

**Audited Financial Statements**



**June 30, 2016 and 2015**

**Quigley & Miron**

**Somos Mayfair**  
**Audited Financial Statements**  
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**June 30, 2016 and 2015**

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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, 2016 and 2015, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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, 2016 and 2015, 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.

Los Angeles, California  
November 28, 2016

A handwritten signature in black ink that reads "Zwigley & Niron". The signature is written in a cursive, flowing style. To the right of the signature, there is a faint, light-colored rectangular box, possibly a placeholder for a stamp or seal.

**Somos Mayfair  
Statements of Financial Position  
June 30, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 491,365	\$ 425,270
Grants and contracts receivable—Note 2	92,256	231,749
Prepaid expenses	21,666	34,071
Deposits	8,102	8,102
Property and equipment, net—Note 3	31,483	62,252
<b>Total Assets</b>	<b><u>\$ 644,872</u></b>	<b><u>\$ 761,444</u></b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable and accrued liabilities	\$ 14,508	\$ 43,124
Accrued vacation	25,127	15,648
Deferred revenue	-	16,000
<b>Total Liabilities</b>	<b><u>39,635</u></b>	<b><u>74,772</u></b>
<b>Net Assets</b>		
Unrestricted		
Undesignated	188,120	252,993
Board-designated—Note 5	116,577	91,384
<b>Total Unrestricted Net Assets</b>	<b><u>304,697</u></b>	<b><u>344,377</u></b>
Temporarily restricted	300,540	342,295
<b>Total Net Assets</b>	<b><u>605,237</u></b>	<b><u>686,672</u></b>
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 644,872</u></b>	<b><u>\$ 761,444</u></b>

See notes to financial statements.

**Somos Mayfair  
Statement of Activities  
Year Ended June 30, 2016**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>Support and Revenue</b>			
Government grants	\$ 183,108	\$ -	\$ 183,108
Foundation grants	230,012	476,771	706,783
Corporate grants	104,616	19,000	123,616
In-kind contributions—Note 6	59,530	-	59,530
Individual contributions—Note 7	29,756	2,500	32,256
Special events, net—Note 7	91,553	-	91,553
Earned income	61,277	-	61,277
Interest income	703	-	703
Miscellaneous income	19,424	-	19,424
	<u>779,979</u>	<u>498,271</u>	<u>1,278,250</u>
Net assets released from restrictions	540,026	(540,026)	-
	<u>1,320,005</u>	<u>(41,755)</u>	<u>1,278,250</u>
<b>Total Support, Revenue, and Net Assets Released from Restrictions</b>			
<b>Expenses</b>			
Program services	1,051,379	-	1,051,379
Supporting services			
Management and general	150,681	-	150,681
Fund development	157,625	-	157,625
	<u>1,359,685</u>	<u>-</u>	<u>1,359,685</u>
<b>Total Expenses</b>			
<b>Change in Net Assets</b>	<b>(39,680)</b>	<b>(41,755)</b>	<b>(81,435)</b>
<b>Net Assets at Beginning of Year</b>	<u>344,377</u>	<u>342,295</u>	<u>686,672</u>
<b>Net Assets at End of Year</b>	<u>\$ 304,697</u>	<u>\$ 300,540</u>	<u>\$ 605,237</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>
<b>Support and Revenue</b>			
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 6	77,543	-	77,543
Individual contributions—Note 7	66,966	500	67,466
Special events, net—Note 7	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>
<b>Total Support, Revenue, and Net Assets Released from Restrictions</b>			
<b>Expenses</b>			
Program services	1,068,715	-	1,068,715
Supporting services			
Management and general	192,406	-	192,406
Fund development	162,071	-	162,071
	<u>1,423,192</u>	<u>-</u>	<u>1,423,192</u>
<b>Total Expenses</b>			
<b>Change in Net Assets</b>	<b>49,788</b>	<b>(25,068)</b>	<b>24,720</b>
<b>Net Assets at Beginning of Year</b>	<u>294,589</u>	<u>367,363</u>	<u>661,952</u>
<b>Net Assets at End of Year</b>	<u>\$ 344,377</u>	<u>\$ 342,295</u>	<u>\$ 686,672</u>

See notes to financial statements.

Somos Mayfair  
Statement of Functional Expenses  
Year Ended June 30, 2016

	<u>Program Services</u>	<u>Management and General</u>	<u>Fund Development</u>	<u>Total</u>
Salaries and wages	\$ 597,174	\$ 69,148	\$ 112,425	\$ 778,747
Employee benefits	98,345	9,353	12,712	120,410
Payroll taxes	53,099	5,734	9,416	68,249
<b>Total Personnel</b>	<b>748,618</b>	<b>84,235</b>	<b>134,553</b>	<b>967,406</b>
Occupancy	124,155	7,599	8,522	140,276
Professional fees and services	9,490	43,136	4,083	56,709
Supplies	44,709	4,845	1,047	50,601
Depreciation and amortization	26,153	1,847	2,769	30,769
Child care	24,625	-	-	24,625
Miscellaneous expenses	20,302	2,783	890	23,975
Stipends	20,047	46	1,078	21,171
Office expenses	11,169	1,189	2,806	15,164
Insurance	10,362	686	1,029	12,077
Recruitment and development	7,795	1,747	150	9,692
Travel and meals	3,954	2,568	698	7,220
<b>Total Non-Personnel</b>	<b>302,761</b>	<b>66,446</b>	<b>23,072</b>	<b>392,279</b>
<b>Total Expenses</b>	<b><u>\$ 1,051,379</u></b>	<b><u>\$ 150,681</u></b>	<b><u>\$ 157,625</u></b>	<b><u>\$ 1,359,685</u></b>

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
<b>Total Personnel</b>	<b>704,251</b>	<b>119,853</b>	<b>120,467</b>	<b>944,571</b>
Occupancy	112,027	6,196	8,809	127,032
Professional fees and services	29,704	44,875	24,227	98,806
Supplies	55,588	1,736	764	58,088
Depreciation and amortization	26,153	1,846	2,769	30,768
Child care	35,996	11	80	36,087
Miscellaneous expenses	406	5,821	890	7,117
Stipends	76,875	-	750	77,625
Office expenses	9,642	1,436	1,874	12,952
Insurance	11,592	132	198	11,922
Recruitment and development	4,898	7,987	394	13,279
Travel and meals	1,583	1,013	849	3,445
Write-off of uncollectable accounts receivable	-	1,500	-	1,500
<b>Total Non-Personnel</b>	<b>364,464</b>	<b>72,553</b>	<b>41,604</b>	<b>478,621</b>
<b>Total Expenses</b>	<b><u>\$ 1,068,715</u></b>	<b><u>\$ 192,406</u></b>	<b><u>\$ 162,071</u></b>	<b><u>\$ 1,423,192</u></b>

See notes to financial statements.

**Somos Mayfair  
Statements of Cash Flows  
Years Ended June 30, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ (81,435)	\$ 24,720
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Write-off of uncollectible accounts receivable	-	1,500
Depreciation and amortization	30,769	30,768
Changes in operating assets and liabilities:		
Grants and contracts receivable	139,493	(36,134)
Prepaid expenses	12,405	(7,915)
Accounts payable, accrued liabilities, and accrued vacation	(19,137)	2,430
Deferred revenue	(16,000)	15,389
	<u>66,095</u>	<u>30,758</u>
<b>Net Cash Provided by Operating Activities</b>	<b>66,095</b>	<b>30,758</b>
	<u>66,095</u>	<u>30,758</u>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>66,095</b>	<b>30,758</b>
<b>Cash and Cash Equivalents at the Beginning of Year</b>	<u>425,270</u>	<u>394,512</u>
	<u>425,270</u>	<u>394,512</u>
<b>Cash and Cash Equivalents at the End of Year</b>	<b>\$ <u>491,365</u></b>	<b>\$ <u>425,270</u></b>
<b>Supplementary Disclosures</b>		
Income taxes paid	<u>\$ -</u>	<u>\$ -</u>
Interest paid	<u>\$ 134</u>	<u>\$ -</u>

See notes to financial statements.

**Somos Mayfair**  
**Notes to Financial Statements**  
**June 30, 2016 and 2015**

**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, 2016, 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, 2016 and 2015 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, 2016 and 2015, 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, 2016 and 2015. Generally, Somos’ information returns remain open for examination for a period of 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, 2016 and 2015 were \$25,127 and \$15,648, 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, 2016 and 2015 are due within one year and consist of the following:

	<u>2016</u>	<u>2015</u>
Foundations	\$ 67,968	\$ 179,314
Government	24,288	52,435
<b>Totals</b>	<b><u>\$ 92,256</u></b>	<b><u>\$ 231,749</u></b>

#### Note 3—Property and Equipment

The cost of property and equipment and related accumulated depreciation and amortization at June 30, 2016 and 2015 is as follows:

	<u>2016</u>	<u>2015</u>
Furniture, fixtures, and equipment	\$ 205,759	\$ 205,759
Leasehold improvements	46,368	46,368
	252,127	252,127
Less accumulated depreciation and amortization	(220,644)	(189,875)
<b>Net</b>	<b><u>\$ 31,483</u></b>	<b><u>\$ 62,252</u></b>

Depreciation and amortization expense for the years ended June 30, 2016 and 2015 was \$30,769 and \$30,768, respectively.

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

**Note 4—Line of Credit**

During the year ended June 30, 2013, Somos entered into an unsecured, revolving line of credit with Fremont Bank, with a credit limit of \$80,000. Interest accrues daily at a variable rate of prime plus 2, with a 6% floor, as of June 30, 2016. There were no outstanding balances at June 30, 2016 and 2015.

**Note 5—Board-Designated Net Assets**

Board-designated net assets are voluntary, board-approved segregations of unrestricted net assets for specific purposes, projects or investments. Board-designated net assets at June 30, 2016 and 2015 consist of cash assets designated to protect Somos from devastating economic or other misfortune. Board-designated net assets totaled \$116,577 and \$91,384 at June 30, 2016 and 2015, respectively.

**Note 6—In-Kind Contributions**

During the years ended June 30, 2016 and 2015, Somos received in-kind goods, services, and use of facilities consisting of the following:

	<u>2016</u>	<u>2015</u>
From district partners:		
Facilities	\$ 27,099	\$ 54,860
<b>Totals from District Partners</b>	<b>27,099</b>	<b>54,860</b>
From others:		
Goods	16,875	20,808
Services	15,556	1,875
<b>Totals from Others</b>	<b>32,431</b>	<b>22,683</b>
<b>Totals</b>	<b><u>\$ 59,530</u></b>	<b><u>\$ 77,543</u></b>

In-kind expenses included on the statement of functional expenses for the years ended June 30, 2016 and 2015 are as follows:

	<u>2016</u>	<u>2015</u>
Occupancy	\$ 27,099	\$ 54,860
Supplies	16,875	20,808
Professional fees and services	15,556	1,875
<b>Totals</b>	<b><u>\$ 59,530</u></b>	<b><u>\$ 77,543</u></b>

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

**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, 2016 and 2015, 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>2016</u>	<u>2015</u>
Sponsorships	\$ 115,189	\$ 59,762
Expense	(23,636)	(18,808)
<b>Subtotals</b>	<b>91,553</b>	<b>40,954</b>
Contributions received in connection		54,847
<b>Totals</b>	<b><u>\$ 91,553</u></b>	<b><u>\$ 95,801</u></b>

Total fundraising expenses for the years ended June 30, 2016 and 2015 consist of the following:

	<u>2016</u>	<u>2015</u>
Fund development expenses per statement of functional expenses	\$ 157,625	\$ 162,071
Special event expenses	23,636	18,808
<b>Totals</b>	<b><u>\$ 181,261</u></b>	<b><u>\$ 180,879</u></b>

Functional expenses, including special events expenses, totaled \$1,383,321 and \$1,442,000, for the years ended June 30, 2016 and 2015.

**Note 8—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. Somos currently leases the space on a month-to-month basis.

Operating lease expenses during the years ended June 30, 2016 and 2015 totaled \$50,302 and \$47,878, respectively, and are included in occupancy on the statement of functional expenses.

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

**Note 9—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, 2016 and 2015.

**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 November 28, 2016, 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.