

Audited Financial Statements



June 30, 2015

Quigley & Miron

Somos Mayfair
Audited Financial Statements
Table of Contents
June 30, 2015 and 2014

Page
Number

Independent Auditor's Report	1
Audited Financial Statements	
Statements of Financial Position.....	3
Statements of Activities.....	4
Statements of Functional Expenses.....	6
Statements of Cash Flows.....	8
Notes to Financial Statements.....	9

Suite 1660
3550 Wilshire Boulevard
Los Angeles, California 90010

Telephone: (213) 639-3550
Facsimile: (213) 639-3555

Suite 317
528 Arizona Avenue
Santa Monica, California 90401

Telephone: (310) 394-6687
Facsimile: (310) 394-6027

Suite 700
1999 South Bascom Avenue
Campbell, California 95008

Telephone: (408) 614-0100
Facsimile: (213) 639-3555

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, 2015 and 2014, 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

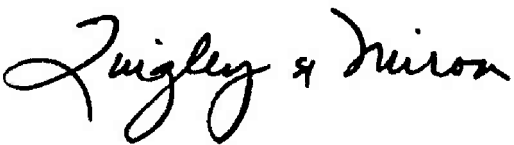
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about 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, 2015 and 2014, 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 "Ziegler & Niron". The signature is written in a cursive, flowing style. To the right of the signature, there is a faint, light-colored rectangular stamp or mark.

Los Angeles, California
October 26, 2015

**Somos Mayfair
Statements of Financial Position
June 30, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
Assets		
Cash and cash equivalents	\$ 425,270	\$ 394,512
Grants and contracts receivable—Note 2	231,749	197,115
Prepaid expenses	34,071	26,156
Deposits	8,102	8,102
Property and equipment, net—Note 3	62,252	93,020
Total Assets	<u>\$ 761,444</u>	<u>\$ 718,905</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued liabilities	\$ 43,124	\$ 35,136
Accrued vacation	15,648	21,206
Deferred revenue	16,000	611
Total Liabilities	<u>74,772</u>	<u>56,953</u>
Net Assets		
Unrestricted		
Undesignated	252,993	228,354
Board-designated	91,384	66,235
Total Unrestricted Net Assets	<u>344,377</u>	<u>294,589</u>
Temporarily restricted	342,295	367,363
Total Net Assets	<u>686,672</u>	<u>661,952</u>
Total Liabilities and Net Assets	<u>\$ 761,444</u>	<u>\$ 718,905</u>

See notes to financial statements.

**Somos Mayfair
Statement of Activities
Year Ended June 30, 2015**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and Revenue			
Government grants	\$ 407,873	\$ -	\$ 407,873
Foundation grants	287,483	294,933	582,416
Corporate grants	2,537	190,000	192,537
In-kind contributions—Note 5	77,543	-	77,543
Individual contributions—Note 6	66,966	500	67,466
Special events, net—Note 6	40,954	-	40,954
Earned income	78,056	-	78,056
Interest income	720	-	720
Miscellaneous income	347	-	347
	<u>962,479</u>	<u>485,433</u>	<u>1,447,912</u>
Net assets released from restrictions	510,501	(510,501)	-
	<u>1,472,980</u>	<u>(25,068)</u>	<u>1,447,912</u>
Total Support, Revenue, and Net Assets Released from Restrictions	1,472,980	(25,068)	1,447,912
Expenses			
Program services	1,068,715	-	1,068,715
Supporting services			
Management and general	192,406	-	192,406
Fundraising	162,071	-	162,071
	<u>1,423,192</u>	<u>-</u>	<u>1,423,192</u>
Total Expenses	1,423,192	-	1,423,192
Change in Net Assets	49,788	(25,068)	24,720
Net Assets at Beginning of Year	<u>294,589</u>	<u>367,363</u>	<u>661,952</u>
Net Assets at End of Year	<u>\$ 344,377</u>	<u>\$ 342,295</u>	<u>\$ 686,672</u>

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>
Support and Revenue			
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 5	146,334	-	146,334
Individual contributions—Note 6	61,644	-	61,644
Special events, net—Note 6	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>
Net assets released from restrictions	390,564	(390,564)	-
	<u>1,319,654</u>	<u>145,896</u>	<u>1,465,550</u>
Total Support, Revenue, and Net Assets Released from Restrictions			
Expenses			
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>
Total Expenses			
Change in Net Assets	55,577	145,896	201,473
Net Assets at Beginning of Year	<u>239,012</u>	<u>221,467</u>	<u>460,479</u>
Net Assets at End of Year	<u>\$ 294,589</u>	<u>\$ 367,363</u>	<u>\$ 661,952</u>

See notes to financial statements.

Somos Mayfair
Statement of Functional Expenses
Year Ended June 30, 2015

	<u>Program Services</u>	<u>Management and General</u>	<u>Fund Development</u>	<u>Total</u>
Salaries and wages	\$ 557,401	\$ 75,334	\$ 100,442	\$ 733,177
Employee benefits	98,670	38,163	11,642	148,475
Payroll taxes	48,180	6,356	8,383	62,919
Total Personnel	704,251	119,853	120,467	944,571
Occupancy	112,027	6,196	8,809	127,032
Professional fees and services	29,704	44,875	24,227	98,806
Stipends	76,875		750	77,625
Supplies	55,588	1,736	764	58,088
Child care	35,996	11	80	36,087
Depreciation and amortization	26,153	1,846	2,769	30,768
Recruitment and development	4,898	7,987	394	13,279
Office expenses	9,642	1,436	1,874	12,952
Insurance	11,592	132	198	11,922
Miscellaneous expenses	406	5,821	890	7,117
Travel and meals	1,583	1,013	849	3,445
Write-off of uncollectable accounts	-	1,500	-	1,500
Total Non-Personnel	364,464	72,553	41,604	478,621
Total Expenses	\$ 1,068,715	\$ 192,406	\$ 162,071	\$ 1,423,192

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
Total Personnel	659,491	74,254	97,042	830,787
Occupancy	101,022	4,803	6,515	112,340
Professional fees and services	71,766	46,676	10,650	129,092
Stipends	46,982	5	408	47,395
Supplies	49,596	2,499	1,288	53,383
Child care	30,100	-	-	30,100
Depreciation and amortization	12,414	876	1,314	14,604
Recruitment and development	3,516	637	195	4,348
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
Travel and meals	2,890	827	216	3,933
Evaluation services	4,457	-	-	4,457
Total Non-Personnel	346,766	61,920	24,604	433,290
Total Expenses	\$ 1,006,257	\$ 136,174	\$ 121,646	\$ 1,264,077

See notes to financial statements.

Somos Mayfair
Statements of Cash Flows
Years Ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 24,720	\$ 201,473
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Write-off of uncollectible accounts receivable	1,500	-
Addition of in-kind equipment	-	(77,223)
Depreciation and amortization	30,768	14,604
Changes in operating assets and liabilities:		
Grants and contracts receivable	(36,134)	(59,459)
Prepaid expenses	(7,915)	(2,658)
Accounts payable, accrued liabilities, and accrued vacation	2,430	19,540
Deferred revenue	15,389	(1,213)
Net Cash Provided by Operating Activities	30,758	95,064
Cash Flows from Investing Activities		
Purchases of property and equipment	-	(14,795)
Net Cash Used in Investing Activities	-	(14,795)
Cash Flows from Financing Activities		
Repayments of line of credit	-	(20,267)
Net Cash Used in Financing Activities	-	(20,267)
Net Increase in Cash and Cash Equivalents	30,758	60,002
Cash and Cash Equivalents at the Beginning of Year	394,512	334,510
Cash and Cash Equivalents at the End of Year	\$ 425,270	\$ 394,512
Supplementary Disclosures		
Income taxes paid	\$ -	\$ -
Interest paid	\$ -	\$ 103

See notes to financial statements.

Somos Mayfair
Notes to Financial Statements
June 30, 2015 and 2014

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, 2015, Somos provided early education, summer learning, and out-of-school support and parent engagement services to over 1,600 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 third 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. Contributions and net assets 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, 2015 and 2014 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, 2015 and 2014, 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, 2015 and 2014. 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 and Contracts Receivable—Somos considers all grants and contracts 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. The accrued vacation balances as of June 30, 2015 and 2014 were \$15,648 and \$21,206, 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—Grants and Contracts Receivable

Grants and contracts receivable at June 30, 2015 and 2014 are due within one year and consist of the following:

	<u>2015</u>	<u>2014</u>
Foundations	\$ 179,314	\$ 100,000
Government	52,435	97,115
Totals	<u>\$ 231,749</u>	<u>\$ 197,115</u>

Note 3—Property and Equipment

The cost of property and equipment and related accumulated depreciation and amortization at June 30, 2015 and 2014 is as follows:

	<u>2015</u>	<u>2014</u>
Furniture, fixtures, and equipment	\$ 205,759	\$ 205,759
Leasehold improvements	46,368	46,368
	252,127	252,127
Less accumulated depreciation and amortization	(189,875)	(159,107)
Net	<u>\$ 62,252</u>	<u>\$ 93,020</u>

Depreciation and amortization expense for the years ended June 30, 2015 and 2014 was \$30,768 and \$14,604, respectively.

Somos Mayfair
Notes to Financial Statements—Continued

Note 4—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. There were no outstanding balances at June 30, 2015 and 2014.

Note 5—In-Kind Contributions

During the years ended June 30, 2015 and 2014, Somos received in-kind goods, services, and use of facilities consisting of the following:

	<u>2015</u>	<u>2014</u>
From district partners:		
Facilities	\$ 54,860	\$ 34,715
Totals from District Partners	54,860	34,715
From others:		
Goods	20,808	25,916
Services	1,875	1,800
Fixed assets	-	77,223
Facilities	-	6,680
Totals from Others	22,683	111,619
Totals	\$ 77,543	\$ 146,334

Note 5—In-Kind Contributions—Continued

In-kind expenses included on the statement of functional expenses for the years ended June 30, 2015 and 2014 are as follows:

	<u>2015</u>	<u>2014</u>
Occupancy	\$ 54,860	\$ 41,395
Supplies	20,808	26,127
Professional fees and services	1,875	1,800
Totals	\$ 77,543	\$ 69,322

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.

Somos Mayfair
Notes to Financial Statements—Continued

Note 6—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, 2015 and 2014, 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 included in individual contributions on the statement of activities. A summary of activity connected to *Gracias a la Vida* is as follows:

	<u>2015</u>	<u>2014</u>
Sponsorships	\$ 59,762	\$ 46,612
Expense	(18,808)	(30,608)
Subtotals	40,954	16,004
Contributions received in connection	54,847	36,984
Totals	<u>\$ 95,801</u>	<u>\$ 52,988</u>

Total fundraising expenses for the years ended June 30, 2015 and 2014 consist of the following:

	<u>2015</u>	<u>2014</u>
Fund development expenses per statement of functional expenses	\$ 162,071	\$ 121,646
Special event expenses	18,808	30,608
Totals	<u>\$ 180,879</u>	<u>\$ 152,254</u>

Functional expenses, including special events expenses, totaled \$1,442,000 and \$1,294,685, for the years ended June 30, 2015 and 2014.

Note 7—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.

Operating lease expenses during the years ended June 30, 2015 and 2014 totaled \$47,878 and \$46,131, respectively, and are included in occupancy on the statement of functional expenses.

Somos Mayfair
Notes to Financial Statements—Continued

Note 8—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, 2015 and 2014.

Note 9—Concentrations

During the years ended June 30, 2015 and 2014, Somos received approximately 21% of its funding each year from one government contract.

Note 10—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.

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 11—Subsequent Events

Subsequent events were evaluated through October 26, 2015, 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.