PUENTE LEARNING CENTER

PUENTE Learning Center
Audited Financial Statements
As of and for the Year Ended June 30, 2017
with Report of Independent Auditors

An independently owned member
RSM US Alliance
RSM

Vasquez & Company LLP
Certified Public Accountants and Business Consultants

PUENTE Learning Center
Audited Financial Statements
As of and for the Year Ended June 30, 2017
with Report of Independent Auditors

Vasquez & Company LLP
Certified Public Accountants and Business Consultants

801 South Grand Ave., Suite 400
Los Angeles, CA 90017
Ph. (213) 873-1700
Fax (213) 873-1777

www.vasquezcpa.com

OFFICE LOCATIONS:
Los Angeles
Sacramento
San Diego

Report of Independent Auditors

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, 2017 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States 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, 2017 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as whole. The accompanying supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic 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 basic financial statements taken as a whole.

Prior Year Summarized Comparative Information – Other Auditors

The summarized comparative information as of and for the year ended June 30, 2016 were audited by other auditors whose report dated January 24, 2017, expressed an unmodified opinion.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 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, grant agreements and other matters. The purpose of that report is solely to describe the scope of our audit 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 the Center's 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.

Vasquez & Company LLP

Los Angeles, California
December 12, 2017

PUENTE Learning Center
Statement of Financial Position
June 30, 2017
With summarized totals as of June 30, 2016

	2017				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	2016 Total
ASSETS					
Current assets					
Cash and cash equivalents	$ 229,605	$ 165,814	$ -	$ 395,419	$ 523,449
Cash and cash equivalents - Board Designated	2,500,000	-	-	2,500,000	5,000,000
Investments	4,956,021	5,692,725	6,761,532	17,410,278	15,773,328
Accounts receivable	162,330	-	-	162,330	129,920
Prepaid expenses and other assets	53,095	-	-	53,095	31,716
Total current assets	7,901,051	5,858,539	6,761,532	20,521,122	21,458,413
Noncurrent assets					
Property and equipment, net	6,378,381	-	-	6,378,381	6,500,446
Total noncurrent assets	6,378,381	-	-	6,378,381	6,500,446
Total assets	$ 14,279,432	$ 5,858,539	$ 6,761,532	$ 26,899,503	$ 27,958,859
LIABILITIES AND NET ASSETS					
Liabilities					
Accounts payable and accrued expenses	$ 217,451	$ -	$ -	$ 217,451	$ 156,813
Total liabilities	217,451	-	-	217,451	156,813
Net assets					
Unrestricted	14,061,981	-	-	14,061,981	16,259,718
Temporarily restricted	-	5,858,539	-	5,858,539	4,780,796
Permanently restricted	-	-	6,761,532	6,761,532	6,761,532
Total net assets	14,061,981	5,858,539	6,761,532	26,682,052	27,802,046
Total liabilities and net assets	$ 14,279,432	$ 5,858,539	$ 6,761,532	$ 26,899,503	$ 27,958,859

See notes to financial statements.

PUENTE Learning Center
Statement of Activities
Year ended June 30, 2017
With summarized totals for the year ended June 30, 2016

	2017				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	2016 Total
Revenue and public support					
Foundations	$ 146,368	$ 52,500	$ -	$ 198,868	$ 501,300
Charter school	1,140,738	-	-	1,140,738	1,222,433
In-kind contributions	349,327	-	-	349,327	1,132,273
Corporations	31,620	56,333	-	87,953	80,658
Individuals	30,216	1,980	-	32,196	26,086
Special events (net of direct donor benefits)	127,808	-	-	127,808	100,309
Total revenue and public support	1,826,077	110,813	-	1,936,890	3,063,059
Other revenue					
Investment income	330,566	1,331,930	-	1,662,496	718,806
Other income	195,177	-	-	195,177	190,096
Appropriation of endowment assets for expenditure	365,000	(365,000)	-	-	-
Total other revenue	890,743	966,930	-	1,857,673	908,902
Total revenue, public support and other revenue	2,716,820	1,077,743	-	3,794,563	3,971,961
Expenses					
Program expenses:					
Program	2,125,230	-	-	2,125,230	1,986,431
Charter school	1,051,520	-	-	1,051,520	1,245,381
Total program expenses	3,176,750	-	-	3,176,750	3,231,812
Supporting services:					
Management and general	1,214,821	-	-	1,214,821	797,319
Fundraising	522,986	-	-	522,986	306,266
Total supporting services	1,737,807	-	-	1,737,807	1,103,585
Total expenses	4,914,557	-	-	4,914,557	4,335,397
Change in net assets	(2,197,737)	1,077,743	-	(1,119,994)	(363,436)
Net assets - beginning of year	16,259,718	4,780,796	6,761,532	27,802,046	28,165,482
Net assets - end of year	$ 14,061,981	$ 5,858,539	$ 6,761,532	$ 26,682,052	$ 27,802,046

See notes to financial statements.

PUENTE Learning Center
Statement of Functional Expenses
Year ended June 30, 2017
With summarized totals for the year ended June 30, 2016

	2017							2016
	Program	Charter School	Total Program Expenses	Management and General	Fundraising	Total Supporting Services	Total Expenses	Total Expenses
Salaries	$ 877,395	$ 639,733	$ 1,517,128	$ 603,239	$ 277,412	$ 880,651	$ 2,397,779	$ 2,409,697
Payroll taxes	102,071	46,389	148,460	11,220	18,864	30,084	178,544	168,844
Employee benefits	136,532	58,311	194,843	25,721	6,043	31,764	226,607	170,656
Total personnel costs	1,115,998	744,433	1,860,431	640,180	302,319	942,499	2,802,930	2,749,197
Depreciation and amortization	496,762	-	496,762	40,822	34,120	74,942	571,704	397,534
Professional services	82,786	142,772	225,558	155,408	48,432	203,840	429,398	315,195
Donated materials and services	192,765	-	192,765	-	50,115	50,115	242,880	271,679
Insurance	19,550	34,137	53,687	24,986	10,601	35,587	89,274	168,183
Utilities	65,286	8,836	74,122	3,020	4,768	7,788	81,910	104,584
Building lease	-	83,675	83,675	-	-	-	83,675	87,698
Other	837	-	837	13,234	37,417	50,651	51,488	82,597
Equipment rental and maintenance	62,767	4,334	67,101	1,941	1,760	3,701	70,802	37,806
Office supplies and expense	32,505	4,698	37,203	7,999	18,822	26,821	64,024	37,188
Textbooks	22,831	5,537	28,368	-	-	-	28,368	30,173
Telephone	13,891	4,508	18,399	5,113	1,010	6,123	24,522	24,373
Dues and subscriptions	4,056	3,765	7,821	4,056	1,723	5,779	13,600	15,156
Travel	1,509	1,679	3,188	-	7,810	7,810	10,998	4,838
Training and workshops	11,228	1,428	12,656	2,062	4,089	6,151	18,807	6,737
Doubtful accounts expense	-	11,718	11,718	-	-	-	11,718	-
Property taxes	2,459	-	2,459	-	-	-	2,459	2,459
Loss on litigation settlements	-	-	-	316,000	-	316,000	316,000	-
Total functional expenses	$ 2,125,230	$ 1,051,520	$ 3,176,750	$ 1,214,821	$ 522,986	$ 1,737,807	$ 4,914,557	$ 4,335,397
Percentage to total expenses	43%	22%	65%	25%	10%	35%	100%	

See notes to financial statements.

PUENTE Learning Center
Statement of Cash Flows
Year ended June 30, 2017
With summarized totals for the year ended June 30, 2016

	2017	2016
Cash flows from operating activities		
Change in net assets	**$ (1,119,994)**	$ (363,436)
Adjustments to reconcile change in net assets		
to net cash used in operating activities:		
Depreciation and amortization	**571,704**	397,534
Donated fixed assets	**(100,000)**	(857,584)
Realized and unrealized gains on investments	**(1,364,585)**	(558,692)
Change in operating assets and liabilities:		
Accounts receivable	**(32,410)**	106,681
Prepaid expenses and other assets	**(21,379)**	43,344
Accounts payable and accrued expenses	**60,638**	(45,326)
Net cash used in operating activities	**(2,006,026)**	(1,277,479)
Cash flows from investing activities		
Purchase of investments	**-**	862
Reinvested interest and dividends	**(272,365)**	(156,430)
Purchase of property and equipment	**(349,639)**	(60,933)
Net cash used in investing activities	**(622,004)**	(216,501)
Net decrease in cash and cash equivalents	**(2,628,030)**	(1,493,980)
Cash and cash equivalents - beginning of year	**5,523,449**	7,017,429
Cash and cash equivalents - end of year	**$ 2,895,419**	$ 5,523,449

See notes to financial statements.

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 33rd anniversary in 2018, the Center had provided a respectful, safe learning environment that welcomes all members of the community, regardless of age, educational background, or economic circumstances.

The Boyle Heights campus offers tuition-free classes. In its over 32 years in service to the community, approximately 110,000 students have benefited from the Center's programs, which include:

- Preschool Readiness
- Charter TK and Kindergarten
- Community After School Enrichment
- College Access
- English as a Second Language
- Adult High School Diploma
- Computer Applications
- Computer Repair/A+ Certification Preparation
- Immigration Support Workshops

As a historically underserved community, East Los Angeles faces numerous challenges. Limited educational opportunities and resources can create long-term barriers for members of the community. The Center strives to impress upon students the fundamental connection between academic rigor and career options. The Center is a vibrant resource that provides students with the tools and confidence to achieve their full potential.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements of the Center have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 $5,858,539 of temporarily restricted net assets at June 30, 2017.

- ***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. Revenues and gains from permanently restricted net assets are reclassified as temporarily restricted. The Center has $6,761,532 of permanently restricted net assets at June 30, 2017.

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, 2017 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, 2017, the Center had $2,500,000 cash and cash equivalents that the Board of Directors has designated to be used for capital expansion.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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, 2017, all receivables are deemed fully collectible; therefore, no allowance for doubtful accounts has been established.

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, 2017, the Center evaluated the collectability of pledges receivable. No allowance for uncollectible pledges was deemed necessary.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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, 2017.

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.

Contributed goods and services received by the Center during the year ended June 30, 2017 consist of the following:

Teacher and administrative support	$	192,765
Target In-Kind donation to playground construction		100,000
Direct donor benefit expense		56,562
Total	$	349,327

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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes (continued)
Generally accepted accounting principles requires the Center to recognize and record the financial impact of uncertainty in income taxes and prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. It requires that an organization recognize in the financial statements the impact of the tax position if that position will more likely than not be sustained on audit, based on the technical merits of the position. It also provides guidance on derecognition, classification, interest and penalties on income taxes, accounting in interim periods and requires additional disclosures. At June 30, 2017, the Center did not recognize any uncertain tax position.

The Center's federal and state income tax returns for 2013 and subsequent years are subject to examination by the regulatory agencies, generally for three years and four years after they were filed for federal and state, respectively.

Functional Allocation of Expenses
The costs of providing the Center's various programs and other activities have been summarized on a functional basis as a part of 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. The details of the allocated expenses are presented in the statement of functional expenses.

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.

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, 2016 from which the summarized information was derived.

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.

NOTE 3 INVESTMENTS (CONTINUED)

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, 2017 and indicates the fair value hierarchy of the valuation techniques utilized to determine such fair value:

		Fair Value Measurements Using		
	Year ended June 30, 2017	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Common stock	$ 8,913,569	$ 8,913,569	$ -	$ -
Bond funds	6,544,146	6,544,146	-	-
Equity mutual funds	1,952,563	1,952,563	-	-
	$ 17,410,278	$ 17,410,278	$ -	$ -

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, 2017 consists of the following:

Interest and dividends	$ 297,911
Unrealized gain	1,364,585
Total	$ 1,662,496

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, 2017.

NOTE 4 PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2017 consist of the following:

Land	$	2,403,954
Building		8,493,130
Software		857,584
Furniture and equipment		644,405
Assets work in progress		269,945
		12,669,018
Less: Accumulated depreciation and amortization		(6,290,637)
	$	6,378,381

Depreciation and amortization expense for the year ended June 30, 2017 was $571,704.

NOTE 5 ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses at June 30, 2017 consist of the following:

Accrued vacation	$	49,101
Accrued payroll		80,267
Accrued other		88,083
	$	217,451

NOTE 6 CHARTER SCHOOL REVENUES

Charter School revenues for the year ended June 30, 2017 consist of the following:

State	$	832,610
Local		286,414
Federal		21,714
	$	1,140,738

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, 2017 are available for the following purposes:

Donor restricted endowment funds	$ 5,692,725
Specific programs conducted by the Center	165,814
	$ 5,858,539

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 has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) 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.

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.

NOTE 9 ENDOWMENTS (CONTINUED)

		Temporarily Restricted		Permanently Restricted		Total
Endowment net asset composition by type of fund at June 30, 2017						
Donor-restricted	$	5,692,725	$	6,761,532	$	12,454,257
Changes in endowment net assets for the year ended June 30, 2016						
Endowment net assets - beginning of year	$	4,725,795	$	6,761,532	$	11,487,327
Net realized and unrealized gains		1,331,930		-		1,331,930
Appropriation of endowment assets for expenditure		(365,000)		-		(365,000)
Endowment net assets - end of year	$	5,692,725	$	6,761,532	$	12,454,257

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, 2017 were $83,346. Employees are eligible to participate in the tax-deferred annuity plan after 3 months of employment.

NOTE 11 COMMITMENTS AND CONTINGENCIES

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 expired in May 2017. Payments are to escalate based on a schedule specified under the agreement. Rent expense for the year ended June 30, 2017 was $83,675.

NOTE 11 COMMITMENTS AND CONTINGENCIES (CONTINUED)

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 the changes in net assets. During the fiscal year 2017, the Center settled certain lawsuits. The financial terms of the settlements are subject to confidentiality agreements; however, management believes that the settlements did not have a material effect on the Center's financial condition.

Regulatory and Compliance Reviews
As a tax exempt organization, the Center is subject to regulatory and compliance reviews by granting agencies and regulatory bodies at the local, state and federal level. Management believes that there are no matters as of the date of this report that would result in a material impact to the financial statements or jeopardize the tax-exempt status of the Center.

NOTE 10 SUBSEQUENT EVENTS

The Center has evaluated events or transactions that occurred subsequent to June 30, 2017 through December 12, 2017, the date the accompanying financial statements were available to be issued, for potential recognition or disclosure in the financial statements and determined no subsequent matters require disclosure or adjustment to the accompanying financial statements.

SUPPLEMENTARY INFORMATION

ASSETS		
Cash and cash equivalents	$	363,886
Accounts receivable		154,259
Property and equipment, net		20,288
Due from other programs of the Center		199,909
Total assets		738,342
LIABILITIES AND NET ASSETS		
Liabilities		
Due to other programs of the Center		-
Total liabilities		-
Net Assets		
Unresticted - Undesignated		738,342
Total net assets		738,342
Total liabilities and net assets	$	738,342

See report of independent auditors.

Revenue		
State	$	832,610
Local		286,414
Federal		21,714
Total revenue		1,140,738
Expenses		
Program expenses:		
Personnel costs:		
Salaries		639,733
Payroll taxes		46,389
Employee benefits		58,311
Total personnel costs		744,433
Building lease		83,675
Dues and subscriptions		3,765
Equipment rental and maintenance		4,334
Insurance		34,137
Office supplies and expense		4,698
Professional services		54,084
Telephone		4,508
Textbooks		5,537
Training and workshops		1,428
Travel		39
Utilities		8,836
Special education		83,351
Other expenses		18,695
Total program expenses		1,051,520
Change in net assets		89,218
Net assets - beginning of year		649,124
Net assets - end of year	$	738,342

See report of independent auditors.

Cash flows from operating activities		
Change in net assets	$	89,218
Adjustments to reconcile change in net assets		
to net cash used in operating activities:		
Increase in accounts receivable		(15,080)
Provision for doubtful accounts		(11,718)
Increase in due from other programs of the Center		(199,909)
Decrease in due to other programs of the Center		5,480
Net cash used in operating activities		(132,009)
Cash flows from Investing activities		
Purchases of property and equipment		(13,811)
Net cash used in investing activities		(13,811)
Net decrease in cash and cash equivalents		(145,820)
Cash and cash equivalents - beginning of year		509,706
Cash and cash equivalents - end of year	$	363,886

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	3 Years	03/2019
Brian Ramsay	Vice Chairman	3 Years	03/2019
H. Cody Press III	Treasurer	3 Years	01/2018
Jeremy H. Stern	Member	3 Years	11/2018
Fernando Guerra	Member	2 Years	05/2019
Greg Gonzalez	Member	2 Years	05/2019
Albert Reyes	Member	2 Years	05/2019
Richelle Rae Huizar	Member	1 Year	05/2018
Alfredo Izmajtovich	Member	1 Year	05/2018

c) Superintendent: Michelle King, Los Angeles Unified School District

Chief Business Official: Jose Cole Gutierrez, Director of Charter School Division

Deputy/ Associate/ Assistant
Superintedent(s): Jerome Greening, Charter School Administrator
Andrea Bazan, Chief Executive Officer

d) Charter School Name: PUENTE Charter School
Charter School Number: 473

See report of independent auditors.

Grade	Second Period Report	Annual Report
Kindergarten	99.43	102.65

See report of independent auditors.

Grade	Provided	Required	Instructional Days	Status
Kindergarten	43,200 minutes	36,000 minutes	180	In Compliance

See report of independent auditors.

June 30, 2017 Annual Financial Report		
Fund balances (net assets)	$	669,421
Adjustments and Reclassification:		
Increasing (decreasing) the fund balance (net assets)		
Cash		68,921
June 30, 2017 Annual Financial Statement		
Fund balances (net assets)	$	738,342

Vasquez & Company LLP
Certified Public Accountants and Business Consultants

801 South Grand Ave., Suite 400
Los Angeles, CA 90017
Ph. (213) 873-1700
Fax (213) 873-1777
www.vasquezcpa.com

OFFICE LOCATIONS:
Los Angeles
Sacramento
San Diego

Report of Independent Auditors on Internal Control over Financial Reporting and on Compliance Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

The Board of Directors
PUENTE Learning Center

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 Learning Center (the Center), a nonprofit organization, which comprise the statement of financial position as of June 30,2017 and related statement 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 December 12, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School'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. 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 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Vasquez & Company LLP

Los Angeles, California
December 12, 2017

Vasquez & Company LLP
Certified Public Accountants and Business Consultants

801 South Grand Ave., Suite 400
Los Angeles, CA 90017
Ph. (213) 873-1700
Fax (213) 873-1777
www.vasquezcpa.com

OFFICE LOCATIONS:
Los Angeles
Sacramento
San Diego

Report of Independent Auditors on State Compliance

The Board of Directors
PUENTE Learning Center

Report on State Compliance

We have audited the PUENTE Learning Center's (the Center) compliance with the types of compliance requirements described in the *2016-17 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, issued by the California Education Audit Appeals Panel that could have a direct and material effect on each of the School's state programs for the fiscal year ended June 30, 2017, as identified below.

Management's Responsibility

Management is responsible for compliance with the applicable compliance requirements of laws, regulations, contracts and grants applicable to its state programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the PUENTE Learning Center's state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial and compliance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2016-17 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the state programs occurred. An audit includes examining, on a test basis, evidence about the PUENTE Learning Center's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the PUENTE Learning Center's state programs. However, our audit does not provide a legal determination of the Center's compliance.

Opinion on State Compliance

In our opinion, PUENTE Learning Center complied, in all material respects, with the applicable compliance requirements of State laws and regulations referred to above that could have a direct and material effect on its state programs, for the year ended June 30, 2017.

Procedures Performed

In connection with the audit referred to above, we selected and tested transactions and records to determine the Center's compliance with the State laws and regulations applicable to the following:

	Procedures in Audit Appeals Panel's Audit Guide	Procedures Performed
Educator Effectiveness	3	Yes
California Clean Energy Jobs Act	6	No
After School Education and Safety Program	3	No
Proper Expenditure of Education Protection Account Funds	2	Yes
Unduplicated Local Control Funding Formula Pupil Counts	5	Yes
Local Control Accountability Plan	6	Yes
Independent Study-Course Based	6	No
Immunizations	7	Yes
Attendance	5	Yes
Mode of Instruction	2	Yes
Nonclassroom-based Instruction/Independent Study for Charter Schools	5	No
Determination of Funding for Nonclassroom-Based Instruction	5	No
Annual Instructional Minutes – Classroom Based	5	Yes
Charter School Facility Grant Program	2	No

We did not test compliance for California Clean Energy Jobs Act, After School Education and Safety Program, Independent Study-Course Based, Nonclassroom-based Instruction/Independent Study, Determination of Funding for Nonclassroom-Based Instruction, and Charter School Facility Grant Program because the Center did not participate in these programs during the fiscal year ended June 30, 2017.

Vasquez & Company LLP

Los Angeles, California
December 12, 2017

Section I – Summary of Audit Results

1. The auditors' report expresses an unmodified opinion on the financial statements of PUENTE Learning Center

2. No significant control deficiencies were identified during the audit of the financial statements of PUENTE Learning Center which are considered to be material weaknesses.

3. No instances of noncompliance material to the financial statements of PUENTE Learning Center were identified during the audit.

Section II – Financial Statement Findings

None.

Section III – State Compliance Findings

None.

Section IV – Status of Prior Audit Findings

Not applicable.

801 South Grand Avenue, Suite 400 • Los Angeles, California 90017-4646 • Ph. (213) 873-1700 • Fax (213) 873-1777