



**PUEENTE Learning Center**  
**Audited Financial Statements**  
*As of and for the Years Ended June 30, 2020 and 2019*  
*with Independent Auditor's Report*

**PUENTE Learning Center**  
**Audited Financial Statements**  
*As of and for the Years Ended June 30, 2020 and 2019*  
*with Independent Auditor's Report*

|  | <b><u>PAGE</u></b> |
|--|--------------------|
| <b>INDEPENDENT AUDITOR’S REPORT</b>  | 1                  |
| <b>BASIC FINANCIAL STATEMENTS</b>  |                    |
| Statements of Financial Position   | 3                  |
| Statements of Activities   | 4                  |
| Statements of Functional Expenses  | 5                  |
| Statements of Cash Flows   | 6                  |
| Notes to Financial Statements  | 7                  |
| <b>SUPPLEMENTARY INFORMATION</b>   |                    |
| Statements of Financial Position – Charter School Programs   | 19                 |
| Statements of Activities – Charter School Programs   | 20                 |
| Statements of Cash Flows – Charter School Programs   | 21                 |
| Charter School Organization Structure  | 22                 |
| Schedule of Average Daily Attendance – Classroom Based   | 23                 |
| Schedule of Instructional Time   | 24                 |
| Reconciliation of Annual Financial Report with Audited Financial Statements  | 25                 |
| <b>INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER<br/>FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS<br/>BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED<br/>IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i></b> | 26                 |
| <b>INDEPENDENT AUDITOR’S REPORT ON STATE COMPLIANCE</b>  | 28                 |
| <b>SCHEDULE OF FINDINGS AND QUESTIONED COSTS</b>   | 30                 |



## **INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
PUENTE Learning Center  
Pasadena, California

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of PUENTE Learning Center (the Center), a nonprofit organization, which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance 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 of the Center taken as a whole. The accompanying supplementary information listed in the table of contents is presented for purposes of additional analysis and not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

## ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2020, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Center's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Maginnis Knechtel & McIntyre, LLP". The signature is written in a cursive, flowing style.

Pasadena, California  
December 11, 2020

**PUENTE Learning Center**  
**Statements of Financial Position**  
**June 30, 2020 and 2019**

| <b>ASSETS</b>                                      | <b>2020</b>          | <b>2019</b>          |
|--|----------------------|----------------------|
| <b>Current assets</b>                              |                      |                      |
| Cash and cash equivalents                          | \$ 1,207,416         | \$ 1,121,703         |
| Short-term investments                             | 14,913,121           | 17,369,659           |
| Accounts receivable, net                           | 331,140              | 114,150              |
| Contributions receivable, net                      | 521,457              | 513,470              |
| Prepaid expenses and other assets                  | 87,640               | 36,485               |
| <b>Total Current Assets</b>                        | <b>17,060,774</b>    | <b>19,155,467</b>    |
| Land, building and equipment, net                  | 6,913,398            | 6,986,407            |
| Cash surrender value of life insurance             | 27,088               | 25,967               |
| <b>TOTAL ASSETS</b>                                | <b>\$ 24,001,260</b> | <b>\$ 26,167,841</b> |
| <b>LIABILITIES AND NET ASSETS</b>                  |                      |                      |
| <b>Current liabilities</b>                         |                      |                      |
| Accounts payable and accrued liabilities           | \$ 266,949           | \$ 165,999           |
| Paycheck Protection Program loan                   | 416,790              | -                    |
| Deferred revenue                                   | -                    | 8,834                |
| <b>Total Current Liabilities</b>                   | <b>683,739</b>       | <b>174,833</b>       |
| <b>Net assets</b>                                  |                      |                      |
| Without donor restrictions                         |                      |                      |
| Board designated (capital expansion)               | 2,909,831            | 2,909,831            |
| Undesignated                                       | 9,366,516            | 10,592,826           |
| <b>Total net assets without donor restrictions</b> | <b>12,276,347</b>    | <b>13,502,657</b>    |
| With donor restrictions                            |                      |                      |
| Purpose restricted                                 | 4,279,642            | 5,728,819            |
| Perpetual in nature                                | 6,761,532            | 6,761,532            |
| <b>Total net assets with donor restrictions</b>    | <b>11,041,174</b>    | <b>12,490,351</b>    |
| <b>Total net assets</b>                            | <b>23,317,521</b>    | <b>25,993,008</b>    |
| <b>TOTAL LIABILITIES AND NET ASSETS</b>            | <b>\$ 24,001,260</b> | <b>\$ 26,167,841</b> |

See notes to the financial statements.

**PUENTE Learning Center**  
**Statements of Activities**  
**For the Year Ended June 30, 2020**  
**(With comparative totals for 2019)**

|  | 2020                          |                            |                      | 2019<br>Total        |
|--|-------------------------------|----------------------------|----------------------|----------------------|
|  | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total                |                      |
| <b>Operating revenue</b>                           |                               |                            |                      |                      |
| Contributions                                      | \$ 681,978                    | \$ 837,392                 | \$ 1,519,370         | \$ 716,259           |
| Fees revenue                                       | 4,489                         | -                          | 4,489                | 30,186               |
| Special events                                     | 58,646                        | -                          | 58,646               | 104,050              |
| Charter School                                     | 1,971,442                     | 21,610                     | 1,993,052            | 2,224,465            |
| Other revenues                                     | 40,969                        | -                          | 40,969               | 71,250               |
| <b>Net assets release from restrictions</b>        |                               |                            |                      |                      |
| Satisfaction of program restrictions               | 1,679,783                     | (1,679,783)                | -                    | -                    |
| <b>Total operating revenue</b>                     | <b>4,437,307</b>              | <b>(820,781)</b>           | <b>3,616,526</b>     | <b>3,146,210</b>     |
| <b>Operating expenses and losses</b>               |                               |                            |                      |                      |
| Programs and educational                           | 4,174,164                     | -                          | 4,174,164            | 3,677,015            |
| Management and general                             | 483,306                       | -                          | 483,306              | 640,442              |
| Fundraising  | 251,096                       | -                          | 251,096              | 338,552              |
| <b>Total operating expenses</b>                    | <b>4,908,566</b>              | <b>-</b>                   | <b>4,908,566</b>     | <b>4,656,009</b>     |
| <b>Change in net assets from operations</b>        | <b>(471,259)</b>              | <b>(820,781)</b>           | <b>(1,292,040)</b>   | <b>(1,509,799)</b>   |
| <b>(Other items considered to be nonoperating)</b> |                               |                            |                      |                      |
| Investment return (loss), net                      | (758,142)                     | (628,396)                  | (1,386,538)          | 1,759,468            |
| Interest income                                    | 3,091                         | -                          | 3,091                | 5,008                |
| <b>Change in net assets</b>                        | <b>(1,226,310)</b>            | <b>(1,449,177)</b>         | <b>(2,675,487)</b>   | <b>254,677</b>       |
| Net assets at the beginning of year                | 13,502,657                    | 12,490,351                 | 25,993,008           | 25,738,331           |
| <b>Net assets at end of year</b>                   | <b>\$ 12,276,347</b>          | <b>\$ 11,041,174</b>       | <b>\$ 23,317,521</b> | <b>\$ 25,993,008</b> |

See notes to financial statements.

PUENTE Learning Center  
 Statements of Functional Expenses  
 For the Year Ended June 30, 2020  
 (With comparative totals for 2019)

|                                  | 2020                |                     |                        |                        |                   |                           | 2019                |                     |
|----------------------------------|---------------------|---------------------|------------------------|------------------------|-------------------|---------------------------|---------------------|---------------------|
|                                  | Program             | Charter School      | Total Program Expenses | Management and General | Fundraising       | Total Supporting Services | Total Expenses      | Total Expenses      |
| Salaries                         | \$ 1,006,334        | \$ 1,010,293        | \$ 2,016,627           | \$ 179,855             | \$ 102,213        | \$ 282,068                | \$ 2,298,695        | \$ 1,970,169        |
| Payroll taxes                    | 65,630              | 78,072              | 143,702                | 12,442                 | 6,606             | 19,048                    | 162,750             | 141,512             |
| Employee benefits                | 98,498              | 133,632             | 232,130                | 24,895                 | 13,236            | 38,131                    | 270,261             | 233,720             |
| <b>Total personnel costs</b>     | <u>1,170,462</u>    | <u>1,221,997</u>    | <u>2,392,459</u>       | <u>217,192</u>         | <u>122,055</u>    | <u>339,247</u>            | <u>2,731,706</u>    | <u>2,345,401</u>    |
| Depreciation                     | 420,242             | 6,536               | 426,778                | 127,649                | 46,344            | 173,993                   | 600,771             | 628,136             |
| Professional services            | 222,726             | 370,724             | 593,450                | 33,746                 | 48,531            | 82,277                    | 675,727             | 750,585             |
| Donated materials and services   | 384,848             | -                   | 384,848                | -                      | 11,220            | 11,220                    | 396,068             | 396,015             |
| Insurance                        | 57,043              | 26,314              | 83,357                 | 12,429                 | 6,400             | 18,829                    | 102,186             | 173,272             |
| Utilities                        | 42,448              | 40,336              | 82,784                 | 8,106                  | 4,213             | 12,319                    | 95,103              | 116,537             |
| Building lease                   | (173,904)           | 173,904             | -                      | 5,162                  | -                 | 5,162                     | 5,162               | 269                 |
| Other                            | -                   | 126                 | 126                    | 361                    | -                 | 361                       | 487                 | 969                 |
| Equipment rental and maintenance | 2,558               | 10,515              | 13,073                 | 31,707                 | 1,233             | 32,940                    | 46,013              | 89,291              |
| Office supplies and expense      | 16,703              | 26,218              | 42,921                 | 10,228                 | 1,486             | 11,714                    | 54,635              | 50,517              |
| Textbooks                        | 64                  | 26,477              | 26,541                 | -                      | -                 | -                         | 26,541              | 14,253              |
| Telephone                        | 8,216               | 8,639               | 16,855                 | 1,505                  | 976               | 2,481                     | 19,336              | 20,446              |
| Dues and subscriptions           | 31,627              | 40,257              | 71,884                 | 16,390                 | 6,781             | 23,171                    | 95,055              | 13,208              |
| Travel                           | 2,256               | 1,187               | 3,443                  | 3,652                  | 117               | 3,769                     | 7,212               | 8,032               |
| Training and workshops           | 10,262              | 1,869               | 12,131                 | 6,692                  | 1,740             | 8,432                     | 20,563              | 29,824              |
| Doubtful accounts expense        | -                   | 21,648              | 21,648                 | 6,296                  | -                 | 6,296                     | 27,944              | 15,298              |
| Property taxes                   | -                   | 1,866               | 1,866                  | 2,191                  | -                 | 2,191                     | 4,057               | 3,956               |
| <b>Total functional expenses</b> | <u>\$ 2,195,551</u> | <u>\$ 1,978,613</u> | <u>\$ 4,174,164</u>    | <u>\$ 483,306</u>      | <u>\$ 251,096</u> | <u>\$ 734,402</u>         | <u>\$ 4,908,566</u> | <u>\$ 4,656,009</u> |

See notes to the financial statements.

**PUENTE Learning Center  
Statements of Cash Flows  
For the Years Ended June 30, 2020 and 2019**

|   | <b>Years ended June 30,</b> |                     |
|---|-----------------------------|---------------------|
|   | <b>2020</b>                 | <b>2019</b>         |
| <b>Cash flows from operating activities:</b>  |                             |                     |
| Change in total net assets  | \$ (2,675,487)              | \$ 254,677          |
| Adjustments to reconcile change in net assets to net cash (used) in operating activities: |                             |                     |
| Depreciation  | 600,771                     | 628,136             |
| Loss on disposal of equipment   | 32,876                      | -                   |
| Net unrealized loss (gain) on investments   | 1,530,510                   | (1,574,819)         |
| Changes in operating assets and liabilities:  |                             |                     |
| Contributions receivable  | (7,987)                     | (334,348)           |
| Accounts receivable   | (216,990)                   | (36,628)            |
| Prepaid and other assets  | (52,276)                    | 1,672               |
| Accounts payable and accrued liabilities  | 100,950                     | (37,824)            |
| Deferred revenue  | (8,834)                     | 8,834               |
| <b>Net cash (used) in operating activities</b>  | <b>(696,467)</b>            | <b>(1,090,300)</b>  |
| <b>Cash flows from investing activities:</b>  |                             |                     |
| Purchase of property and equipment  | (560,638)                   | (222,334)           |
| Proceeds from sale of investments   | 1,070,000                   | 1,500,000           |
| Reinvested interest and dividends   | (143,972)                   | (184,649)           |
| <b>Net cash provided by investing activities</b>  | <b>365,390</b>              | <b>1,093,017</b>    |
| <b>Cash flows from financing activities:</b>  |                             |                     |
| Proceeds from Paycheck Protection Program loan  | 416,790                     | -                   |
| <b>Net cash provided by financing activities</b>  | <b>416,790</b>              | <b>-</b>            |
| <b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>  | <b>85,713</b>               | <b>2,717</b>        |
| <b>CASH AND CASH EQUIVALENTS - BEGINNING</b>  | <b>1,121,703</b>            | <b>1,118,986</b>    |
| <b>CASH AND CASH EQUIVALENTS - ENDING</b>   | <b>\$ 1,207,416</b>         | <b>\$ 1,121,703</b> |

See notes to financial statements.

**(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.

**(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**a) 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.

The Center recognizes contributions as revenue in the period received. Contributions, net assets, and changes therein are classified and reported based on the existence or absence of donor-imposed restrictions. For the years ended June 30, 2020 and 2019, certain of the Center's net assets are classified as restricted. These amounts represent contributions that are limited in use in accordance with donor-imposed stipulations.

(Continued)

**b) Net Assets**

The Center reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions. 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. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the Center, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations. At June 30, 2020 and 2019, the Center had \$2,909,831 that the Board of Directors has designated to be used for capital expansion.

Net assets with donor restrictions are resources that are subject to donor-imposed restrictions. Some restrictions are temporary in nature, such as those that are restricted by a donor for use for a particular purpose or in a particular future period. Other restrictions may be perpetual in nature; such as those that are restricted by a donor that the resources be maintained in perpetuity.

The Center's unspent contributions are reported in net assets with donor contributions if the donor limited their use, as are promised contributions that are not yet due. Contributions of property and equipment or cash restricted to acquisition of property and equipment are reported as net assets with donor restrictions if the donor has restricted the use of the property or equipment to a particular program. These restrictions expire when the assets are placed in-service.

The Center's donor-restricted endowment funds, including the unspent appreciation of the endowment fund and the portion of the Center's donor-restricted endowment funds that the Center is committed to maintaining in perpetuity are classified in net assets with donor restrictions.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

**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 values of cash and cash equivalents at June 30, 2020 and 2019 approximate their fair values.

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.

(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 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) 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.

**f) 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 years ended June 30, 2020 and 2019.

(Continued)

**g) 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.

**h) Contributions and Pledges Receivable**

Contributions are recognized when the donor makes a promise to give to the Center that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

The Center uses the allowance method to determine uncollectible promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

**i) Net Assets Restricted to Purchase Property and Equipment**

Net assets restricted to purchase property and equipment has been restricted by donors and is not available for operating purposes.

**j) 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 years ended June 30, 2020 and 2019 consist of the following:

|                                     | <b>2020</b> | <b>2019</b> |
|-------------------------------------|-------------|-------------|
| Teachers and administrative support | \$ 384,648  | \$ 378,369  |
| Direct donor benefit expense        | 11,420      | 17,646      |
| Donated piano                       | 30,000      | -           |
|                                     | \$ 426,068  | \$ 396,015  |

(Continued)

**k) Cost Allocation**

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Accordingly, certain costs have been allocated among the programs and services benefited by a method that best measures the relative degree of benefits. The expenses that are allocated include compensation and benefits, which are allocated on the basis of estimates of time and effort, as well as indirect costs, which are allocated on a square footage basis.

The statement of functional expenses includes payments made by the Charter School Programs to the Center as lease payments for the building space occupied by the Charter School. These payments eliminate at the entity level.

**l) Tax-Exempt Status**

The Center is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and the corresponding California provisions.

**m) Use of Estimates**

The preparation of the financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**n) Date of Management's Review**

Management has evaluated subsequent events through December 11, 2020, the date the financial statements were available to be issued.

**o) Recent Accounting Pronouncements**

In August 2016, the Financial Accounting Standards Board (FASB) issued ASU No. 2016-14, *Not-for Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which revises the not-for-profit financial reporting model. ASU 2016-14 provides for additional disclosure requirements and modifies net asset and expense reporting. The Center adopted the new guidance effective for the year ended June 30, 2019 and applied the changes prospectively. Implementation of this guidance resulted in a change in presentation of net assets, expenses, and additional disclosures surrounding the Center's liquidity and availability of financial assets.

In June 2018, the FASB issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, which amends the accounting guidance related to (1) evaluating whether transactions should be accounted for as contributions or exchange transactions, and (2) determining whether a contribution is conditional. For resource recipients, the ASU is effective for annual periods beginning after December 15, 2018, with early adoption permissible. The Center adopted this guidance for the year ended June 30, 2020. The adoption of this guidance had no significant impact on how the Center accounts for its activities.

(Continued)

**o) Recent Accounting Pronouncements (Continued)**

In May 2014, the FASB issued ASU 2014-09 Revenue from Contracts with Customers (ASC 606) and followed by several updates. This new standard includes the required steps to achieve the core principle that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In June 2020, FASB issued ASU 2020-05 Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842) Effective Date for Certain Entities to extend the effective date for the adoption of the accounting standards. The new standard for ASU 2014-09 Revenue from Contracts with Customers becomes effective for fiscal years beginning after December 15, 2019. The Center is currently evaluating the effect that implementation of the new standard will have on its financial position, results of operations, and cash flows.

**(3) LIQUIDITY AND AVAILABILITY**

The Center's financial assets available to meet cash needs for general expenditures within one year of the date of the statements of financial position include:

|                             | <b>2020</b>         | <b>2019</b>         |
|-----------------------------|---------------------|---------------------|
| Cash                        | \$ 1,207,416        | \$ 1,121,703        |
| Accounts receivable         | 331,140             | 114,150             |
| Other financial assets, net | 1,785,440           | 2,808,705           |
| Available financial assets  | <b>\$ 3,323,996</b> | <b>\$ 4,044,558</b> |

As part of the Center' liquidity management, it has a policy to structure its financials assets to be available as its general expenditures, liabilities, and other obligations became due. The Center invests cash in excess of daily requirements in investment pools and money market funds.

**(4) 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, 2020 and 2019 and indicates the fair value hierarchy of the valuation techniques utilized to determine such fair value:

(Continued)

**PUENTE Learning Center**  
**Notes to Financial Statements**  
**As of and for the Years Ended June 30, 2020 and 2019**

|                             |                      | FY 2019-20  |  |  |
|-----------------------------|----------------------|---|--|--|
|                             |                      | Fair Value Measurements Using   |  |  |
|                             |                      | Quoted Prices<br>in Active Markets<br>for Identical<br>Assets (Level 1) | Significant Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |
| Year ended<br>June 30, 2020 |                      |   |  |  |
| Common Stock                | \$ 9,355,500         | \$ 9,355,500  | \$ -   | \$ -   |
| Bond funds                  | 3,115,765            | 3,115,765   | -  | -  |
| Equity mutual funds         | 2,441,856            | 2,441,856   | -  | -  |
|                             | <u>\$ 14,913,121</u> | <u>\$ 14,913,121</u>  | <u>\$ -</u>  | <u>\$ -</u>  |
|                             |                      | FY 2018-19  |  |  |
|                             |                      | Fair Value Measurements Using   |  |  |
|                             |                      | Quoted Prices<br>in Active Markets<br>for Identical<br>Assets (Level 1) | Significant Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |
| Year ended<br>June 30, 2019 |                      |   |  |  |
| Common Stock                | \$ 11,142,249        | \$ 11,142,249   | \$ -   | \$ -   |
| Bond funds                  | 3,903,306            | 3,903,306   | -  | -  |
| Equity mutual funds         | 2,324,104            | 2,324,104   | -  | -  |
|                             | <u>\$ 17,369,659</u> | <u>\$ 17,369,659</u>  | <u>\$ -</u>  | <u>\$ -</u>  |

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 years ended June 30, 2020 and 2019 consist of the following:

|                         | <u>2020</u>           | <u>2019</u>         |
|-------------------------|-----------------------|---------------------|
| Interest and dividends  | \$ 143,972            | \$ 184,649          |
| Unrealized gain /(loss) | (1,530,510)           | 1,574,819           |
|                         | <u>\$ (1,386,538)</u> | <u>\$ 1,759,468</u> |

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 years ended June 30, 2020 and 2019.

**(5) PROPERTY PLANT & EQUIPMENT**

Property and equipment at June 30, 2020 and 2019 consist of the following:

|                                | <b>2020</b>         | <b>2019</b>         |
|--------------------------------|---------------------|---------------------|
| Land                           | \$ 2,403,954        | \$ 2,403,954        |
| Building                       | 10,327,911          | 10,313,306          |
| Software                       | 857,584             | 877,260             |
| Furniture and equipment        | 752,822             | 716,477             |
| Asset work in progress         | 675,233             | 182,089             |
|                                | 15,017,504          | 14,493,086          |
| Less: Accumulated depreciation | (8,104,106)         | (7,506,679)         |
|                                | <b>\$ 6,913,398</b> | <b>\$ 6,986,407</b> |

Depreciation expense for the years ended June 30, 2020 and 2019 amounted to \$600,771 and \$628,136, respectively.

**(6) ACCOUNTS PAYABLE AND ACCRUED EXPENSES**

Accounts payable and accrued expenses at June 30, 2020 and 2019 consist of the following:

|                  | <b>2020</b>       | <b>2019</b>       |
|------------------|-------------------|-------------------|
| Accrued vacation | \$ 97,474         | \$ 45,308         |
| Accrued payroll  | 115,025           | 70,753            |
| Accrued other    | 54,450            | 49,938            |
|                  | <b>\$ 266,949</b> | <b>\$ 165,999</b> |

**(7) PAYCHECK PROTECTION PROGRAM LOAN**

On April 27, 2020, the Center was granted a loan in the amount of \$416,790, pursuant to the Paycheck Protection Program (PPP) under the CARES Act. The loan matures on April 27, 2022, bears interest at a rate of 1% per year, and is payable monthly starting in November 2020. Under the terms of the PPP, certain amounts of the loan may be forgiven if used for qualifying expenses as described in the CARES Act. Management is preparing to apply for forgiveness.

**(8) CHARTER SCHOOL REVENUES**

Charter School revenues for the years ended June 30, 2020 and 2019 consist of the following:

|                                       | <u>2020</u>         | <u>2019</u>         |
|---------------------------------------|---------------------|---------------------|
| State LCFF                            | \$ 1,123,704        | \$ 727,403          |
| State Education Protection Act        | 120,307             | 164,501             |
| Lottery                               | 24,252              | 25,623              |
| Other State revenue                   | 74,915              | 69,222              |
| Special education revenue             | 132,173             | 87,813              |
| Local payment in lieu of property tax | 430,406             | 270,049             |
| Other Federal income                  | 65,685              | 54,854              |
| Donations - grants for facility       | -                   | 825,000             |
|                                       | <u>\$ 1,971,442</u> | <u>\$ 2,224,465</u> |

**(9) 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.

**(10) 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 5% of the last three years average of the fair value of these investments in the current year.

(Continued)

**PUENTE Learning Center**  
**Notes to Financial Statements**  
**As of and for the Years Ended June 30, 2020 and 2019**

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. At June 30, 2020 and 2019, the Center's endowment net assets were \$10,362,146 and \$11,813,866, respectively.

|   | <u>Purpose<br/>Restricted</u> | <u>Perpetual in<br/>Nature</u> | <u>Total</u>                |
|---|-------------------------------|--------------------------------|-----------------------------|
| Changes in endowment net assets<br>for the year ended June 30, 2020 |                               |                                |                             |
| Endowment net assets - beginning<br>of year                         | \$ 5,052,334                  | \$ 6,761,532                   | \$ 11,813,866               |
| Net realized and unrealized (loss)                                  | (628,396)                     | -                              | (628,396)                   |
| Appropriation of endowment assets<br>for expenditure                | (823,324)                     | -                              | (823,324)                   |
| Endowment net assets  | <b><u>\$ 3,600,614</u></b>    | <b><u>\$ 6,761,532</u></b>     | <b><u>\$ 10,362,146</u></b> |

|   | <u>Purpose<br/>Restricted</u> | <u>Perpetual in<br/>Nature</u> | <u>Total</u>                |
|---|-------------------------------|--------------------------------|-----------------------------|
| Changes in endowment net assets<br>for the year ended June 30, 2019 |                               |                                |                             |
| Endowment net assets - beginning<br>of year                         | \$ 5,279,201                  | \$ 6,761,532                   | \$ 12,040,733               |
| Net realized and unrealized gain                                    | 612,361                       | -                              | 612,361                     |
| Appropriation of endowment assets<br>for expenditure                | (839,228)                     | -                              | (839,228)                   |
| Endowment net assets  | <b><u>\$ 5,052,334</u></b>    | <b><u>\$ 6,761,532</u></b>     | <b><u>\$ 11,813,866</u></b> |

**(11) INCOME TAXES**

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, 2020 and 2019, the Center did not recognize any uncertain tax position.

The Center's federal and state income tax returns for 2016 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. No open tax years are currently under examination.

**(12) 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 and in the tax-deferred annuity plan after three months of employment. The Center contributes 5% of each eligible participant's salary to the defined contribution retirement plan. For the years ended June 30, 2020 and 2019, the Center's contributions were \$49,653 and \$49,407, respectively.

**(13) COMMITMENTS AND CONTINGENCIES**

**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.

**Charter School Programs**

The Charter School Programs have received State and Federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate disallowances under terms of the grants, it is believed that any reimbursement, if required, would not be material.

**(14) SUBSEQUENT EVENTS**

In March 2020, the World Health Organization declared a global pandemic in response to an outbreak of a novel coronavirus (COVID-19). The full extent to which the coronavirus may impact the Center's results of operations, liquidity or financial position is uncertain. Management continues to monitor the impact that the COVID-19 pandemic is having on the Center and the industry in which it operates. However, given the speed and frequency of continuously evolving developments with respect to this pandemic, the Center cannot reasonably estimate the magnitude of the impact to its results of operations, and, if the outbreak continues on its current trajectory, such impacts could grow and become material to its liquidity or financial position.

**SUPPLEMENTARY INFORMATION**

**PUENTE Learning Center**  
**Statements of Financial Position**  
**Charter School Programs**  
**June 30, 2020 and 2019**

| <b>ASSETS</b>                           | <b>2020</b>         | <b>2019</b>         |
|---|---------------------|---------------------|
| <b>Current assets</b>                   |                     |                     |
| Cash and cash equivalents               | \$ 741,774          | \$ 897,012          |
| Accounts receivable, net                | 222,849             | 114,150             |
| Contributions receivable, net           | 491,740             | 489,493             |
| <b>Total Current Assets</b>             | <b>1,456,363</b>    | <b>1,500,655</b>    |
| Building and equipment, net             | 355,070             | 212,908             |
| <b>TOTAL ASSETS</b>                     | <b>\$ 1,811,433</b> | <b>\$ 1,713,563</b> |
| <b>LIABILITIES AND NET ASSETS</b>       |                     |                     |
| <b>Current liabilities</b>              |                     |                     |
| Due to other programs to the Center     | \$ 210,928          | \$ 127,497          |
| <b>Total Current Liabilities</b>        | <b>210,928</b>      | <b>127,497</b>      |
| <b>Net assets</b>                       |                     |                     |
| Without donor restrictions              | 1,100,415           | 957,348             |
| With donor restrictions                 | 500,090             | 628,718             |
| <b>Total Net Assets</b>                 | <b>1,600,505</b>    | <b>1,586,066</b>    |
| <b>TOTAL LIABILITIES AND NET ASSETS</b> | <b>\$ 1,811,433</b> | <b>\$ 1,713,563</b> |

**PUENTE Learning Center**  
**Statements of Activities**  
**Charter School Programs**  
**For the Years Ended June 30, 2020 and 2019**

|  | <b>2020</b>         | <b>2019</b>         |
|--|---------------------|---------------------|
| <b>Changes in net assets without donor restrictions</b>                                    |                     |                     |
| <b>Revenue</b>   |                     |                     |
| State LCFF, lottery, and other   | \$ 1,343,178        | \$ 986,749          |
| Special education revenue  | 132,173             | 87,813              |
| Local property tax   | 430,406             | 270,049             |
| Other federal income   | 65,685              | 54,854              |
| <b>Total revenues without donor restrictions</b>   | <b>1,971,442</b>    | <b>1,399,465</b>    |
| <b>Net assets released from restrictions</b>   |                     |                     |
| Satisfaction of program restrictions   | 150,238             | 196,282             |
| <b>Total net assets released from restrictions</b>   | <b>150,238</b>      | <b>196,282</b>      |
| <b>Total revenues without donor restrictions and net assets released from restrictions</b> | <b>2,121,680</b>    | <b>1,595,747</b>    |
| <b>Expenses</b>  |                     |                     |
| Program expenses:  |                     |                     |
| Personnel costs:   |                     |                     |
| Salaries   | 1,010,293           | 771,625             |
| Payroll taxes  | 78,072              | 55,877              |
| Employee benefits  | 133,632             | 68,316              |
| <b>Total personnel costs</b>   | <b>1,221,997</b>    | <b>895,818</b>      |
| Building lease   | 173,904             | 117,769             |
| Depreciation   | 6,536               | 6,250               |
| Dues and subscriptions   | 40,257              | 1,377               |
| Equipment rental and maintenance   | 10,515              | 11,449              |
| Insurance  | 26,314              | 35,877              |
| Office supplies and expenses   | 26,218              | 15,601              |
| Other  | 126                 | 614                 |
| Professional services  | 370,724             | 245,440             |
| Telephone  | 8,639               | 2,633               |
| Textbooks  | 26,477              | 11,846              |
| Training and workshops   | 1,869               | 6,726               |
| Travel   | 1,187               | 1,200               |
| Utilities  | 40,336              | 15,093              |
| Doubtful accounts expense  | 21,648              | 11,490              |
| Property taxes   | 1,866               | -                   |
| <b>Total operating expenses</b>  | <b>756,616</b>      | <b>483,365</b>      |
| <b>Total expenses</b>  | <b>1,978,613</b>    | <b>1,379,183</b>    |
| <b>Change in net assets without donor restrictions</b>                                     | <b>143,067</b>      | <b>216,564</b>      |
| <b>Changes in net assets with donor restrictions</b>                                       |                     |                     |
| Contributions  | 21,610              | -                   |
| Donations - grants for facility  | -                   | 825,000             |
| Net assets released from restrictions  | (150,238)           | (196,282)           |
| <b>Change in net assets with donor restrictions</b>  | <b>(128,628)</b>    | <b>628,718</b>      |
| <b>Change in total net assets</b>  | <b>14,439</b>       | <b>845,282</b>      |
| Net assets at the beginning of year  | 1,586,066           | 740,784             |
| <b>Net assets at end of year</b>   | <b>\$ 1,600,505</b> | <b>\$ 1,586,066</b> |

**PUENTE Learning Center  
Statements of Cash Flows  
Charter School Programs  
For the Years Ended June 30, 2020 and 2019**

|   | <b>2020</b>       | <b>2019</b>       |
|---|-------------------|-------------------|
| <b>Cash flows from operating activities:</b>  |                   |                   |
| Change in total net assets  | <b>\$ 14,439</b>  | <b>\$ 845,282</b> |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: |                   |                   |
| Depreciation  | 6,536             | 6,250             |
| Changes in operating assets and liabilities:  |                   |                   |
| Accounts receivable   | (108,699)         | (26,121)          |
| Contributions receivable  | (2,247)           | (500,000)         |
| Due to other programs to the center   | 83,431            | 25,413            |
| <b>Net cash (used) provided by operating activities</b>                                     | <b>(6,540)</b>    | <b>350,824</b>    |
| <b>Cash flows from investing activities:</b>  |                   |                   |
| Purchase of property and equipment  | (148,698)         | (202,658)         |
| <b>Net cash (used) in investing activities</b>  | <b>(148,698)</b>  | <b>(202,658)</b>  |
| <b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>                                 | (155,238)         | 148,166           |
| <b>CASH AND CASH EQUIVALENTS - BEGINNING</b>  | <b>897,012</b>    | <b>748,846</b>    |
| <b>CASH AND CASH EQUIVALENTS - ENDING</b>   | <b>\$ 741,774</b> | <b>\$ 897,012</b> |

**PUENTE Learning Center  
Charter School Organization Structure  
For the Year Ended June 30, 2020**

---

a) Date and Granting Authority of Charter School: August 2002 (Initial)  
 March 2017 (Renewal)  
 April 2018 (Revision)  
 Los Angeles Unified School District

b) Members of the Governing Board:

| <u>Name</u>           | <u>Title</u>  | <u>Board Term</u> | <u>Term Expiration</u> |
|-----------------------|---------------|-------------------|------------------------|
| Albert Reyes          | Chairman      | 3 Years           | Jun-20                 |
| Chun Wong             | Vice Chairman | 3 Years           | Jun-21                 |
| Richelle Rae Huizar   | Secretary     | 3 Years           | Jun-20                 |
| Tyler M.P. Sutherland | Treasurer     | 3 Years           | Mar-22                 |
| Greg Gonzalez         | Member        | 3 Years           | Jun-20                 |
| Oscar Cabrales        | Member        | 3 Years           | Jun-21                 |
| Daniel Arguello       | Member        | 3 Years           | Jun-21                 |
| Jocelyn Rocenwald     | Member        | 3 Years           | Jun-23                 |

c) Superintendent: Jerome Greening

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

**PUENTE Learning Center**  
**Schedule of Average Daily Attendance – Classroom Based**  
**For the Year Ended June 30, 2020**

---

| <u>Grade</u>             | <u>ADA<br/>Second Period Report</u> | <u>ADA<br/>Annual Report</u> |
|--------------------------|-------------------------------------|------------------------------|
| Kindergarten – 2nd grade | 146.38                              | 146.38                       |

**PUENTE Learning Center  
Schedule of Instructional Time  
For the Year Ended June 30, 2020**

---

| <u>Grade</u> | <u>Minutes<br/>Provided</u> | <u>Minutes<br/>Required</u> | <u>Instructional<br/>Days</u> | <u>Status</u> |
|--------------|-----------------------------|-----------------------------|-------------------------------|---------------|
| Kindergarten | 54,675                      | 36,000                      | 180                           | In Compliance |
| 1st Grade    | 54,675                      | 50,400                      | 180                           | In Compliance |
| 2nd Grade    | 54,675                      | 50,400                      | 180                           | In Compliance |

**PUENTE Learning Center**  
**Reconciliation of Annual Financial Report with Audited Financial Statements**  
**Charter School Programs**  
**For the Year Ended June 30, 2020**

---

Summarized below are the Charter School Programs net assets reconciliations between the Unaudited Annual Financial Report and the audited financial statements.

|   |                     |
|---|---------------------|
| June 30, 2020 Annual Financial Report                 |                     |
| Fund balances (net assets), unaudited                 | \$ 1,650,169        |
| Adjustments and Reclassification:                     |                     |
| Increasing (decreasing) the fund balance (net assets) |                     |
| Accounts Receivable                                   | (13,397)            |
| Building and Equipment                                | (384,973)           |
| Accounts Payable                                      | <u>348,706</u>      |
| Net Adjustments and Reclassifications                 | <u>(49,664)</u>     |
| June 30, 2020 Annual Financial Statement              |                     |
| Fund balances (net assets), audited                   | <u>\$ 1,600,505</u> |



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors  
PUENTE Learning Center  
Los Angeles, California

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), a nonprofit organization, which comprise the statement financial position as of June 30, 2020, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to financial statements, and have issued our report thereon dated December 11, 2020.

**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. 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 results 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.

A handwritten signature in blue ink that reads "Maginnis Knechtel & McIntyre, LLP". The signature is written in a cursive, flowing style.

Pasadena, California  
December 11, 2020



## **INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE**

Board of Directors  
PUENTE Learning Center  
Los Angeles, California

### ***Report on State Compliance***

We have audited the Puente Learning Center's (the Center) compliance with the requirements as described in the Education Audit Appeals Panel's 2019-20 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting for the year ended June 30, 2020. The Center's state programs are identified below.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for compliance with state statutes, regulations, and the terms and conditions applicable to its state programs.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for the Center's state programs based on our audit of the types of compliance requirements referred to above. We conducted our 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 2019-2020 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above could have a material effect on the applicable programs noted below. An 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 audit provides a reasonable basis for our opinion on compliance for each state program. However, our audit does not provide a legal determination of the Center's compliance with those requirements.

### ***Opinion on State Compliance***

In our opinion, the Center complied, in all material respects, with the types of compliance requirements referred to above that are applicable to the programs noted below that were audited for the year ended June 30, 2020.

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 items:

| <u>Description</u>  | <u>Procedures Performed</u> |
|---|-----------------------------|
| <b>Local Education Agencies Other Than Charter Schools</b>                |                             |
| A. Attendance   | Not applicable              |
| B. Teacher Certification and Misassignments                               | Not applicable              |
| C. Kindergarten Continuance   | Not applicable              |
| D. Independent Study  | Not applicable              |
| E. Continuation Education   | Not applicable              |
| F. Instructional Time   | Not applicable              |
| G. Instructional Materials  | Not applicable              |
| H. Ratio of Administrative Employees to Teachers                          | Not applicable              |
| I. Classroom Teacher Salaries   | Not applicable              |
| J. Early Retirement Incentive   | Not applicable              |
| K. Gann Limit Calculation   | Not applicable              |
| L. School Accountability Report Card                                      | Not applicable              |
| M. Juvenile Court Schools   | Not applicable              |
| N. Middle or Early College High Schools                                   | Not applicable              |
| O. K-3 Grade Span Adjustment  | Not applicable              |
| P. Transportation Maintenance of Effort                                   | Not applicable              |
| Q. Apprenticeship: Related and Supplemental Instruction                   | Not applicable              |
| R. Comprehensive School Safety Plan                                       | Not applicable              |
| S. District of Choice   | Not applicable              |
| <b>School Districts, County Offices of Education, and Charter Schools</b> |                             |
| T. California Clean Energy Jobs Act                                       | Not applicable              |
| U. After/Before School Education and Safety Program                       | Yes                         |
| V. Proper Expenditure of Education Protection Account Funds               | Yes                         |
| W. Unduplicated Local Control Funding Formula Pupil Counts                | Yes                         |
| X. Local Control Accountability Plan                                      | Yes                         |
| Y. Independent Study – Course Based                                       | Not applicable              |
| <b>Charter Schools</b>  |                             |
| AA. Attendance  | Yes                         |
| BB. Mode of Instruction   | Yes                         |
| CC. Nonclassroom-Based Instruction/Independent Study                      | Not applicable              |
| DD. Determination of Funding for Nonclassroom-Based Instruction           | Not applicable              |
| EE. Annual Instructional Minutes - Classroom Based                        | Yes                         |
| FF. Charter School Facility Grant Program                                 | Not applicable              |

*Maginnis Knechtel & McIntyre, LLP*

Pasadena, California  
December 11, 2020

**PUENTE LEARNING CENTER  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2020**

**Component 1 – Summary of Auditor’s Results:**

The audit of Puente Learning Center June 30, 2020 financial statements resulted in an unmodified opinion.

The audit for year ended June 30, 2020 disclosed no instances of reportable conditions in internal control and noncompliance which are material to the financial statements.

Major Program:

Not applicable – not a Uniform Guidance Audit.

Dollar threshold used to distinguish between Type A and B programs:

Not applicable – not a Uniform Guidance Audit.

Low-risk auditee under Section 200 of the Uniform Guidance:

Not applicable – not a Uniform Guidance Audit.

Questioned Costs:

None

**Component 2 – Findings Related to the Financial Statements Reported in Accordance with Government Auditing Standards:**

None

**Component 3 – Findings and Questioned Costs Relating to Federal Awards:**

Not applicable – not a Uniform Guidance Audit.

**Component 4 – Status of Prior Year Audit Findings:**

Not applicable – no prior year audit findings reported.