

Audited Financial Statements



June 30, 2019 and 2018

Quigley & Miron

**SOMOS Mayfair
Audited Financial Statements
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June 30, 2019 and 2018**

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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, 2019 and 2018, 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, 2019 and 2018, 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.

Campbell, California
January 31, 2020

**SOMOS Mayfair
Statements of Financial Position
June 30, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
Assets		
Cash and cash equivalents	\$ 726,638	\$ 736,953
Grants and contributions receivable, net—Note 3	504,396	381,900
Government grants receivable	462,588	270,698
Prepaid expenses	19,400	6,926
Deposits	4,087	4,087
Property and equipment, net—Note 4	75,533	35,482
	<u>\$ 1,792,642</u>	<u>\$ 1,436,046</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued liabilities	\$ 74,474	\$ 136,344
Accrued vacation	46,959	42,298
	<u>121,433</u>	<u>178,642</u>
Net Assets		
Without donor restrictions		
Undesignated	709,570	358,414
Board-designated reserve—Note 6	176,971	151,566
	<u>886,541</u>	<u>509,980</u>
With donor restrictions—Note 7	784,668	747,424
	<u>1,671,209</u>	<u>1,257,404</u>
Total Liabilities and Net Assets	<u>\$ 1,792,642</u>	<u>\$ 1,436,046</u>

See notes to financial statements.

SOMOS Mayfair
Statement of Activities
Year Ended June 30, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Operating Activities			
Support and Revenue			
Government grants	\$ 955,560	\$ -	\$ 955,560
Foundation grants	618,862	658,396	1,277,258
Corporate grants	212,072	190,000	402,072
In-kind contributions—Note 8	84,753	-	84,753
Individual contributions	128,448	-	128,448
Special events, net			
Revenue	144,520	-	144,520
Less: direct benefits to donors	(28,886)	-	(28,886)
Special Events, Net	115,634	-	115,634
Program service income	89,250	-	89,250
Interest income	2,300	-	2,300
Miscellaneous income	2,363	-	2,363
Total Support and Revenue	2,209,242	848,396	3,057,638
Net assets released from restrictions	811,152	(811,152)	-
Total Support, Revenue, and Net Assets Released from Restrictions	3,020,394	37,244	3,057,638
Expenses			
Program services	2,226,434	-	2,226,434
Supporting services			
Management and general	236,492	-	236,492
Fund development	180,907	-	180,907
Total Expenses	2,643,833	-	2,643,833
Change in Net Assets From Operations	376,561	37,244	413,805
Change in Net Assets	376,561	37,244	413,805
Net Assets at Beginning of Year	509,980	747,424	1,257,404
Net Assets at End of Year	\$ 886,541	\$ 784,668	\$ 1,671,209

See notes to financial statements.

SOMOS Mayfair
Statement of Activities
Year Ended June 30, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Operating Activities			
Support and Revenue			
Government grants	\$ 683,015	\$ -	\$ 683,015
Foundation grants	659,466	599,900	1,259,366
Corporate grants	6,926	115,000	121,926
In-kind contributions—Note 8	96,091	-	96,091
Individual contributions	25,433	-	25,433
Special events, net			
Revenue	140,893	-	140,893
Less: direct benefits to donors	(15,871)	-	(15,871)
Special Events, Net	125,022	-	125,022
Program service income	15,909	-	15,909
Interest income	1,401	-	1,401
Miscellaneous income	4,500	-	4,500
Total Support and Revenue	1,617,763	714,900	2,332,663
Net assets released from restrictions	720,324	(720,324)	-
Total Support, Revenue, and Net Assets Released from Restrictions	2,338,087	(5,424)	2,332,663
Expenses			
Program services	1,851,818	-	1,851,818
Supporting services			
Management and general	246,497	-	246,497
Fund development	158,475	-	158,475
Total Expenses	2,256,790	-	2,256,790
Change in Net Assets From Operations	81,297	(5,424)	75,873
Change in Net Assets	81,297	(5,424)	75,873
Net Assets at Beginning of Year	428,683	752,848	1,181,531
Net Assets at End of Year	\$ 509,980	\$ 747,424	\$ 1,257,404

See notes to financial statements.

SOMOS Mayfair
Statement of Functional Expenses
Year Ended June 30, 2019

	Program Services						Supporting Services				Total
	Leadership Development	Community Power	Early School Success	Economic Opportunity	K-3 Literacy	In-Our Hands	Total Program Services	Management and General	Fund Development	Special Events	
Salaries and wages	\$ 127,054	\$ 256,905	\$ 404,037	\$ 213,397	\$ -	\$ 228,862	\$ 1,230,255	\$ 95,454	\$ 131,826	\$ -	\$ 1,457,535
Employee benefits	15,931	59,498	72,564	26,199	-	35,599	209,791	19,152	16,954	-	245,897
Payroll taxes	10,267	22,254	31,213	18,091	-	18,818	100,643	10,690	10,629	-	121,962
Total Personnel	153,252	338,657	507,814	257,687	-	283,279	1,540,689	125,296	159,409	-	1,825,394
Contract services—META	33,097	-	24,621	84,065	-	2,598	144,381	-	-	-	144,381
Cost of direct benefits to donors	-	-	-	-	-	-	-	-	-	28,886	28,886
Depreciation and amortization	695	1,830	3,099	1,994	51	1,070	8,739	456	527	-	9,722
Facilities expense	15,408	17,914	19,412	19,656	607	20,153	93,150	13,055	9,257	-	115,462
In-kind contributions—Note 8	382	481	83,159	346	-	385	84,753	-	-	-	84,753
Insurance	747	2,250	3,377	2,113	132	1,279	9,898	498	623	-	11,019
Miscellaneous expenses	556	180	130	9,766	-	1,089	11,721	11,696	100	-	23,517
Office expenses	1,234	2,343	6,991	2,179	-	3,421	16,168	3,903	4,738	-	24,809
Professional and development	1,075	1,087	731	2,059	-	8,283	13,235	2,355	1,141	-	16,731
Professional fees and services	71,886	38,136	5,459	45,075	-	7,404	167,960	66,209	45	-	234,214
Stipends	611	-	-	-	500	-	1,111	-	2,360	-	3,471
Supplies	16,016	17,243	47,639	30,484	-	12,733	124,115	9,700	2,258	-	136,073
Travel and meals	652	3,161	18	3,693	-	2,990	10,514	3,324	449	-	14,287
Total Non-Personnel	142,359	84,625	194,636	201,430	1,290	61,405	685,745	111,196	21,498	28,886	847,325
Total Expenses by Function	295,611	423,282	702,450	459,117	1,290	344,684	2,226,434	236,492	180,907	28,886	2,672,719
Less: cost of direct benefits to donors	-	-	-	-	-	-	-	-	-	(28,886)	(28,886)
Total Expenses	\$ 295,611	\$ 423,282	\$ 702,450	\$ 459,117	\$ 1,290	\$ 344,684	\$ 2,226,434	\$ 236,492	\$ 180,907	\$ -	\$ 2,643,833

See notes to financial statements.

SOMOS Mayfair
Statement of Functional Expenses
Year Ended June 30, 2018

	Program Services						Supporting Services				Total
	Leadership Development	Community Power	Early School Success	Economic Opportunity	K-3 Literacy	In-Our Hands	Total Program Services	Management and General	Fund Development	Special Events	
Salaries and wages	\$ 5,922	\$ 245,554	\$ 295,134	\$ 157,633	\$ 168,349	\$ 119,690	\$ 992,282	\$ 124,015	\$ 111,226	\$ -	\$ 1,227,523
Employee benefits	1,365	42,512	43,743	14,244	31,253	18,546	151,663	18,954	12,672	-	183,289
Payroll taxes	607	20,508	26,514	13,389	14,300	10,141	85,459	10,525	9,844	-	105,828
Total Personnel	7,894	308,574	365,391	185,266	213,902	148,377	1,229,404	153,494	133,742	-	1,516,640
Cost of direct benefits to donors	-	-	-	-	-	-	-	-	-	15,871	15,871
Depreciation and amortization	-	1,518	1,098	3,363	1,518	1,339	8,836	889	756	-	10,481
Contract services—META	-	-	-	99,813	-	-	99,813	-	-	-	99,813
In-kind contributions—Note 9	-	3,120	90,506	684	946	835	96,091	-	-	-	96,091
Insurance	286	3,373	1,557	1,059	1,593	1,406	9,274	933	793	-	11,000
Miscellaneous expenses	-	12,201	1,782	507	447	440	15,377	10,041	1,495	-	26,913
Facilities expense	827	21,884	12,839	12,077	10,571	11,811	70,009	14,717	12,087	-	96,813
Office expenses	-	3,430	2,724	6,661	2,293	2,685	17,793	5,775	3,905	-	27,473
Professional and development	-	2,356	62	7,768	-	1,075	11,261	10,399	1,031	-	22,691
Professional fees and services	-	137,682	12,350	7,343	6,968	10,940	175,283	44,204	673	-	220,160
Stipends	-	3,180	8,795	49	2,332	-	14,356	-	1,000	-	15,356
Supplies	-	21,998	45,435	14,822	7,811	6,291	96,357	5,554	2,611	-	104,522
Travel and meals	-	3,905	802	743	1,281	1,233	7,964	491	382	-	8,837
Total Non-Personnel	1,113	214,647	177,950	154,889	35,760	38,055	622,414	93,003	24,733	15,871	756,021
Total Expenses by Function	9,007	523,221	543,341	340,155	249,662	186,432	1,851,818	246,497	158,475	15,871	2,272,661
Less: cost of direct benefits to donors	-	-	-	-	-	-	-	-	-	(15,871)	(15,871)
Total Expenses	\$ 9,007	\$ 523,221	\$ 543,341	\$ 340,155	\$ 249,662	\$ 186,432	\$ 1,851,818	\$ 246,497	\$ 158,475	\$ -	\$ 2,256,790

See notes to financial statements.

SOMOS Mayfair
Statements of Cash Flows
Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 413,805	\$ 75,873
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	9,722	10,481
Loss on disposal of property and equipment	264	-
Changes in operating assets and liabilities:		
Grants and contributions receivable	(122,496)	26,100
Government grants receivable	(191,890)	(39,282)
Prepaid expenses	(12,474)	21,520
Accounts payable and accrued liabilities	(61,870)	82,752
Accrued vacation	4,661	16,123
	<u>39,722</u>	<u>193,567</u>
Net Cash Provided by Operating Activities	39,722	193,567
Cash Flows from Investing Activities		
Purchases of property and equipment	(50,037)	-
	<u>(50,037)</u>	<u>-</u>
Net Cash Used in Investing Activities	(50,037)	-
Cash Flows from Financing Activities		
Proceeds from line of credit	-	120,000
Repayments of line of credit	-	(120,000)
	<u>-</u>	<u>-</u>
Net Cash Provided by Financing Activities	-	-
Net Increase (Decrease) in Cash and Cash Equivalents	(10,315)	193,567
Cash and Cash Equivalents at the Beginning of Year	736,953	543,386
	<u>736,953</u>	<u>543,386</u>
Cash and Cash Equivalents at the End of Year	\$ 726,638	\$ 736,953
	<u>\$ 726,638</u>	<u>\$ 736,953</u>
Supplementary Disclosures		
Income taxes paid	\$ -	\$ -
Interest paid	\$ 524	\$ 161
	<u>\$ 524</u>	<u>\$ 161</u>

See notes to financial statements.

SOMOS Mayfair
Notes to Financial Statements
June 30, 2019 and 2018

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 support children, organize families, and connect neighbors to uplift the dreams, power, and leadership of the community, and address systemic inequities. SOMOS is led by Board members, staff, and volunteers who are representative of the community it currently serves and who can develop a vision for the future.

Program Services—SOMOS' programmatic initiatives place power back into the hands of the community. Our programs build leadership capacity ensuring that families and neighbors have access to resources and opportunities. By working closely with individuals leadership development cycle who have a passion for education, justice and equity, the community will craft and organize solutions affecting their neighborhoods and schools. Current issues include affordable housing, tenant displacement, fear of immigration raids, racism and access to vital services. Our most impactful programs are: Unverisdad Popular de Mayfair, (Promotora leadership training), Vecinos Activos (Active Neighbors), Empuje! (Push!, a program that empowers parents to take action in their children's schools, Early Learning academic initiatives for youth ages 0 to 8 and Escuelita (Little School).

Financial Statement Presentation—In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. SOMOS has adopted ASU 2016-14 for the year ended June 30, 2019 and has adjusted the presentation of these statements accordingly.

The financial statements are prepared using the accrual basis of accounting in accordance with generally accepted accounting principals in the United States of America. SOMOS's net assets are classified based on the existence or absence of donor-imposed restrictions. As such, the net assets of SOMOS and changes therein are presented and reported as follows:

Net assets without donor restrictions—Net assets that are not subject to donor-imposed stipulations and that may be expended for any purpose in performing the primary objectives of SOMOS. These net assets may be used at the discretion of SOMOS's management and the board of directors.

Net assets with donor restrictions—Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; such restrictions that may or will be met either by actions of SOMOS and/or the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated that the funds be maintained in perpetuity. Generally, the donors of such assets permit SOMOS to use all or part of the income earned on related investments for general or specific purposes.

SOMOS Mayfair

Notes to Financial Statements—Continued

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

Donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restriction. When a time restriction expires or a purpose restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statement of activities as net assets released from restrictions.

Measure of Operations—The statement of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of SOMOS's program services and; grants and contributions. Nonoperating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual or nonrecurring nature. SOMOS did not engage in any reportable nonoperating activities during the years ended June 30, 2019 and 2018.

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, 2019 and 2018. 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 and Cash Equivalents—Cash is defined as cash in demand deposit accounts as well as cash on hand. Cash equivalents represent money market funds which are invested in high credit quality financial institutions.

Grants and Contributions Receivable—Grants receivable represent pledges from foundations, corporations and individuals. SOMOS considers all grants and contributions receivable to be fully collectible; accordingly, no allowance for doubtful accounts is considered necessary.

Government Grants Receivable—Government grants receivable consists of amounts due from government agencies. SOMOS considers all government 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.

SOMOS Mayfair
Notes to Financial Statements—Continued

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

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, 2019 and 2018 were \$46,959 and \$42,298, 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.

SOMOS receives government grants which are reimbursement contracts for services performed. Revenue is recognized when the corresponding service has been provided in accordance with the agreement, subject to the contract limit, if any.

Earned income—Earned income consists of revenue earned by the SOMOS economic development program for outreach and facilitation work. The income is recognized as the services are performed.

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 capitalizes donated fixed assets at fair value and records donated facility use at the fair value of the space provided.

Functional Allocation of Expenses—The costs of providing the various programs and student activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefitted. Functional allocation expenses are allocated as follows:

<u>Expense</u>	<u>Method of Allocation</u>
Salaries and wages	Full-time equivalents
Employee benefits	Time and effort
Payroll taxes	Time and effort
Depreciation and amortization	Full-time equivalents
Facilities expense	Full-time equivalents
Insurance	Full-time equivalents
Miscellaneous expenses	Full-time equivalents
Office expenses	Full-time equivalents
Professional and development	Time and effort
Professional fees and services	Time and effort
Supplies	Time and effort
Travel and meals	Time and effort

SOMOS Mayfair
Notes to Financial Statements—Continued

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

Advertising—SOMOS' policy is to expense advertising costs to operations as incurred.

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.

Reclassifications—Certain amounts have been reclassified in the 2018 financial statements to conform with the 2019 presentation.

Note 2—Availability and Liquidity

SOMOS's goal is generally to maintain financial assets to meet 90 days of operating expenses (approximately \$675,000). As part of its liquidity plan, excess cash is invested in money market accounts. SOMOS has a \$150,000 line of credit available to meet cash flow needs.

The following represents the availability and liquidity of SOMOS's financial assets at June 30, 2019 and 2018 to cover operating expenses for the next fiscal year:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 446,366	\$ 371,429
Government grants receivable	462,588	270,698
Current Availability of Financial Assets	<u>\$ 908,954</u>	<u>\$ 642,127</u>

Note 3—Grants and Contributions Receivable, Net

Net grants and contributions receivable at June 30, 2019 and 2018 are due from various foundations and consist of the following:

	<u>2019</u>	<u>2018</u>
Foundations and corporations	\$ 525,000	\$ 381,900
Grants and Contributions Receivable, Gross	525,000	381,900
Less discount at 2%	(20,604)	-
Net	<u>\$ 504,396</u>	<u>\$ 381,900</u>

The receivable balance at June 30, 2019 due in excess of one year was discounted at 2% to account for time value of money. At June 30, 2018, all receivables were due within one year, therefore no discount was calculated.

SOMOS Mayfair
Notes to Financial Statements—Continued

Note 3—Grants and Contributions Receivable, Net—Continued

Future estimated receipts of pledges receivable are as follows:

<u>Year Ending June 30,</u>	
2020	\$ 175,000
2021	150,000
2022	100,000
2023	100,000
Total	<u>\$ 525,000</u>

Note 4—Property and Equipment

The cost of property and equipment and related accumulated depreciation and amortization at June 30, 2019 and 2018 is as follows:

	<u>2019</u>	<u>2018</u>
Furniture, fixtures, and equipment	\$ 232,574	\$ 240,698
Leasehold improvements	46,368	46,368
	278,942	287,066
Less accumulated depreciation and amortization	<u>(203,409)</u>	<u>(251,584)</u>
Net	<u>\$ 75,533</u>	<u>\$ 35,482</u>

Depreciation and amortization expense for the years ended June 30, 2019 and 2018 was \$8,531 and \$10,481, respectively.

Note 5—Line of Credit

SOMOS has an unsecured, revolving line of credit with Fremont Bank, with a credit limit of \$150,000, that renews annually. Interest accrues daily at a variable rate of prime plus 2, with a 6% floor, as of June 30, 2019. There were no outstanding balances at June 30, 2019 and 2018. During the years ended June 30, 2018 and 2017, SOMOS borrowed and repaid \$110,000 and \$120,000, respectively on the line of credit.

SOMOS Mayfair
Notes to Financial Statements—Continued

Note 6—Net Assets Without Donor Restrictions

Net assets without donor restrictions for the years ended June 30, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Undesignated	\$ 709,570	\$ 358,414
Board-designated operating reserve	176,971	151,566
	<u>\$ 886,541</u>	<u>\$ 509,980</u>

The board-designated reserve is a voluntary, board-approved segregation of net assets without donor restrictions for specific purposes, projects or investments. The reserve at June 30, 2019 and 2018 consists of cash assets designated to protect SOMOS from devastating economic or other misfortune. The reserve totaled \$176,971 and \$151,566 at June 30, 2019 and 2018, respectively.

Note 7—Net Assets With Donor Restrictions

Net assets with donor restrictions for the years ended June 30, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Subject to expenditure for specified purpose:		
Economic Opportunity	\$ 150,502	\$ 180,935
Community Organizing	95,000	32,404
In Our Hands	18,851	46,703
Leadership development	-	11,362
Early Learning	15,919	94,120
	<u>280,272</u>	<u>365,524</u>
Subject to time restrictions:		
General operations	479,396	
Early Learning	25,000	381,900
	<u>504,396</u>	<u>381,900</u>
Totals	<u>\$ 784,668</u>	<u>\$ 747,424</u>

SOMOS has purpose-restricted net assets of \$305,272 and \$365,524 at June 30, 2019 and 2018, respectively. Purpose-restricted net assets at June 30, 2019 and 2018 consist of amounts restricted to funding specific expenses in future periods and unconditional promises to give.

SOMOS Mayfair
Notes to Financial Statements—Continued

Note 7—Net Assets With Donor Restrictions—Continued

Net assets released from donor restrictions for the years ended June 30, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Satisfaction of purpose restrictions		
Leadership development	\$ 11,362	\$ 78,638
Early Learning	150,575	216,871
In Our Hands	27,853	135,793
Economic opportunity	310,433	189,745
Community organizing	79,029	69,277
Development/fundraising	-	30,000
Total Satisfaction of Purpose Restrictions	579,252	720,324
Satisfaction of passage of time	231,900	-
	<u>\$ 811,152</u>	<u>\$ 720,324</u>

Note 8—In-Kind Contributions

During the years ended June 30, 2019 and 2018, SOMOS received in-kind goods, services, and use of facilities consisting of the following:

	<u>2019</u>	<u>2018</u>
From school district partners:		
Facilities	\$ 76,256	\$ 83,200
Total School District Partners	76,256	83,200
From others:		
Goods	2,737	7,131
Services	5,760	5,760
Total Others	8,497	12,891
Totals	<u>\$ 84,753</u>	<u>\$ 96,091</u>

In-kind expenses included on the statement of functional expenses for the years ended June 30, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Facilities expense	\$ 76,256	\$ 83,200
Professional fees and services	5,760	5,760
Supplies	2,737	7,131
Totals	<u>\$ 84,753</u>	<u>\$ 96,091</u>

SOMOS Mayfair
Notes to Financial Statements—Continued

Note 9—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. The most recent amendment to this lease, effective August 1, 2018, extends its term to July 31, 2020.

Future minimum annual rental commitments by year for the operating lease are as follows:

<u>Year Ending June 30,</u>		
2020	\$	58,889
2021		<u>4,927</u>
Total	\$	<u><u>63,816</u></u>

Operating lease expenses during the years ended June 30, 2019 and 2018 totaled \$56,081 and \$50,658, respectively, and are included in occupancy on the statement of functional expenses.

Note 10—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, 2019 and 2018.

Note 11—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.

SOMOS Mayfair
Notes to Financial Statements—Continued

Note 12—New Accounting Pronouncements

Leases—In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which requires organizations that lease assets (lessees) to recognize the assets and related liabilities for the rights and obligations created by the leases on the statement of financial position for leases with terms exceeding 12 months. ASU No. 2016-02 defines a lease as a contract or part of a contract that conveys the right to control the use of identified assets for a period of time in exchange for consideration. The lessee in a lease will be required to initially measure the right-of-use asset and the lease liability at the present value of the remaining lease payments, as well as capitalize initial direct costs as part of the right-of-use asset. ASU No. 2016-02 is effective for fiscal years beginning after December 15, 2019, with early adoption permitted. SOMOS is currently evaluating the impact that the adoption of ASU No. 2016-02 will have on its financial statements.

Restricted Cash—In November 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. ASU No. 2016-18 clarifies how entities should present restricted cash and restricted cash equivalents in the statement of cash flows. The guidance requires entities to present the change in restricted cash and restricted cash equivalents with cash and cash equivalents to reconcile amounts on the balance sheet to the statement of cash flows. Entities will be required to disclose the nature of the restrictions, as well as reconcile the totals in the statement of cash flows to cash, cash equivalents, restricted cash, and restricted cash equivalents on the balance sheet when these are shown in more than one line item. ASU No. 2016-15 is effective for fiscal years beginning after December 15, 2019, with early adoption permitted. SOMOS is currently evaluating the impact that the adoption of ASU No. 2016-15 will have on its financial statements.

Note 13—Subsequent Events

Management evaluated subsequent events through January 31, 2020, 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.