	Temporarily Restricted	Permanently Restricted	Total
Donor-Restricted	\$ 4,725,795	\$ 6,761,532	\$ 11,487,327
Changes in Endowment Net Assets for the Year Ended June 30, 2015			
Endowment Net Assets -			
Beginning of Year	\$ 4,882,525	\$ 6,761,532	\$ 11,644,057
Net Realized and Unrealized Gains	195,186	-	195,186
Appropriation of Endowment Assets for Expenditure	(351,916)	-	(351,916)
<i>ENDOWMENT NET ASSETS - END OF YEAR</i>	<i>\$ 4,725,795</i>	<i>\$ 6,761,532</i>	<i>\$ 11,487,327</i>

NOTE 10 - RETIREMENT PLAN

The Center sponsors a defined contribution retirement plan and a tax-deferred annuity plan [under Internal Revenue Code Section 403(b)] administered by TIAA/CREF (Teachers Insurance Annuity Association/College Retirement Equities Fund) investing in deferred group annuities. Money is contributed to TIAA/CREF and deposited in investment categories consistent with each participant's direction. Employees are eligible to participate in the defined contribution retirement plan after two years of service. In April 2015, the Center approved an amendment to the defined contribution plan effective July 2015 to increase the matching to up to 5% (from 2%) of each eligible participant's salary. The Center contributes 5% of each eligible participant's salary to the defined contribution retirement plan and the Center's contributions for the year ended June 30, 2016 were \$67,779. Employees are eligible to participate in the tax-deferred annuity plan after 3 months of employment.

NOTE 11 - COMMITMENTS AND CONTINGENCIES

(a) OPERATING LEASES

The Center leases a portion of the South LA campus to continue its Charter School operation. Under this non-cancelable lease agreement, the lease will expire in May 2017. Payments are to escalate based on a schedule specified under the agreement. The total minimum rental commitment at June 30, 2016 for the year ending June 20, 2017 is \$40,425. Rent expense for the year ended June 30, 2016 was \$87,698.

(b) LEGAL PROCEEDINGS

In the ordinary course of conducting its business, the Center may become involved in various lawsuits. Some of these proceedings may result in judgments being assessed against the Center which, from time to time, may have an impact on changes in net assets. The Center does not believe that these proceedings, individually or in the aggregate, are material to the accompanying financial statements.

PUENTE Learning Center

SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2016

PUENTE Learning Center

STATEMENT OF FINANCIAL POSITION - CHARTER SCHOOL PROGRAM June 30, 2016

ASSETS

Cash and Cash Equivalents	\$	509,706
Accounts Receivable		127,461
Property and Equipment (Net)		<u>6,477</u>
TOTAL ASSETS	\$	<u><u>643,644</u></u>

LIABILITIES AND NET ASSETS

LIABILITIES		
Due to Other Programs of the Center	\$	(5,480)
NET ASSETS:		
Unrestricted - Undesignated		<u>649,124</u>
TOTAL NET ASSETS		<u>649,124</u>
TOTAL LIABILITIES AND NET ASSETS	\$	<u><u>643,644</u></u>

See Independent Auditor's Report

PUENTE Learning Center

STATEMENT OF ACTIVITIES - CHARTER SCHOOL PROGRAM Year Ended June 30, 2016

REVENUE:

State	\$	975,636
Local		204,672
Federal		<u>42,125</u>
TOTAL REVENUE		\$ 1,222,433

EXPENSES:

Program Expenses:

Salaries		800,303
Payroll Taxes		58,344
Employee Benefits		<u>50,622</u>

TOTAL PERSONNEL COSTS 909,269

Building Lease		87,698
Depreciation		2,650
Depreciation - Allocated		21,086
Dues and Subscriptions		3,382
Equipment Rental and Maintenance		11,756
Insurance		52,244
Office Supplies and Expense		16,807
Other		14,939
Professional Services		89,486
Property Taxes		555
Telephone		6,513
Text Books		9,645
Training and Workshops		2,248
Travel		1,519
Utilities		<u>15,584</u>

TOTAL PROGRAM EXPENSES 1,245,381

CHANGE IN NET ASSETS (22,948)

Net Assets - Beginning of Year 672,072

NET ASSETS - END OF YEAR \$ 649,124

See Independent Auditor's Report

PUENTE Learning Center

STATEMENT OF CASH FLOWS - CHARTER SCHOOL PROGRAM Year Ended June 30, 2016

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in Net Assets	\$ (22,948)
Adjustments to Reconcile Change in Net Assets to Net Cash Used in Operating Activities:	
Depreciation	2,650
Increase in Accounts Receivable	43,007
Decrease in Due to Other Programs of the Center	<u>(259,290)</u>
 <i>NET CASH USED IN OPERATING ACTIVITIES</i>	 (236,581)
 Cash and Cash Equivalents - Beginning of Year	 <u>746,287</u>
 <i>CASH AND CASH EQUIVALENTS - END OF YEAR</i>	 <u><u>\$ 509,706</u></u>

See Independent Auditor's Report

PUENTE Learning Center

CHARTER SCHOOL ORGANIZATION STRUCTURE

June 30, 2016

- a. Date and Granting Authority
of Charter School:

August 2002 (Initial)
December 2011 (Renewal)
Los Angeles Unified School District

- b. Members of the Governing Board:

Name	Title	Board Term	Term Expiration
Raul Amezcua	Chairman	2 Years	04/2017
Brian Ramsay	Vice Chairman	2 Years	12/2016
H. Cody Press III	Treasurer	2 Years	01/2018
Kenneth Yood	Secretary	2 Years	08/2017
Garrett Kop	Member	2 Years	06/2017
Jeremy H. Stern	Member	2 Years	04/2017
Fernando Guerra	Member	1 Year	06/2017
Greg Gonzalez	Member	1 Year	06/2017
Dr. Jake Gordon	Member	1 Year	06/2017
Tyler Sutherland	Member	1 Year	06/2017
Albert Reyes	Member	1 Year	10/2017

- c. Superintendent:

Ramon Cortines, Los Angeles Unified School
District

Chief Business Official:

Jose Cole Gutierrez, Director of Charter School
Division

Deputy/Associate/Assistant
Superintendent(s):

Jerome Greening, Charter School Administrator
Andrea Bazan, Chief Executive Officer

- d. Charter School Name:
Charter School Number:

PUENTE Charter School
473

PUENTE Learning Center

SCHEDULE OF AVERAGE DAILY ATTENDANCE - CLASSROOM BASED June 30, 2016

Grade	Second Period Report	Annual Report
Kindergarten	105.96	105.14

See Independent Auditor's Report

PUENTE Learning Center

SCHEDULE OF INSTRUCTIONAL TIME June 30, 2016

Grade	Provided	Required	Instructional Days	Status
Kindergarten	41,760 minutes	36,000 minutes	174	In Compliance*

* During the 2015-2016 school year, the school had the required 175 days of classroom instruction on its calendar. Due to a terrorist threat on December 15, 2015, LAUSD chose to cancel classes at all schools in the District. Accordingly, the school submitted a "Request for allowance of attendance because of emergency conditions - Form J-13A" to the California Department of Education for the day that was a calendared instructional day, but was canceled due to an administrative decision by LAUSD in support of campus safety at all schools (per Education Code Section 41422).

PUENTE Learning Center

RECONCILIATION OF ANNUAL FINANCIAL REPORT WITH AUDITED FINANCIAL STATEMENTS Year Ended June 30, 2016

June 30, 2016 Annual Financial Report Fund Balances (Net Assets)		\$	484,897
Adjustments and Reclassifications:			
Increasing (Decreasing) the Fund Balance (Net Assets)			
Cash	\$	-	
Accounts Receivable		127,461	
Property and Equipment		(15,574)	
Accounts Payable and Accrued Expenses		<u>52,340</u>	
Net Adjustments and Reclassifications			<u>164,227</u>
June 30, 2016 Audited Financial Statement Fund Balances (Net Assets)		\$	<u><u>649,124</u></u>

See Independent Auditor's Report

SECTION B

**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***

**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***

To the Board of Directors
PUENTE Learning Center

We have audited, in accordance with the 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 Learning Center (the Center), which comprise the statement of financial position as of June 30, 2016, 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 January 24, 2017.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 Center's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Center'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 Center's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Green Hasson & Janks LLP

January 24, 2017
Los Angeles, California

SECTION C

Independent Auditor's Report on State Compliance

INDEPENDENT AUDITOR’S REPORT ON STATE COMPLIANCE

To the Board of Directors
PUENTE Learning Center

Compliance

We have audited PUENTE Learning Center’s (the Center) compliance with the compliance requirements applicable to charter schools in accordance with the *2015-2016 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in the *California Code of Regulations*, Title 5, Section 19810 and following for the year ended June 30, 2016.

Management’s Responsibility

Compliance with the requirements referred to above is the responsibility of the Center’s management.

Auditor’s Responsibility

Our responsibility is to express an opinion on the Center’s compliance with the applicable compliance requirements based on our compliance audit.

We conducted our compliance audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the *2015-2016 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in the *California Code of Regulations*, Title 5, Section 19810 and following. Those standards and the *2015-2016 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in the *California Code of Regulations*, Title 5, Section 19810 and following require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements that could have a material effect on the results of the procedures applicable under the *2015-2016 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in the *California Code of Regulations*, Title 5, Section 19810 and following occurred. A compliance audit includes examining, on a test basis, evidence about the Center’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our compliance audit provides a reasonable basis for our opinion. Our compliance audit does not provide a legal determination on the Center’s compliance with those requirements.

We selected and tested transactions and records to determine the Center’s compliance with the state laws and regulations applicable to the following items:

Description	Procedures Performed
School Districts, County Offices of Education, and Charter Schools	
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Not Applicable
After School Education and Safety Program	Not Applicable
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	Not Applicable
Immunizations	Not Applicable

Description	Procedures Performed
Charter Schools	
Attendance	Yes
Mode of Instruction	Yes
Nonclassroom-Based Instruction/Independent Study for Charter Schools	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction	Not Applicable
Annual Instructional Minutes - Classroom Based	Yes
Charter School Facility Grant Program	Yes

Opinion

In our opinion, the Center complied, in all material respects, with the compliance requirements referred to above that are applicable to its Charter School for the year ended June 30, 2016.

Green Hasson & Janks LLP

January 24, 2017
Los Angeles, California

PUENTE Learning Center

SCHEDULES OF FINDINGS AND QUESTIONED COSTS June 30, 2016

SECTION I - SCHEDULE OF AUDITOR'S FINDINGS

There were no current audit findings.

SECTION II - SCHEDULE OF PRIOR AUDIT FINDINGS

Prior year audit findings identified below have been coded as follows:

<u>Five Digit Code</u>	<u>Finding Type</u>
30000	Internal Control
40000	State Compliance

- **2015 - 1: Accurate reporting of the unduplicated Local Control Funding Formula (LCFF) pupil counts.**

Finding Code: 30000, 40000

Observation: *Significant Deficiency* - As part of the LCFF funding calculations, the Center is required to report an accurate unduplicated pupil count. During the audit, we noted that there were pupils that were incorrectly classified under the unduplicated eligible free/reduced meal (FRPM) count on the certified CALPADS 1.17 report.

Current Status: The recommendations were adopted. No similar findings were noted in the June 30, 2016 audit.