

**Audited Financial Statements**



**June 30, 2014**

**Quigley & Miron**

**Somos Mayfair**  
**Audited Financial Statements**  
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**June 30, 2014 and 2013**

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## Independent Auditor's Report

Board of Directors  
**Somos Mayfair**  
San Jose, California

We have audited the accompanying financial statements of Somos Mayfair, a nonprofit organization, which comprise the statements of financial position as of June 30, 2014 and 2013, 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

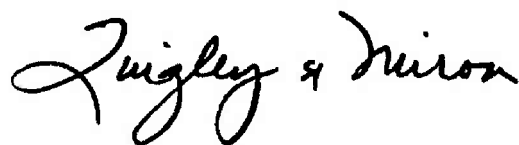
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of 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 Somos Mayfair as of June 30, 2014 and 2013, and the changes in its net assets and cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "Quigley & Miron". The signature is written in a cursive, flowing style. To the right of the signature, there is a vertical light blue line.

Los Angeles, California  
November 7, 2014

**Somos Mayfair  
Statements of Financial Position  
June 30, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 394,512	\$ 334,510
Grants and contracts receivable—Note 3	197,115	137,656
Prepaid expenses	26,156	23,498
Deposits	8,102	8,102
Property and equipment, net—Note 4	93,020	15,606
<b>Total Assets</b>	<b><u>\$ 718,905</u></b>	<b><u>\$ 519,372</u></b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable and accrued liabilities	\$ 35,136	\$ 16,422
Accrued vacation	21,206	20,380
Deferred revenue	611	1,824
Line of credit—Note 5	-	20,267
<b>Total Liabilities</b>	<b><u>56,953</u></b>	<b><u>58,893</u></b>
<b>Net Assets</b>		
Unrestricted		
Undesignated	228,354	188,926
Board-designated	66,235	50,086
<b>Total Unrestricted Net Assets</b>	<b><u>294,589</u></b>	<b><u>239,012</u></b>
Temporarily restricted		
In Our Hands initiative	367,363	221,287
Other programs	-	180
<b>Total Temporarily Restricted Net Assets</b>	<b><u>367,363</u></b>	<b><u>221,467</u></b>
<b>Total Net Assets</b>	<b><u>661,952</u></b>	<b><u>460,479</u></b>
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 718,905</u></b>	<b><u>\$ 519,372</u></b>

See notes to financial statements.

Somos Mayfair  
Statement of Activities  
Year Ended June 30, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>Support and Revenue</b>			
Government grants	\$ 422,920	\$ -	\$ 422,920
Foundation grants	222,365	468,390	690,755
Corporate grants	12,425	68,070	80,495
In-kind contributions—Note 6	146,334	-	146,334
Individual contributions	61,644	-	61,644
Special events, net—Note 7	16,004	-	16,004
Earned income	44,351	-	44,351
Interest income	1,011	-	1,011
Miscellaneous income	2,036	-	2,036
	<u>929,090</u>	<u>536,460</u>	<u>1,465,550</u>
<b>Total Support and Revenue</b>			
Net assets released from restrictions	390,564	(390,564)	-
	<u>1,319,654</u>	<u>145,896</u>	<u>1,465,550</u>
<b>Total Support, Revenue, and Net Assets Released from Restrictions</b>			
<b>Expenses</b>			
Program services	1,006,257	-	1,006,257
Supporting services			
Management and general	136,174	-	136,174
Fundraising	121,646	-	121,646
	<u>1,264,077</u>	<u>-</u>	<u>1,264,077</u>
<b>Total Expenses</b>			
<b>Change in Net Assets</b>	55,577	145,896	201,473
<b>Net Assets at Beginning of Year</b>	<u>239,012</u>	<u>221,467</u>	<u>460,479</u>
<b>Net Assets at End of Year</b>	<u>\$ 294,589</u>	<u>\$ 367,363</u>	<u>\$ 661,952</u>

See notes to financial statements.

Somos Mayfair  
Statement of Activities  
Year Ended June 30, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>Support and Revenue</b>			
Government grants	\$ 437,539	\$ -	\$ 437,539
Foundation grants	227,299	327,833	555,132
Corporate grants	11,256	-	11,256
In-kind contributions—Note 6	97,645	-	97,645
Individual contributions	62,479	7,858	70,337
Special events, net—Note 7	37,110	-	37,110
Earned income	54,494	-	54,494
Interest income	673	-	673
Miscellaneous income	1,183	-	1,183
	<u>929,678</u>	<u>335,691</u>	<u>1,265,369</u>
<b>Total Support and Revenue</b>			
Net assets released from restrictions	369,493	(369,493)	-
	<u>1,299,171</u>	<u>(33,802)</u>	<u>1,265,369</u>
<b>Total Support, Revenue, and Net Assets Released from Restrictions</b>			
<b>Expenses</b>			
Program services	913,710	-	913,710
Supporting services			
Management and general	156,935	-	156,935
Fundraising	130,966	-	130,966
	<u>1,201,611</u>	<u>-</u>	<u>1,201,611</u>
<b>Total Expenses</b>			
<b>Change in Net Assets</b>	<b>97,560</b>	<b>(33,802)</b>	<b>63,758</b>
<b>Net Assets at Beginning of Year</b>	<u>141,452</u>	<u>255,269</u>	<u>396,721</u>
<b>Net Assets at End of Year</b>	<u>\$ 239,012</u>	<u>\$ 221,467</u>	<u>\$ 460,479</u>

See notes to financial statements.

Somos Mayfair  
Statement of Functional Expenses  
Year Ended June 30, 2014

	<u>Program Services</u>	<u>Management and General</u>	<u>Fund Development</u>	<u>Total</u>
Salaries and wages	\$ 525,454	\$ 62,466	\$ 79,892	\$ 667,812
Employee benefits	88,105	6,610	10,484	105,199
Payroll taxes	45,932	5,178	6,666	57,776
<b>Total Personnel</b>	<b>659,491</b>	<b>74,254</b>	<b>97,042</b>	<b>830,787</b>
Professional fees and services	71,766	46,676	10,650	129,092
Occupancy	101,022	4,803	6,515	112,340
Supplies	49,596	2,499	1,288	53,383
Stipends	46,982	5	408	47,395
Child care	30,100	-	-	30,100
Evaluation services	4,457	-	-	4,457
Office expenses	12,932	872	2,324	16,128
Insurance	8,548	593	889	10,030
Miscellaneous expenses	2,543	4,132	805	7,480
Recruitment and development	3,516	637	195	4,348
Travel and meals	2,890	827	216	3,933
Depreciation and amortization	12,414	876	1,314	14,604
<b>Total Non-Personnel</b>	<b>346,766</b>	<b>61,920</b>	<b>24,604</b>	<b>433,290</b>
<b>Total Expenses</b>	<b>\$ 1,006,257</b>	<b>\$ 136,174</b>	<b>\$ 121,646</b>	<b>\$ 1,264,077</b>

See notes to financial statements.



Somos Mayfair  
Statement of Functional Expenses  
Year Ended June 30, 2013

	<u>Program Services</u>	<u>Management and General</u>	<u>Fund Development</u>	<u>Total</u>
Salaries and wages	\$ 407,543	\$ 67,187	\$ 91,036	\$ 565,766
Employee benefits	72,591	3,656	16,296	92,543
Payroll taxes	36,176	5,673	8,684	50,533
<b>Total Personnel</b>	<b>516,310</b>	<b>76,516</b>	<b>116,016</b>	<b>708,842</b>
Professional fees and services	95,075	28,343	1,478	124,896
Occupancy	94,951	3,758	5,631	104,340
Supplies	61,351	701	1,715	63,767
Stipends	48,657	20	329	49,006
Write-off of uncollectable accounts—Note 8	-	40,308	-	40,308
Child care	30,744	-	120	30,864
Expenditures for other programs—Note 9	20,453	-	-	20,453
Evaluation services	20,126	-	-	20,126
Office expenses	7,023	760	2,131	9,914
Insurance	7,802	551	826	9,179
Miscellaneous expenses	1,094	4,973	978	7,045
Recruitment and development	4,092	580	848	5,520
Travel and meals	3,265	230	601	4,096
Depreciation and amortization	2,767	195	293	3,255
<b>Total Non-Personnel</b>	<b>397,400</b>	<b>80,419</b>	<b>14,950</b>	<b>492,769</b>
<b>Total Expenses</b>	<b>\$ 913,710</b>	<b>\$ 156,935</b>	<b>\$ 130,966</b>	<b>\$ 1,201,611</b>

See notes to financial statements.

**Somos Mayfair**  
**Statements of Cash Flows**  
**Years Ended June 30, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ 201,473	\$ 63,758
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Addition of in-kind equipment	(77,223)	(8,500)
Depreciation and amortization	14,604	3,255
Changes in operating assets and liabilities:		
Grants and contracts receivable	(59,459)	(55,727)
Prepaid expenses	(2,658)	(5,368)
Accounts payable, accrued liabilities, and accrued vacation	19,540	(4,495)
Deferred revenue	(1,213)	(3,176)
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>95,064</b>	<b>(10,253)</b>
<b>Cash Flows from Investing Activities</b>		
Purchases of property and equipment	(14,795)	(7,800)
<b>Net Cash Used in Investing Activities</b>	<b>(14,795)</b>	<b>(7,800)</b>
<b>Cash Flows from Financing Activities</b>		
Repayments of notes payable	-	(39,890)
Proceeds from line of credit	-	20,267
Repayments of line of credit	(20,267)	-
<b>Net Cash Used in Financing Activities</b>	<b>(20,267)</b>	<b>(19,623)</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>60,002</b>	<b>(37,676)</b>
<b>Cash and Cash Equivalents at the Beginning of Year</b>	<b>334,510</b>	<b>372,186</b>
<b>Cash and Cash Equivalents at the End of Year</b>	<b>\$ 394,512</b>	<b>\$ 334,510</b>
<b>Supplementary Disclosures</b>		
Income taxes paid	\$ -	\$ -
Interest paid	\$ 103	\$ 202

**Somos Mayfair**  
**Notes to Financial Statements**  
**June 30, 2014 and 2013**

**Note 1—Organization and Summary of Significant Accounting Policies**

Organization—Somos Mayfair (Somos) is a California nonprofit public benefit corporation that was incorporated in 1997 to improve the human and physical conditions in the Mayfair area of east San Jose, California. The mission is to cultivate the dreams and power of the people of Mayfair through social services, cultural activism, and community organizing, and to ensure the success of Mayfair children in school and the health of families at home. During the year ended June 30, 2014, Somos provided Early Education, Summer Learning & Out of School Support and Parent Engagement services to over 1600 Mayfair youth and their families.

Program Services—Somos deploys a unique program strategy that is new to the nonprofit sector of the Silicon Valley region. This strategy comprises a three-year grassroots campaign led entirely by 50 trained Mayfair community leaders, called *Promotores* (peer educators), who, with Somos staff support, help motivate the Mayfair community in ensuring that its children are entering school ready to learn and are reading proficiently by 3rd grade. Through its work with the *Promotores* and a high level of parent engagement, Somos has been able to play a critical role to help empower the Mayfair community to be the primary architect of its own success.

Basis of Accounting—The accompanying financial statements have been prepared on the accrual basis of accounting.

Financial Statement Presentation—Somos recognizes contributions, including unconditional promises to give, as revenue in the period received. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. The net assets of Somos and changes therein are classified and reported as follows:

Unrestricted net assets—Net assets that are not subject to donor-imposed stipulations and that may be expendable for any purpose in performing the primary objectives of Somos.

Temporarily restricted net assets—Net assets subject to donor-imposed stipulations that may or will be met either by actions of Somos and/or the passage of time. As the restrictions are satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying financial statements as net assets released from restrictions. Temporarily restricted net assets at June 30, 2014 and 2013 consist of amounts restricted to funding specific expenses in future periods and unconditional promises to give.

Permanently restricted net assets—Net assets for which the donor has stipulated that the principal be maintained into perpetuity. Generally, the donors of these assets permit Somos to use all or part of the income earned on related investments for general or specific purposes. At June 30, 2014 and 2013, Somos had no permanently restricted net assets.

## Somos Mayfair

### Notes to Financial Statements—Continued

#### Note 1—Organization and Summary of Significant Accounting Policies—Continued

Income Taxes—Somos is a nonprofit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (Code), and from California state income taxes under Section 23701(d) of the California Revenue Taxation Code. Accordingly, no provision for income taxes is included in the financial statements. In addition, Somos has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Code. Accounting standards require an organization to evaluate its tax positions and provide for a liability for any positions that would not be considered ‘more likely than not’ to be upheld under a tax authority examination. Management has evaluated its tax positions and has concluded that a provision for a tax liability is not necessary at June 30, 2014 and 2013. Generally, Somos’ information returns remain open for examination three (federal) or four (state of California) years from the date of filing.

Cash Equivalents—Cash is defined as cash in demand deposit accounts as well as cash on hand.

Grants Receivable—Somos considers all grants receivable to be fully collectible; accordingly, no allowance for doubtful accounts is considered necessary.

Property and Equipment—Property and equipment are recorded at cost or estimated fair value for donated items. The cost of repairs and maintenance which do not improve or extend the lives of the respective assets are expensed currently. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets (3-10 years for equipment). Depreciation is allocated to the activity benefitting from the use of the property or equipment. Amounts over \$2,500 are capitalized when such amounts are determined to benefit future periods.

Accrued Vacation—Accrued vacation represents vacation earned, but not taken, as of the end of the fiscal year, and is included in accrued liabilities in the statement of financial position. The accrued vacation balances as of June 30, 2014 and 2013 were \$21,206 and \$20,380, respectively.

Revenue Recognition—Contributions are recognized when the donor makes a promise to Somos that is, in substance, unconditional. Somos reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Gifts of property are recorded as unrestricted support unless explicit donor stipulations specify how the donated asset must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, Somos reports expirations of donor restrictions when donated or acquired long-lived assets are placed in service.

## Somos Mayfair

### Notes to Financial Statements—Continued

#### Note 1—Organization and Summary of Significant Accounting Policies—Continued

In-Kind Contributions—Somos records contributed professional services at their fair value if the services received require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not received through donation. Somos records donated facility use at fair value of the space provided. Somos capitalizes donated fixed assets at fair value.

Expense Allocation—The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Indirect functional expenses are allocated to program and supporting services based on an analysis of personnel time.

Use of Estimates—The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

#### Note 2—Restricted Cash

Restricted cash as of June 30, 2014 and 2013 consist of foundation grants totaling \$267,363 and \$221,467, respectively.

#### Note 3—Grants and Contracts Receivable

Grants and contracts receivable at June 30, 2014 and 2013 are due within one year and consist of the following:

	<u>2014</u>	<u>2013</u>
Foundations	\$ 100,000	\$ 100,000
Government	97,115	37,656
<b>Totals</b>	<b><u>\$ 197,115</u></b>	<b><u>\$ 137,656</u></b>

**Somos Mayfair**  
**Notes to Financial Statements—Continued**

**Note 4—Property and Equipment**

The cost of property and equipment and related accumulated depreciation and amortization at June 30, 2014 and 2013 is as follows:

	<u>2014</u>	<u>2013</u>
Furniture, fixtures, and equipment	\$ 205,759	\$ 113,741
Leasehold improvements	46,368	46,368
	<u>252,127</u>	<u>160,109</u>
Less accumulated depreciation and amortization	(159,107)	(144,503)
<b>Net</b>	<b><u>\$ 93,020</u></b>	<b><u>\$ 15,606</u></b>

Depreciation and amortization expense for the years ended June 30, 2014 and 2013 was \$14,604 and \$3,255, respectively.

**Note 5—Line of Credit**

During the year ended June 30, 2013, Somos entered into a revolving line of credit with Fremont Bank with a credit limit of \$80,000. Interest accrues at 6% on the outstanding balance. The outstanding balance at June 30, 2014 and 2013 was \$0 and \$20,267, respectively.

**Note 6—In-Kind Contributions**

During the years ended June 30, 2014 and 2013, Somos received in-kind goods, services, and use of facilities consisting of the following:

	<u>2014</u>	<u>2013</u>
From district partners:		
Facilities	\$ 34,715	\$ 30,240
Services	-	12,000
<b>Total from District Partners</b>	<b><u>34,715</u></b>	<b><u>42,240</u></b>
From others:		
Fixed assets	77,223	8,500
Goods	25,916	27,145
Facilities	6,680	15,390
Services	1,800	4,370
<b>Totals from Others</b>	<b><u>111,619</u></b>	<b><u>55,405</u></b>
<b>Totals</b>	<b><u>\$ 146,334</u></b>	<b><u>\$ 97,645</u></b>

**Somos Mayfair**  
**Notes to Financial Statements—Continued**

**Note 6—In-Kind Contributions—Continued**

In-kind expenses included on the statement of functional expenses for the years ended June 30, 2014 and 2013 are as follows:

	<u>2014</u>	<u>2013</u>
Professional fees and services	\$ 1,800	\$ 16,550
Occupancy	41,395	38,800
Supplies	26,127	33,795
<b>Totals</b>	<b><u>\$ 69,322</u></b>	<b><u>\$ 89,145</u></b>

During the year ended June 30, 2014, Somos received an in-kind contribution of software valued at \$77,223, which was capitalized, and is included on the statement of financial position under property and equipment, net.

During the year ended June 30, 2013, Somos received an in-kind contribution of office furniture valued at \$8,500, which was capitalized, and is included on the statement of financial position under property and equipment, net.

**Note 7—Special Events, Net**

*Gracias a la Vida* is the signature annual friend and fundraising event for Somos Mayfair. Special events, net for the years ended June 30, 2014 and 2013, as presented on the statement of activities, consist of sponsorships expenses for *Gracias a la Vida*. Contributions received in connection with *Gracias a la Vida* are presented as individual contributions on the statement of activities. A summary of activity connected to *Gracias a la Vida* is as follows:

	<u>2014</u>	<u>2013</u>
Sponsorships	\$ 46,612	\$ 58,841
Expense	(30,608)	(21,731)
<b>Subtotals</b>	<b>16,004</b>	<b>37,110</b>
Contributions received in connection	36,984	26,484
<b>Totals</b>	<b><u>\$ 52,988</u></b>	<b><u>\$ 63,594</u></b>

**Note 8—Write-off of Uncollectable Accounts**

In 2010, Somos changed accounting service providers. Uncollectable accounts were erroneously carried forward as accounts receivable. Management identified the error and expensed those accounts during the year ended June 30, 2013. Accounts deemed uncollectable at June 30, 2013 totaled \$40,308 and are included in the statement of functional expenses under the caption write-off of uncollectable accounts. There were no uncollectable accounts expense during the fiscal year ended June 30, 2014.

**Somos Mayfair**  
**Notes to Financial Statements—Continued**

**Note 9—Expenditures for Other Programs**

During the year ended June 30, 2013, Somos purchased iPads, which were donated to Caesar Chavez Elementary School as part of its *In Our Hands* initiative to support literacy through technology. These expenditures totaled \$20,453 at June 30, 2013 and are identified as expenditures for other programs on the statement of functional expenses. There were no expenditures for other programs during the fiscal year ended June 30, 2014.

**Note 10—Operating Lease Commitments**

Since June 25, 2007, Somos has leased office, program, and storage space in the Annex building of La Trinidad United Methodist Church. On February 1, 2013, Somos negotiated a new lease with La Trinidad United Methodist Church for the Annex building through January 31, 2016. Lease payments for subsequent periods are as follows:

**Year Ending June 30,**

2015	\$	47,878
2016		<u>28,378</u>
<b>Total</b>	<b>\$</b>	<b><u><u>76,256</u></u></b>

Operating lease expenses during the years ended June 30, 2014 and 2013 totaled \$47,878 and \$44,531, respectively, and are included in occupancy on the statement of functional expenses.

**Note 11—Employee Benefit Plan**

Somos has a 401(k) retirement plan for all employees who have reached the age of 21 years and have completed one year of service. Somos does not match any employee contributions; therefore no post-retirement plan expenses were incurred for the years ended June 30, 2014 and 2013.

**Note 12—Concentrations**

During the years ended June 30, 2014 and 2013, Somos received approximately 24% of its funding each year from one government contract.

**Note 13—Contingencies**

Grants and contracts awarded to Somos are subject to their funding agencies' criteria, contract terms, and regulations, under which expenditures may be charged and are subject to audit. Occasionally, such audits may determine that certain costs incurred in connection with the grants do not comply with the established criteria that govern them. In such cases, Somos could be held responsible for repayments to the funding agency for the costs or be subject to a reduction of future funding in the amount of the costs.



**Somos Mayfair**  
**Notes to Financial Statements—Continued**

**Note 13—Contingencies—Continued**

Management does not anticipate any material questioned costs for the contracts and grants administered during the period. Somos would be responsible for the absorption of any over-expenditure of its restricted grants which cannot be covered by additional grant funds or contributions from other sources.

**Note 14—Subsequent Events**

Subsequent events were evaluated through November 7, 2014, which is the date the financial statements were available to be issued, and concluded that no material subsequent events have occurred that would require adjustment to the financial statements or disclosure in the notes to the financial statements.