

NOTICE OF PUBLIC MEETING

PUENTE Charter School

The Board of Directors of PUENTE Learning Center will be conducting a public meeting on:

**Wednesday, December 4, 2019
8:30 a.m.**

PUENTE Learning Center
501 S. Boyle Avenue
Los Angeles, CA 90033

Any person who wishes to address the Board of Directors is welcomed to attend.
No prior notification of your attendance is necessary.

If you require accommodations in order to attend this meeting can call Jerome Greening at 323.780.0076 or email at jerome@puente.org. for assistance

It is hereby noted that the agenda for this meeting of the PUENTE Governing Board has been posted at the following location(s):

- PUENTE Learning Center, 501 S. Boyle Avenue, Los Angeles CA 90033, north side and south side entrances, and parent board
- 605 Britannia St., Los Angeles, CA 90033
- www.puente.org



PUENTE Learning Center

PUENTE Charter School Board of Directors Meeting Agenda

Wednesday, December 4, 2019

8:15 am

501 S. Boyle Avenue, Los Angeles, CA 90033

Teleconference locations:

- 605 Britannia St., Los Angeles, CA 90033

Notice is hereby given that the PUENTE Learning Center Board of Directors of PUENTE Charter School will hold a public meeting at the above-referenced time and locations. The purpose of the meeting is to discuss and take action on the following agenda. The agenda shall provide an opportunity for members of the public to address the board directly at each location. (GOV CODE: 54954.3).

If you require special accommodations in order to attend this meeting, please call Jerome Greening at (323) 780 – 0076 or e-mail at jerome@puente.org.

Agendas for all regular board meetings are posted at least 72 hours prior to the meeting, and agendas for all special board meetings are posted at least 24 hours prior to the meeting at the entrances of the PUENTE facility and on the Parent Board at PUENTE Charter School, teleconference locations, and on www.puente.org. (GOV CODE: 54954.2. 54956)

Agenda Item	Proposed Action	Attachments	Who
1. Call to Order and Roll Call to Establish Quorum	Roll Call	Board Roster	Board Chair, Albert Reyes
2. Minutes – September 18, 2019	Approval	Minutes	
3. Public Comment			
Members of the public are welcome to address the PUENTE Charter School Board directly at a regular meeting to address any item of interest, or on the agenda and at a special meeting to address any item on the agenda, before or during the consideration of the item. Comments will be limited to three minutes. (GOV CODE: 54954.3) No action shall be taken on any item not appearing on the agenda unless the action is otherwise authorized by subdivision (b) of GOV CODE Section 54954.2.			
4. Operations & Programs			Charter School Principal and Interim CEO, Jerome Greening & Charter School Advisory Committee Member, Oscar Cabrales
i. Data Dashboard & Capacity Building Update	Informational	PowerPoint Presentation	
ii. Homeless Education Policy	Approval	Policy	
5. Finance Report			VP of Finance & Administration, Angelica Castro, Chair of Finance Committee, Alfredo Izmajtovich
i. Charter Financials as of September 30, 2019	Informational	Financial Statements	
ii. Approval of Financial Audit Report FY19	Approval	FY19 Audit Report	
6. Adjournment			Board Chair, Albert Reyes

Certification of Posting

I, Jerome Greening, hereby certify that this agenda was posted on 11/25/2019 at 10am at:

- PUENTE Learning Center, 501 S. Boyle Avenue, Los Angeles, CA 90033, *north side and south side entrance, and parent board*
- 605 Britannia St., Los Angeles, CA 90033 (posted on 12/3/2019)



PUENTE Charter School

501 S. Boyle Avenue, Los Angeles, CA 90033

BOARD MEETING MINUTES

September 19, 2019

The PUENTE Charter School meeting was conducted on September 18, 2019 at 8:30 am at PUENTE Learning Center, 501 S. Boyle Avenue, Los Angeles, CA 90033

Board Members in Attendance: Albert Reyes, Daniel Arguello, Oscar Cabrales, Richelle Huizar, Tyler M.P. Sutherland, Chun Wong

Board Members not in Attendance: Greg Gonzalez, Alfredo Izmajtovich, Yolanda Chavez

PUENTE Staff in Attendance: Jerome Greening, Angelica Castro, Matt Wells, Michele Wolfe, Anton Qafaiti, Dominic Armendariz, Alicia Granados

Guests in Attendance: June Poust and Amy Funk of Ter Molen Watkins and Brandt

Call to Order

Albert Reyes called the meeting to order at 8:29 am. A quorum was established.

Roll Call

Albert Reyes called on all Board Members. Chair, Albert Reyes; Board Member, Secretary, Richelle Huizar, Board members Daniel Arguello, Oscar Cabrales, Greg Gonzalez, Tyler M.P. Sutherland, and Chun Wong. Albert noted board members not present, Alfredo Izmajtovich and Greg Gonzalez. Albert noted that board member Yolanda Chavez had submitted a resignation letter stating she can no longer commit to PUENTE as a governing board member.

Approval of Board Meeting Minutes from June 13, 2019

Motion: A motion was duly made by Albert Reyes and seconded by Oscar Cabrales to approve the June 13, 2019 minutes. Board moved to accept the minutes as written.

Reyes, “yes”; Huizar, “yes”; Arguello, “yes”; Wong, abstained; Cabrales, “yes”; Sutherland, “yes”

Public Comment

Albert invited anyone present who wished to make public comments to do so. There were none.

Interim CEO Jerome Greening introduced PUENTE colleagues, Dominic Armendariz and Anton Qafaiti who were observing the meeting.

Charter Financial as of June 30, 2019

Angelica Castro Vice President of Finance and Administration summarized the financial results of PUENTE Charter School as of June 30, 2019. She presented the Statement of Activities and noted that at year end, the Charter School’s budget reflected a surplus of \$2,685. However, at year end, the school reported a surplus of \$845,282. She noted that this surplus is the result of the following:

Total year-end revenue budgeted was \$1,431,292, while actual LAUSD revenue was \$1,399,465. This was a negative variance of \$31,827 in earned revenue that mainly derived from the LCFF (Local Control Funding Formula) of \$728,476, which was \$49,286 short of budget. Other Contributions: A non-budgeted capital campaign contributions totaling \$825,000 were received from Great Public School and Walton Foundation in the amounts of \$500,00 and \$325,000, respectively.

Angelica stated that Year-end expenses total \$1,379,183, approximately 4% less than budgeted.

Statement of Financial Position

Total assets as of June 30, 2019 were \$1,713,563 which consisted of \$1,500,655 in current assets and \$212,908 in net fixed assets. Pledges receivable total \$603,643 and current liabilities of \$102,170 were due to the Learning Center.

Statement of Cash Flow

Angelica stated that the Charter School's cash increased by \$148,166. The Increase was mainly due to the non-cash item depreciation of \$6,250; an increase in pledges receivable of \$525,121; accrued expense increase of \$25,413; and property and plant equipment increase of \$202,658. The increase in cash \$148,166 was added to the beginning cash of \$748,846 as of June 30, 2018 resulting in ending cash of \$897,012 at June 30, 2019.

Capital Campaign Feasibility Report

Albert Reyes thanked the guests, Amy Funk and June Poust of Ter Molen Watkins and Brandt for joining us to present the Campaign Feasibility Report. June and Amy presented an internal and external assessment of the study. Feedback from feasibility interviews combined with findings from the internal interviews and conversations with senior provides the source data for this report. TW&B conducted feasibility interviews with a select group of current and former donors. Invitations for confidential interviews were extended to 36 stakeholders, and TW&B consultants completed interviews with 13 who agreed to be interviewed. June and Amy presented the strengths and opportunities for PUENTE including the mission and vision of the organization, outstanding facility, strong programs and fiscal responsibility. They also presented the challenges and concerns for the proposed scale of the capital campaign. Challenges included establishing stable executive leadership, stewardship of donors who have questions about leadership turnover, the need for growing board membership and the correct messaging of the expansion of the Charter School along with the growth of the other programs that are integral to the mission of PUENTE. The consultants offered recommendation based on their findings of the feasibility interviews; establish stable leadership and message this to the funding community; develop a strategic communication plan for external constituents, including the stability of leadership; increase development staff to enable more external time for VP Development; diversify and increase board membership; develop a planned giving program; establish an annual fund program; host cultivation events; re-engage past donors and prospects to build the major gifts pipeline; and establish a campaign gifts committee to assist with fundraising. Amy and June took questions from the board about the best practices to move forward with raising funds for the organization.

LAUSD Oversight Visit Findings for the 18-19 School Year

Interim CEO and Charter School Principal Jerome Greening presented the findings from the LAUSD Oversight Visit from April 2019. The Summary of Ratings included a 4 in governance, a 3 in organizational and management and operations and a 4 in fiscal operations.

Brown Act Training

Jerome Greening presented the upcoming Brown Act Compliance training that is required for all board members and executive staff. Topic covered will include general overview of responsibilities, record keeping, duty of financial oversight, conflict of interest and best practices. The training will be conducted by Greta Proctor from Procopio, legal counsel for the charter school.

Data Dashboard

Data Dashboard highlighting the beginning of year demographic data for the Charter School including gender, ethnicity, socio-economic eligibility for free and reduced meals, language learners and special education students. Jerome shared the end-of-year achievement data as measured by the NWEA MAP assessment for the 18-19 school year, and also the reclassification data as measured by the ELPAC and MAP assessments.

Local Control Funding Formula (LCFF)

Jerome Greening presented the LCFF 8 State priorities for school operations as well as the LCFF funding calculations (EC Section 42238.02(d)) and described the means in which the priorities will be met and the stakeholder meetings scheduled to develop the FY21 Local Control Accountability Plan (LCAP).

Approval of Data Based Decision Making Practice

Jerome presented the Charter School Data-Based Decision Making Practice for approval.

A Motion was duly made by Albert Reyes and seconded by Chun Wong to approve the Data Based Decision Making Best Practices. The Board unanimously approved. Reyes, "yes"; Huizar, "yes"; Arguello, "yes"; Wong, "yes"; Cabrales, "yes"; Sutherland, "yes".

Board member Daniel Arguello left the meeting at 9:44 am

Approval of Compliance Monitoring Form 2019-2020

Jerome presented the 19-20 Compliance Monitoring Form and discussed each compliance item and it's relevancy to the operations of the Charter School.

A Motion was duly made by Richelle Huizar and seconded by Oscar Cabrales to approve the Compliance Monitoring Procedure. The Board unanimously approved. Reyes, "yes"; Huizar, "yes"; Wong, "yes"; Cabrales, "yes"; Sutherland, "yes".

Approval of Uniform Compliance Procedure 2019-2020

Jerome presented the Uniform Complaint procedure, the school process for resolving complaints.

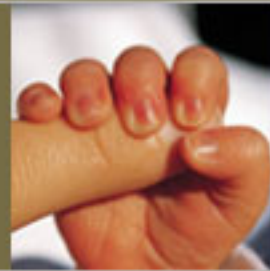
Motion: a motion was duly made by Richelle Huizar and seconded by Tyler Sutherland to approval the UCP. The Board unanimously approved. Reyes, "yes"; Huizar, "yes"; Wong, "yes"; Cabrales, "yes"; Sutherland, "yes".

Adjournment

Albert Reyes thanked everyone for their participation and adjourned the meeting at 10:10 am.

PUENTE Charter School Board Meeting

Wednesday, December 4, 2019



PUENTE Charter School

LAUSD Oversight Visit

Informational



LAUSD Oversight Visit Conducted on November 20, 2019



- *The Los Angeles Unified School District Charter Schools Division Comprehensive Oversight/Evaluation Visit to PUENTE on Wednesday, November 20, 2019 (on a scale of 1 to 4; with 4 being the highest):*

Last Year's Scores

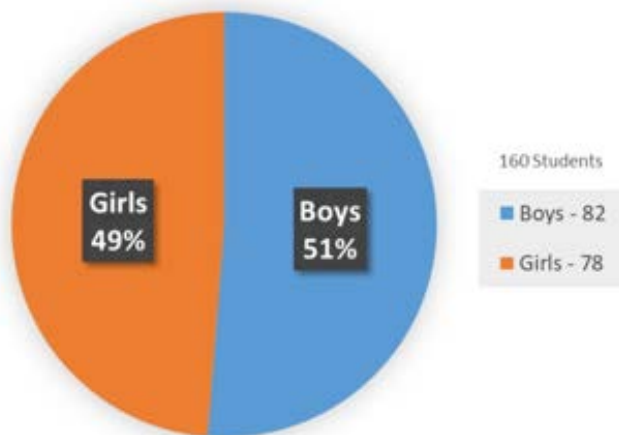
- **Governance:** 4 (Accomplished)
- **Programs:** 3 (Proficient)
- **Fiscal:** 4 (Accomplished)

PUENTE Charter School Student Demographic Data Informational



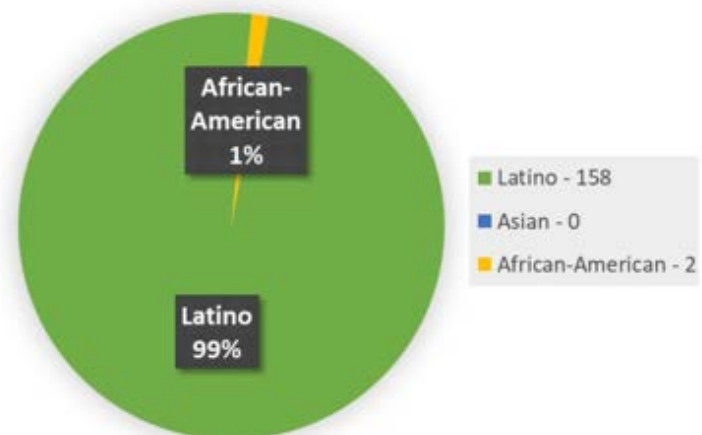
PUENTE Charter School 2019-2020

Gender



PUENTE Charter School 2019-2020

Ethnicity



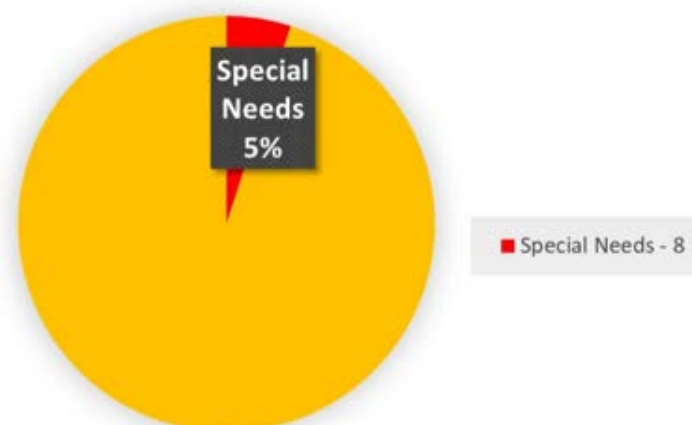
PUENTE Charter School 2019-2020

Lunch Eligibility



PUENTE Charter School 2019-2020

Special Needs Students



PUENTE Charter School

LCAP Priorities

Informational



Local Control Funding Formula (LCFF)

8 State Priorities for School Operations

- #1 = Teacher Qualifications (Fully Credentialed in Subject Area)
- #2 = Access to Common Core State Standards-Aligned Instruction & EL Development
- #3 = Promotion of Parent Involvement
- #4 = Pupil Achievement (English Learner Reclassification Rate; Assessment Scores)
- #5 = Student Attendance Rate; Absenteeism
- #6 = Suspension/Expulsion Rates; School Culture of “Connectedness”
- #7 = An All-Subjects Academic Program Plan
- #8 = Pupil Outcomes in All Subject Areas



PUENTE Charter School

Data Dashboard Informational



2019-2020 Data Tracking Sheet

TK/Kindergarten Groupings

Canas/Santana

STUDENT	EL STATUS	ELPAC Level 1	ELPAC Level 2	ELPAC Level 3	ELPAC Level 4	ELPAC IFEP	2019-2020 NWEA MAP		
							Fall	Winter	Spring
1. Acosta, Santhiago	IFEP				WELL DEV 538	IFEP 9/19	MATH-151 R-145		
2. Arreaga, Amy	EL			INTERMEDIATE/MODERATE LY DEV 419			MATH-117 R-129		
3. Arreola, Jacob TK	IFEP				WELL DEV 513	IFEP 9/19	MATH-136 R-129		
4. Avila, Santiago	EO						MATH -142 R-137		
5. Barahona-Aguirre, Isaac	EL			INTERMEDIATE 394			MATH-140 R-139		
6. Bello Madrigal, Emmanuel	EL			INTERMEDIATE/MODERATE LY DEV 436			MATH-126 R-131		
7. Beltran, Alondra TK	EL		NOVICE SOMEWHAT DEV 358				MATH-129 R-132		
8. Benitez, Ivan	EL	NOVICE 298					MATH-119 R-129		
9. Brito, Emily	EL			*SPRING SUMMATIVE L-3 (1449) INTERMEDIATE			MATH-154 R-150		
10. Castillo, Hazel TK	EL	NOVICE 273					MATH-118 R-113		
11. Chavez, Leah	EL	NOVICE 301					MATH-120 R-125		
12. Estrada, Max	EO						MATH-129 R-126		
13. Flores, Bethany	EO						MATH-125		

**Progress
Monitoring of
Each Student
Utilizing
Common
Core-Aligned
Assessment
Resources**

PUENTE Charter School
Data-Based Decision Making Practice
Action: For Approval



Homeless & Foster Youth Policy

1. Immediate enrollment;
2. Appropriate educational placement (e.g., school of origin; grade level);
3. Proper withdrawal from school, which includes the timely awarding and transfer of credits (full or partial), records, and grades;
4. Identification of all identified specialized student populations
5. Awareness and training for school site staff on working with the identified specialized student populations; and
6. Contact and collaboration with additional resources for student support.





Homeless Children & Foster Youth Policy

STUDENTS EXPERIENCING HOMELESSNESS & FOSTER YOUTH:

The McKinney-Vento Homeless Assistance Act authorizes the federal Education for Homeless Children and Youth (EHCY) Program and is the primary piece of federal legislation dealing with the education of children and youth experiencing homelessness. It was reauthorized in 2001 by Title X, Part C, of the No Child Left Behind Act. The education subtitle of the McKinney-Vento Act was reauthorized by the Every Student Succeeds Act of 2015, which was signed into law by President Obama on December 10, 2015. This law entitles all homeless school-aged children equal access to the same free, appropriate public education that is provided to non-homeless students. Accordingly, schools and centers are required to identify homeless students, inform them of their rights, remove barriers to enrollment, attendance or academic success and are not to stigmatize homeless students. The basic educational protections of the reauthorization apply to all school districts in the United States. The McKinney-Vento Homeless Assistance Act, as federal law, supersedes state and local educational law and policy.

In order to support homeless youth attending PUENTE Charter School, PUENTE works to implement its homeless education policy, which includes monitoring compliance to ensure the proper identification of homeless students, resolving school disputes, and connecting identified students with supplemental support services designed to enhance educational achievement. These services include collaboration with city and county homeless service agencies, parent education workshops, as well as professional development for school administrators and staff.

A PUENTE School Site Homeless Liaison and Foster Care Advocate Liaison is identified at the beginning of the school year. The designee will be a certificated, school site person who, as part of his or her duties, will support these identified specialized student populations as needed. The liaison assigned will be an employee who is not in the classroom and is on site at the school 5 days per week. Designees will be automatically enrolled in the School Site Homeless Liaison and/or School Site Foster Care Advocate online trainings via the Learning Zone.

At the time of enrollment and/or identification, school personnel shall inform the student, enrolling adult, and Educational Rights Holder (ERH) of the name, telephone number, office hours and location of the designated School Site Advocate/Liaison. Per federal law, all schools are responsible for the annual identification of homeless students. Therefore, designated advocates/liaisons shall ensure that their school site annually identifies all homeless students and accurately inputs in Infinite Campus (and migrated to MiSiS) for accounting. In addition, designated advocates/liaisons will support all identified specialized student populations and work with school site staff to ensure compliance with this policy: 1. Immediate enrollment; 2. Appropriate educational placement (e.g., school of origin); 3. Proper withdrawal from school, which includes the timely awarding and transfer of credits (full or partial), records, and grades; 4. Identification of all identified specialized student populations, including SRQ; 5. Awareness and training for school site staff on working with the identified specialized student populations; and 6. Contact and collaboration with additional resources for student support.

PUENTE Charter School





PUENTE Charter School
Interim Financial Statements
As of and for the Month of September 30, 2019

PUENTE Charter School
Interim Financial Statements
As of and for the Month Ended September 30, 2019

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BASIC FINANCIAL STATEMENTS (Charter School)	
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PUEENTE Charter School
Statement of Activities
July 1, through September 30, 2019
with Comparative Actuals for September 2018

	ADA	156	106		156	156
		Actual	Actual	Variance	FY 2019-20	FY 2019-20
		30-Sep-19	30-Sep-18		YTD Budget	Annual Budget
Operating revenue						
LCFF - State Aid	\$	263,568	\$ 63,328	\$ 200,240	\$ 263,778	\$ 1,055,113
Prop 30 - Education Protection Account		50,556	-	50,556	50,556	202,223
Other Fed Income		51,476	-	51,476	21,092	84,367
Special Ed Current Yr		30,857	12,439	18,418	23,115	92,460
State Lottery - Charter Prop 20		5,205	3,447	1,758	6,202	24,808
Other State Revenue		13,151	3,167	9,984	30,912	123,648
District pymt in lieu of Prop Tax		84,099	38,140	45,959	84,098	336,391
Total operating revenue	\$	498,912	\$ 120,521	\$ 378,391	\$ 479,753	\$ 1,919,010
Operating expenses and losses						
Salaries		253,135	116,739	136,396	240,976	963,904
Payroll taxes		21,387	8,689	12,697	19,500	77,999
Employee benefits		21,557	11,994	9,563	23,221	92,885
Workers Compensation		1,367	1,676	(309)	2,903	11,610
Total personnel costs	\$	297,446	\$ 139,098	\$ 158,348	\$ 286,600	\$ 1,146,398
Operating expenses and losses						
Accounting		-	-	-	4,154	16,615
Advertising		1,751	924	826	563	2,250
Bank fees		-	-	-	186	744
Building Lease		43,476	29,375	14,101	43,475	173,900
Depreciation		1,641	1,335	306	1,638	6,553
Dues & Subscriptions		3,097	154	2,943	1,024	4,095
Education supplies		2,734	2,125	609	1,238	4,950
Equipment lease		446	-	446	-	-
Food service contract		7,138	6,432	706	23,863	95,453
Furniture & equipment		2,703	5,984	(3,281)	1,875	7,500
Furniture & equipment rental		416	-	416	-	-
Gifts		-	-	-	313	1,250
Insurance		5,964	13,113	(7,148)	17,619	70,474
LACOE - Administrative Fees		240	500	(260)	125	500
License & permits		221	-	221	-	-
Maintenance supplies		1,222	1,531	(309)	2,700	10,800
Meals & Entertainment		223	-	223	-	-
Meetings & Workshops		-	61	(61)	200	800
Office supplies		1,689	39	1,650	1,592	6,366
Payroll fees		-	-	-	638	2,550
Postage & delivery		868	106	762	277	1,107
Printing & reproduction		661	412	249	1,642	6,569
Professional services		24,915	10,822	14,093	16,773	67,090
Property taxes		-	-	-	473	1,893
Repair & maintenance		14,063	-	14,063	613	2,450
Security		4,711	-	4,711	9,219	36,874
Special Ed Contract		3,240	1,180	2,060	11,314	45,256
Special Ed Fair Share		28,587	11,784	16,803	24,614	98,454
Staff Development		-	150	(150)	996	3,983
Student Activities		-	-	-	235	940
Telephone		162	454	(292)	2,322	9,286
Textbooks		23,424	11,846	11,577	11,781	47,125
Travel		55	-	55	479	1,917
Utilities		14,410	3,902	10,509	11,826	47,305
Total Operating Expenses	\$	188,056	\$ 102,231	\$ 85,826	\$ 193,762	\$ 775,049
Total Expenses	\$	485,503	\$ 241,329	\$ 244,174	\$ 480,362	\$ 1,921,447
Operating revenues and gains in excess of operating expenses	\$	13,409	\$ (120,808)	\$ 134,218	\$ (609)	\$ (2,437)
(Other items considered to be nonoperating)						
Interest income		65	-	65	-	-
Change in net assets	\$	13,475	\$ (120,808)	\$ 134,283	\$ (609)	\$ (2,437)
Non-cash items						
Depreciation		1,641	1,335	306	1,638	6,553
Net assets at end of year	\$	15,116	\$ (119,474)	\$ 134,590	\$ 1,029	\$ 4,116
Cost per Student	\$	3,112	\$ 2,277		\$ 3,079	\$ 12,317

PUENTE Charter School
Statement of Financial Position
As of September 30, 2019
with comparative financial information for June 30, 2019

ASSETS	Actual 9/30/2019	Audited 6/30/2019	Variance
Current assets			
Cash (Charter School Savings)	\$ 533,748	\$ 748,838	\$ (215,089)
Cash (Capital Campaign)	44,234	148,174	(103,941)
Total Cash and cash equivalent	577,982	897,012	(319,030)
Accounts receivable, net	777,859	603,643	174,216
Total Current Assets	1,355,841	1,500,655	(144,814)
Land, building and equipment	534,831	241,209	293,622
Depreciation	(29,942)	(28,301)	(1,641)
	504,889	212,908	291,981
TOTAL ASSETS	\$ 1,860,730	\$ 1,713,562	\$ 147,167
LIABILITIES AND NET ASSETS			
Current liabilities			
Due to Learning Center	261,190	127,497	133,693
Total Current Liabilities	261,190	127,497	133,693
Net assets			
Net Surplus/Deficit	\$ 13,475	\$ 845,282	\$ (831,807)
Without donor restriction	1,586,065	740,783	845,282
Total net assets	1,599,540	1,586,065	13,475
Total liabilities and net assets	\$ 1,860,730	\$ 1,713,562	\$ 147,167

PUENTE Charter School
Statement of Cash Flow
For the Month Ended September 30, 2019

	Month Ended September 30, 2019
Cash flows from operating activities:	
Change in total net assets	\$ 13,475
Adjustments to reconcile in net assets to net cash (used in) provided by operating activities:	
Depreciation	1,641
Changes in operating assets and liabilities:	
Accounts receivable	(174,216)
Due to Learning Center	133,693
Net cash (used in) provided by operating activities	(25,407)
Cash flows from investing activities:	
Purchase of property and equipment	(293,622)
Net cash used in investing activities	(293,622)
NET INCREASE (DECREASE) IN CASH	(319,029)
CASH - BEGINNING	897,012
CASH - ENDING	\$ 577,982

MEMORANDUM

To: Finance Committee

From: Angelica Castro
Vice President of Finance, PUENTE Charter School

Date: November 21, 2019

Re: Summary of Financial Results as of September 30, 2019

The purpose of this memo is to summarize the financial results of PUENTE Charter School as of September 30, 2019. Please find a copy of the following reports in this Committee Packet:

1. Statement of Activities for period ended September 30, 2019 with comparative actuals for September 30, 2018: Including Annual Budget.
2. Statement of Financial Position as of September 30, 2019.
3. Statement of Cash Flow as of September 30, 2019.

1. Statement of Activities

As of September 30, 2019, the Charter School has an operating surplus of \$13,475. When adding depreciation, the surplus increase to \$15,115. This is mainly due to the following:

Revenue:

- In prior years, the Charter School's revenue was recognized using the cash basis accounting. In order to provide a more accurate picture of the School's overall financial health, management adopted the accrual basis method when recognizing revenue. This changed in method resulted in an increase of \$378,391 from prior year.

Expenses:

Total expenses increased by \$244,174 from prior year. This is mainly due to a more equitable expense allocation between the Learning Center and the Charter School.

Significant variances of specific line item expenses include:

- Personnel Costs: Personnel Costs expenses increased by \$158,348 from prior year. This variance is mainly due to the addition of staffing as well as reassessing salary allocations.
- Building Lease: Building lease increased by \$14,101 from prior year. This is mainly due to the addition of the 2nd grade and additional square footage dedicated to the Charter School.

- Dues and Subscriptions: Dues and subscriptions increased by \$2,943 from prior year. This is mainly due to additional subscriptions to educational material (Reading Fundamental & Behavior Flip).
- Insurance: Insurance decreased by \$ \$7,148 from prior year. This is mainly due to a lower insurance premium using the accrual method of accounting.
- Professional Service: Professional service increased by \$14,093 from prior year. This is mainly due to the hiring of a new cleaning company to temporarily assist our maintenance department with up keep of the Charter School wing. This expense is included in the budget.
- Repair & Maintenance: Repair and maintenance increased by \$14,063 from prior year. This is mainly due to the improvement of expense allocations between Learning Center and Charter School.
- Security: Security increased by \$4,711 from prior year. This is mainly due to the improvement of expense allocations between Learning Center and Charter School.
- Special Ed Fair Share: Special Ed Fair Share increased by \$16,803 from prior year. This is mainly due the change is accounting method from cash to accrual basis.
- Textbooks: Textbooks increased by \$11,577 from prior year. This is mainly due to the addition of the Charter School 2nd grade that required additional textbooks.
- Utilities: Utilities increased by \$10,509 from prior year. This is mainly due to the improvement of expense allocations between Learning Center and Charter School.

2. Statement of Financial Position

Total assets as of September 30, 2019 are \$1,860,730 which consists of \$1,355,841 in current assets and \$504,889 in net fixed assets. Accounts receivable total \$777,859.

Current liabilities of \$261,190 are due to the Learning Center.

3. Statement of Cash Flow

The Charter School's cash decreased by \$319,028. The decrease is mainly due to the following:

- a. As a non-cash item, depreciation of \$1,641 is added to the net surplus to reconcile the cash from operations.
- b. Accounts receivable increased by \$174,215. Increasing receivables means less inflow of cash through our lack of collections. Therefore, the \$174,215 is subtracted from the net surplus.
- c. Due to Learning Center accrual increased by \$133,693. Increasing liabilities means that obligations are pay at a later day. As such, the Charter School has more cash on hand as the \$133,693 is added to the net surplus.
- d. Land Building & Equipment increased by \$293,622. This is mainly due to the payment related to the construction work in progress. The increase results in a decrease in cash. As such, the change is subtracted from the net



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

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

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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 statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Center as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on 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 November 27, 2019, 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
November 27, 2019

ASSETS

Current assets	
Cash and cash equivalents	\$ 1,121,703
Short-term investments	17,369,659
Accounts receivable, net	114,150
Contributions receivable	513,470
Prepaid expenses and other assets	36,485
Total current assets	19,155,467
Land, building and equipment, net	6,986,407
Cash surrender value of life insurance	25,967
TOTAL ASSETS	\$ 26,167,841

LIABILITIES AND NET ASSETS

Current liabilities	
Accounts payable and accrued liabilities	\$ 165,999
Deferred revenue	8,834
Total current liabilities	174,833
Net assets	
Net assets without donor restrictions	
Board designated (capital expansion)	2,909,831
Undesignated	10,592,826
Total net assets without donor restrictions	13,502,657
Net assets with donor restrictions	
Purpose restricted	5,728,819
Perpetual in nature	6,761,532
Total net assets with donor restrictions	12,490,351
Total net assets	25,993,008
TOTAL LIABILITIES AND NET ASSETS	\$ 26,167,841

See notes to financial statements.

PUENTE Learning Center
Statement of Activities
For the Year Ended June 30, 2019

	<u>Without donor Restrictions</u>	<u>With donor Restrictions</u>	<u>Total</u>
Operating revenue			
Contributions	\$ 543,329	\$ 172,930	\$ 716,259
Fees revenue	30,186	-	30,186
Special events	104,050	-	104,050
Charter School	1,399,465	825,000	2,224,465
Other revenues	71,250	-	71,250
Net assets release from restrictions			
Satisfaction of program restrictions	1,334,506	(1,334,506)	-
Total operating revenue	3,482,786	(336,576)	3,146,210
Operating expenses and losses			
Programs and educational	3,677,015	-	3,677,015
Management and general	640,442	-	640,442
Fundraising	338,552	-	338,552
Total Operating Expenses	4,656,009	-	4,656,009
Operating revenues and gains in excess of operating expenses	<u>(1,173,223)</u>	<u>(336,576)</u>	<u>(1,509,799)</u>
(Other items considered to be nonoperating)			
Investment returns, net	1,147,107	612,361	1,759,468
Interest income	5,008	-	5,008
Change in net assets	<u>(21,108)</u>	<u>275,785</u>	<u>254,677</u>
Net assets at the beginning of year	13,523,765	12,214,566	25,738,331
Net assets at end of year	<u>\$ 13,502,657</u>	<u>\$ 12,490,351</u>	<u>\$ 25,993,008</u>

See notes to financial statements.

PUENTE Learning Center
Statement of Functional Expenses
For the Year Ended June 30, 2019

	<u>Program</u>	<u>Charter School</u>	<u>Total Program Expenses</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Supporting Services</u>	<u>Total Expenses</u>
Salaries	\$ 842,045	\$ 771,625	\$ 1,613,670	\$ 192,141	\$ 164,358	\$ 356,499	\$ 1,970,169
Payroll taxes	60,293	55,877	116,170	13,979	11,363	25,342	141,512
Employee benefits	117,475	68,316	185,791	38,508	9,421	47,929	233,720
Total personnel costs	1,019,813	895,818	1,915,631	244,628	185,142	429,770	2,345,401
Depreciation	531,503	6,250	537,753	53,738	36,645	90,383	628,136
Professional services	254,914	245,440	500,354	194,588	55,643	250,231	750,585
Donated materials and services	396,015	-	396,015	-	-	-	396,015
Insurance	74,710	35,877	110,587	33,183	29,502	62,685	173,272
Utilities	87,730	15,093	102,823	7,058	6,656	13,714	116,537
Building lease	(117,500)	117,769	269	-	-	-	269
Other	355	614	969	-	-	-	969
Equipment rental and maintenance	5,616	11,449	17,065	72,226	-	72,226	89,291
Office supplies and expense	14,911	15,601	30,512	11,950	8,055	20,005	50,517
Textbooks	2,407	11,846	14,253	-	-	-	14,253
Telephone	11,912	2,633	14,545	4,927	974	5,901	20,446
Dues and subscriptions	3,085	1,377	4,462	3,277	5,469	8,746	13,208
Travel	2,081	1,200	3,281	3,317	1,434	4,751	8,032
Training and workshops	6,472	6,726	13,198	7,594	9,032	16,626	29,824
Doubtful accounts expense	3,808	11,490	15,298	-	-	-	15,298
Property taxes	-	-	-	3,956	-	3,956	3,956
Total functional expenses	\$ 2,297,832	\$ 1,379,183	\$ 3,677,015	\$ 640,442	\$ 338,552	\$ 978,994	\$ 4,656,009

See notes to financial statements.

PUENTE Learning Center
Statement of Cash Flows
For the Year Ended June 30, 2019

Cash flows from operating activities:

Change in total net assets	\$ 254,677
Adjustments to reconcile change in net assets to net cash (used in) operating activities:	
Depreciation	628,136
Net unrealized gains on investments	(1,574,819)
Changes in operating assets and liabilities:	
Contributions receivable	(334,348)
Accounts receivable	(36,628)
Prepaid and other assets	1,672
Accounts payable and accrued liabilities	(37,824)
Deferred revenue	8,834

Net cash (used in) operating activities	(1,090,300)
--	--------------------

Cash flows from investing activities:

Purchase of property and equipment	(222,334)
Proceeds from sale of investments	1,500,000
Reinvested interest and dividends	(184,649)

Net cash provided by investing activities	1,093,017
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NET INCREASE IN CASH AND CASH EQUIVALENTS	2,717
--	--------------

CASH AND CASH EQUIVALENTS - BEGINNING	1,118,986
--	------------------

CASH AND CASH EQUIVALENTS - ENDING	\$ 1,121,703
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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 year ended June 30, 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, 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, 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 \$500 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 year ended June 30, 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 year ended June 30, 2019 consist of the following:

Teachers and administrative support	\$ 378,369
Direct donor benefit expense	17,646
	<u><u>\$ 396,015</u></u>

(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) 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. 2018-18, *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 providers, the ASU is effective for annual periods beginning after December 15, 2019, with early adoption permissible. The Center is currently evaluating the impact of the new standard on the financial statements.

(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 statement of financial position include:

Cash	\$ 1,121,703
Accounts receivable	114,150
Other financial assets, net	2,808,705
Available financial assets	<u><u>\$ 4,044,558</u></u>

As part of the Center's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become 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, 2019 and indicates the fair value hierarchy of the valuation techniques utilized to determine such fair value:

	Year ended June 30, 2019	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Common Stock	\$ 11,142,249	\$ 11,142,249	\$ -	\$ -
Bonds funds	3,903,306	3,903,306	-	-
Equity mutual funds	2,324,104	2,324,104	-	-
	<u><u>\$ 17,369,659</u></u>	<u><u>\$ 17,369,659</u></u>	<u><u>\$ -</u></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 year ended June 30, 2019 consists of the following:

Interest and dividends	\$ 184,649
Unrealized gain	1,574,819
	<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 year ended June 30, 2019.

(5) PROPERTY PLANT & EQUIPMENT

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

Land	\$ 2,403,954
Building	10,313,306
Software	877,260
Furniture and equipment	716,477
Asset work in progress	182,089
	<u>14,493,086</u>
Less: Accumulated depreciation	<u>(7,506,679)</u>
	<u>\$ 6,986,407</u>

Depreciation expense for the year ended June 30, 2019 amounted to \$628,136.

(6) ACCOUNTS PAYABLE AND ACCRUED EXPENSES

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

Accrued vacation	\$ 45,308
Accrued payroll	70,753
Accrued other	49,938
	<u>\$ 165,999</u>

(Continued)

(7) CHARTER SCHOOL REVENUES

Charter School revenues for the year ended June 30, 2019 consist of the following:

State LCFF	\$ 727,403
State Education Protection Act	164,501
Lottery	25,623
Other State revenue	69,222
Special education revenue	87,813
Local payment in lieu of property tax	270,049
Other Federal income	54,854
Donations - grants for facility	825,000
	<u><u>\$ 2,224,465</u></u>

(8) 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.

(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 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 Year Ended June 30, 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, 2019, the Center's endowment net asset composition is \$11,813,866 of net assets with donor restrictions.

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

(10) 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, 2019, the Center did not recognize any uncertain tax position.

The Center's federal and state income tax returns for 2015 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.

(11) 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 year ended June 30, 2019, the Center's contributions were \$49,407.

(Continued)

(12) COMMITMENTS AND CONTINGENCIES

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 change in net assets. The Center is not currently a party to any legal proceedings.

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.

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.

(13) SUBSEQUENT EVENTS

The Center has evaluated events or transactions that occurred subsequent to June 30, 2019 through November 27, 2019, 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

PUENTE Learning Center
Statement of Financial Position
Charter School Programs
June 30, 2019

ASSETS

Current assets

Cash and cash equivalents	\$ 897,012
Accounts receivable, net	103,643
Contributions receivable	<u>500,000</u>
Total current assets	1,500,655

Land, building and equipment, net	212,908
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TOTAL ASSETS	<u>\$ 1,713,563</u>
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LIABILITIES AND NET ASSETS

Current liabilities

Due to other programs to the center	<u>\$ 127,497</u>
Total current liabilities	127,497

Net assets

Without donor restrictions	957,348
With donor restrictions	<u>628,718</u>
Total net assets	1,586,066

TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,713,563</u>
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PUENTE Learning Center
Statement of Activities
Charter School Programs
For the Year Ended June 30, 2019

	<u>Without donor Restrictions</u>	<u>With donor Restrictions</u>	<u>Total</u>
Revenue			
State LCFF, lottery, and other	\$ 986,749	\$ -	\$ 986,749
Special education revenue	87,813	-	87,813
Local	270,049	-	270,049
Other Federal income	54,854	-	54,854
Donations - grants for facility	-	825,000	825,000
Net assets release from restrictions:			
Satisfaction of program restrictions	196,282	(196,282)	-
Total revenue	1,595,747	628,718	2,224,465
Expenses			
Program expenses:			
Personnel costs:			
Salaries	771,625	-	771,625
Payroll taxes	55,877	-	55,877
Employee benefits	68,316	-	68,316
Total personnel costs	895,818	-	895,818
Building lease	117,769	-	117,769
Depreciation	6,250	-	6,250
Dues and subscriptions	1,377	-	1,377
Equipment rental and maintenance	11,449	-	11,449
Insurance	35,877	-	35,877
Office supplies and expenses	15,601	-	15,601
Other	614	-	614
Professional services	245,440	-	245,440
Telephone	2,633	-	2,633
Textbooks	11,846	-	11,846
Training and workshops	6,726	-	6,726
Travel	1,200	-	1,200
Utilities	15,093	-	15,093
Doubtful accounts expense	11,490	-	11,490
Total operating expenses	483,365	-	483,365
Total expenses	1,379,183	-	1,379,183
Change in net assets	216,564	628,718	845,282
Net assets at the beginning of year	740,784	-	740,784
Net assets at end of year	\$ 957,348	\$ 628,718	\$ 1,586,066

**PUENTE Learning Center
Statement of Cash Flows
Charter School Programs
For the Year ended June 30, 2019**

Cash flows from operating activities:

Change in total net assets	\$ 845,282
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	6,250
Changes in operating assets and liabilities:	
Accounts receivable	(26,121)
Contributions receivable	(500,000)
Due to other programs to the center	<u>25,413</u>

Net cash provided by operating activities	350,824
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Cash flows from investing activities:

Purchase of property and equipment	<u>(202,658)</u>
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Net cash used in investing activities	<u>(202,658)</u>
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NET INCREASE IN CASH AND CASH EQUIVALENTS	148,166
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CASH AND CASH EQUIVALENTS - BEGINNING	<u>748,846</u>
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CASH AND CASH EQUIVALENTS - ENDING	<u><u>\$ 897,012</u></u>
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**PUENTE Learning Center
Charter School Organization Structure
For the Year Ended June 30, 2019**

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
Dr. Fernando Guerra	Vice Chairman	3 Years	Jun-19
Richelle Rae Huizar	Secretary	3 Years	Dec-20
Alfredo Izmajtovich	Treasurer	3 Years	Jun-20
Raul Amezcua	Member	3 Years	Dec-18
Greg Gonzalez	Member	3 Years	Jun-20
Oscar Cabrales	Member	3 Years	Jun-21
H. Cody Press III	Member	3 Years	Dec-18
Yolanda Chavez	Member	3 Years	Jun-21
Daniel Arguello	Member	3 Years	Jun-21
Chun Wong	Member	3 Years	Jun-21

c) Deputy/Associate/Assistant
Superintendent(s): 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, 2019

<u>Grade</u>	<u>Second Period Report</u>	<u>Annual Report</u>
Kindergarten – 1 st grade	105.38	105.25

**PUENTE Learning Center
Schedule of Instructional Time
For the Year Ended June 30, 2019**

<u>Grade</u>	<u>Provided</u>	<u>Required</u>	<u>Instructional Days</u>	<u>Status</u>
Kindergarten	58,275	36,000	177	In Compliance
1st Grade	58,275	50,400	177	In Compliance

PUENTE Learning Center
Reconciliation of Annual Financial Report with Audited Financial Statements
For the Year Ended June 30, 2019

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

June 30, 2019 Annual Financial Report	
Fund balances (net assets), unaudited	\$ 1,586,066
Adjustments and Reclassification:	
Increasing (decreasing) the fund balance (net assets)	<u>-</u>
June 30, 2019 Annual Financial Statement	
Fund balances (net assets), audited	<u>\$ 1,586,066</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 financial position as of June 30, 2019, 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 November 27, 2019.

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
November 27, 2019



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 2018-19 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting for the year ended June 30, 2019. 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 2018-2019 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, 2019.

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>
Local Education Agencies Other Than Charter Schools	
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
School Districts, County Offices of Education, and Charter Schools	
T. California Clean Energy Jobs Act	Not applicable
U. After 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
Charter Schools	
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
November 27, 2019

**PUENTE LEARNING CENTER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

Component 1 – Summary of Auditor’s Results:

The audit of Puente Learning Center June 30, 2019 financial statements resulted in an unmodified opinion.

The audit for year ended June 30, 2019 disclosed no instances of reportable conditions in internal control and noncompliance which are material to the financial statements.

Major Program:

Not applicable – not a Single Audit.

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

Not applicable – not a Single Audit.

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

Not applicable – not a Single 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 Single Audit.

Component 4 – Status of Prior Year Audit Findings:

Not applicable – no prior year audit findings reported.

November 27, 2019

To the Board of Directors of
PUENTE Learning Center

We have audited the financial statements of PUENTE Learning Center (the Center) for the year ended June 30, 2019, and have issued our report thereon dated November 27, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and Government Auditing Standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated March 14, 2019. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the financial statements and the selection and use of appropriate accounting policies. Our audit of the financial statements does not relieve management or those charged with governance of their responsibilities. The significant accounting policies used by the Center are described in Note 1 to the financial statements. As described in Note 1, the Center adopted accounting pronouncement FASB Accounting Standards Update (ASU) No. 2016-14 Presentation of Financial Statements of Not-for-Profit Entities, for the year ended June 30, 2019. We noted no transactions entered into by the Center during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of the allocation of functional expenses.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

Investments described in Note 4 and endowments described in Note 9 to the financial statements.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The following unposted adjustments summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

	Debit	Credit
Other Federal Income – FY2017-18 Title I & II	23,506	
Other State Income – FY2018-19 ASES Grant		123,833
Net Assets – Prior Period Adjustments	100,327	

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 27, 2019.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Center's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Center's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Observation and Recommendation

During the audit, we noted that the Center does not have an audit committee. We recommend that the Center establish an audit committee, in accordance with the California Nonprofit Integrity Act of 2004.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the board of directors of the Center and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Maginnis Knechtel & McIntyre, LLP