

# SOMOS MAYFAIR, INC.

(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)

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FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2009

(With comparative totals for June 30, 2008 and 2007)

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**Boman Accounting Group, Inc.**

*INDEPENDENT AUDITOR'S REPORT*

The Board of Directors  
SOMOS MAYFAIR, INC.  
San Jose, California

We have audited the accompanying statement of financial position of Somos Mayfair, Inc. (a California nonprofit public benefit corporation) as of June 30, 2009, and the related statements of activities, functional expenses, and cash flows for the year then ended. All information included in these financial statements is the representation of the management of Somos Mayfair, Inc. Our responsibility is to express an opinion on these financial statements based on the audit. The prior year summarized comparative information has been derived from the Organization's 2008 financial statements and, in the report dated October 6, 2008, an unqualified opinion on those financial statements was expressed.

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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Somos Mayfair, Inc., as of June 30, 2009 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The June 30, 2007 financial statements were reviewed by us and our report thereon, dated November 19, 2007, stated we were not aware of any material modifications that should be made to those statements for them to be in conformity with generally accepted accounting principles. However, a review is substantially less in scope than an audit and does not provide a basis for the expression of an opinion on the financial statements taken as a whole.

*Boman Accounting Group, Inc.*

Campbell, CA  
October 6, 2009

SOMOS MAYFAIR, INC.  
(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)  
STATEMENT OF FINANCIAL POSITION

June 30, 2009  
(With Comparative Totals for 2008 and 2007)

	<u>Audited 2009 Total</u>	<u>Audited 2008 Total</u>	<u>Reviewed 2007 Total</u>
<b>ASSETS</b>			
Current assets			
Cash and equivalents	\$ 141,763	\$ 61,536	\$ 258,224
Accounts receivable	85,773	130,481	231,899
Grants receivable	143,822	100,000	132,637
Prepaid expenses	<u>10,213</u>	<u>10,947</u>	<u>5,917</u>
Total current assets	381,571	302,964	628,677
Property and equipment, net	26,973	44,478	29,523
Other assets			
Deposits	<u>7,272</u>	<u>14,022</u>	<u>8,718</u>
Total assets	<u>\$ 415,816</u>	<u>\$ 361,464</u>	<u>\$ 666,918</u>
 <b>LIABILITIES AND NET ASSETS</b>			
Current liabilities			
Accounts payable	\$ 9,536	\$ 13,357	\$ 5,587
Accrued liabilities	<u>25,169</u>	<u>30,316</u>	<u>36,189</u>
Total current liabilities	34,705	43,673	41,776
Commitments and contingencies	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	34,705	43,673	41,776
Net Assets			
Unrestricted	201,111	221,607	170,070
Temporarily restricted	<u>180,000</u>	<u>96,184</u>	<u>455,072</u>
Total net assets	<u>381,111</u>	<u>317,791</u>	<u>625,142</u>
Total liabilities and net assets	<u>\$ 415,816</u>	<u>\$ 361,464</u>	<u>\$ 666,918</u>

The accompanying notes are an integral part of these statements

SOMOS MAYFAIR, INC.  
(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)  
STATEMENT OF ACTIVITIES

Year Ended June 30, 2009  
(With Comparative Totals for 2008 and 2007)

	Unrestricted	Temporarily Restricted	Audited 2009	Audited 2008	Reviewed 2007
<b>Support and revenue:</b>					
Government grants	\$ 595,670	\$	\$ 595,670	\$ 595,609	\$ 572,745
Foundation grants	31,421	482,834	514,255	131,584	515,208
Corporate grants	10,000		10,000	31,980	44,900
Contributions in-kind	35,000		35,000	500	4,000.00
Contributions	29,959		29,959	33,924	10,459
Special event	55,059		55,059	8,520	39,443
Earned Income	45,180		45,180	59,799	31,561
Interest Income	117		117	3,148	2,884
	802,406	482,834	1,285,240	865,064	1,221,200
Net assets released from restriction	399,018	(399,018)	-	-	-
 Total support and revenue	 1,201,424	 83,816	 1,285,240	 865,064	 1,217,200
<b>Expenses</b>					
Program services					
Family support	448,788		448,788	502,837	472,027
Community engagement	224,830		224,830	214,342	178,681
Civic Action	252,506		252,506	182,882	35,435
Supporting services					
Management and general	137,200		137,200	106,151	86,416
Fundraising	158,596		158,596	166,203	128,047
	1,221,920	-	1,221,920	1,172,415	900,606
 Change in net assets	 (20,496)	 83,816	 63,320	 (307,351)	 320,594
Net assets at beginning of year	221,607	96,184	317,791	625,142	304,548
Net assets at end of year	\$ 201,111	\$ 180,000	\$ 381,111	\$ 317,791	\$ 625,142

The accompanying notes are an integral part of these statements

SOMOS MAYFAIR, INC.  
(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)  
STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2009  
(With Comparative Totals for 2008 and 2007)

	Program Services				Supporting Services			Audited 2009 Total Expenses	Audited 2008 Total Expenses	Reviewed 2007 Total Expenses
	Family Support	Community Engagement	Civic Action	Total Program Services	Management and General	Fundraising	Total Supporting Services			
Salaries & wages	\$ 240,235	\$ 130,940	\$ 121,393	\$ 492,568	\$ 49,612	\$ 64,639	\$ 114,251	\$ 606,819	\$ 652,604	\$ 523,240
Payroll taxes	20,785	11,288	10,646	42,719	4,265	5,547	9,812	52,531	58,750	46,739
Benefits	30,683	16,582	15,562	62,827	6,298	8,133	14,431	77,258	95,314	75,043
	<u>291,703</u>	<u>158,810</u>	<u>147,601</u>	<u>598,114</u>	<u>60,175</u>	<u>78,319</u>	<u>138,494</u>	<u>736,608</u>	<u>806,668</u>	<u>645,022</u>
Professional services	46,963	27,487	57,576	132,026	43,374	42,736	86,110	218,136	162,534	116,304
Occupancy	31,404	16,633	12,107	60,144	10,827	6,622	17,449	77,593	85,909	57,861
Program services	51,029	-	16,402	67,431	393	700	1,093	68,524	23,894	22,502
Supplies	8,794	13,125	5,524	27,443	4,992	17,895	22,887	50,330	35,229	6,465
Printing	1,181	751	1,605	3,537	1,065	5,247	6,312	9,849	4,949	4,564
Insurance	3,076	1,361	1,245	5,682	3,012	697	3,709	9,391	5,106	6,688
Transportation	1,616	24	20	1,660	85	1,631	1,716	3,376	5,892	10,083
Equipment, rent, maintenance	1,997	876	794	3,667	260	1,122	1,382	5,049	6,988	2,248
Postage and shipping	799	470	569	1,838	178	1,295	1,473	3,311	2,141	3,776
Conferences	230	-	195	425	150	76	226	651	-	547
Licenses, taxes and fees	32	21	14	67	3,758	6	3,764	3,831	1,593	4,383
Professional development	927	1,110	3,159	5,196	6,767	114	6,881	12,077	5,451	1,470
Advertising / sponsorship	1,023	632	2,425	4,080	958	235	1,193	5,273	1,865	682
Bank and credit card fees	25	11	11	47	189	180	369	416	582	
Subtotal before depreciation	440,799	221,311	249,247	911,357	136,183	156,875	293,058	1,204,415	1,148,801	882,595
Depreciation & amortization	7,989	3,519	3,259	14,767	1,017	1,721	2,738	17,505	23,614	18,011
Total functional expenses	\$ 448,788	\$ 224,830	\$ 252,506	\$ 926,124	\$ 137,200	\$ 158,596	\$ 295,796	\$ 1,221,920	\$ 1,172,415	\$ 900,606
Percentage of total	36.73%	18.40%	20.66%	75.79%	11.23%	12.98%	24.21%	100.00%		

The accompanying notes are an integral part of these statements

SOMOS MAYFAIR, INC.  
(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)  
STATEMENT OF CASH FLOWS

Year Ended June 30, 2009  
(With Comparative Totals for 2008 and 2007)

	<u>Audited</u> 2009	<u>Audited</u> 2008	<u>Reviewed</u> 2007
Cash flows from operating activities:			
Change in net assets	\$ 63,320	\$ (307,351)	\$ 320,594
Adjustments to reconcile changes in net assets to cash provided by operating activities			
Depreciation and amortization	17,505	23,613	18,011
Change in operating assets and liabilities			
Receivables	886	134,055	(236,871)
Deposits	6,750	(5,304)	(2,348)
Prepaid expenses	734	(5,030)	(5,277)
Accounts payable	(3,821)	7,770	(7,890)
Accrued liabilities	(5,147)	(5,873)	21,035
Net cash provided by (used in) operating activities	80,227	(158,120)	107,254
Cash flows from investing activities:			
Purchase of leasehold improvements		(38,568)	-
Net cash provided by (used in) investing activities	-	(38,568)	-
Cash flows from financing activities:			
Net cash provided by financing activities	-	-	-
Change in cash and cash equivalents	80,227	(196,688)	107,254
Beginning cash and cash equivalents	61,536	258,224	150,970
Ending cash and cash equivalents	\$ <u>141,763</u>	\$ <u>61,536</u>	\$ <u>258,224</u>

The accompanying notes are an integral part of these statements

SOMOS MAYFAIR INC.  
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS  
June 30, 2009

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NOTE A. DESCRIPTION OF THE ORGANIZATION AND PROGRAM SERVICES

Organization

Somos Mayfair, Inc. ("Somos") is a California nonprofit public benefit corporation incorporated to improve the human and physical conditions in the greater Mayfair area of east San José, California since 1997. Our mission is to *cultivate the dreams and power of the people of Mayfair through cultural activism, social services and community organizing. We are generations of immigrants, rooted in a vibrant community, who nurture healthy families and speak out for justice in Silicon Valley.*

Program Services

Somos Mayfair has four key long-term goals:

1. Nurture healthy and resilient children and families and community in Mayfair;
2. Cultivate a vibrant community characterized by strong relationships, dialogue and interdependence between community members;
3. Build community power through effective teams of community leaders, organizers and advocates;
4. Connect our work in Mayfair to similar work being done in our region, our country and the world; work that collectively represents and contributes to the growing popular movement for justice and equity in our region and the world.

During the 2008-09 fiscal year, Somos Mayfair accomplished the following:

Somos Mayfair's Promotoras provided case management services to 209 working-poor immigrant families, addressing urgent needs as well as promoting health and early learning: enrolling 97% of children in our programs in health insurance, and 78% of children in preschool or early education.

Our Family Support program also coordinated two, six- month Obesity & Diabetes Project with 26 residents completing the program: two-thirds of participants lost weight, all improved in fitness tests and all got their children eating more fruits and vegetables.

Residents wrote four new, original theater productions promoting awareness of childhood development and family health reaching a total of 3,620 audience members through 29 theater presentations and three community events through our community-based theater ensemble, *Teatro Familias Unidas*.

Somos Mayfair developed the leadership skills of resident mothers to address barriers to health in the Mayfair community. Our group, *Madres de Mayfair*, successfully accomplished their first campaign goal to secure health and wellness programming as a priority at the newly opened Mayfair Community Center. In addition, residents built relationships with elected City and County leaders, spoke at City Council hearings in support of community health, and spoke at a community-wide event in support of urban farming at a local park.

SOMOS MAYFAIR INC.  
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS  
June 30, 2009

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NOTE A. DESCRIPTION OF THE ORGANIZATION AND PROGRAM (continued)

In our Mayfair Votes! Campaign, families gained voice in electoral process through theater, through phone calling, and through door knocking to get people to the polls. Our efforts contributed to record voter turnout: 77% of Mayfair voters turned out for the 2008 general elections. Somos was one of very few grassroots community efforts for electoral participation San Jose.

NOTE B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Basis of Accounting:

The financial statements of Somos have been prepared on the accrual basis of accounting.

2. Basis of Presentation:

Somos follows standards of accounting and financial reporting for voluntary health and welfare organizations as prescribed by the American Institute of Certified Public Accountants. In accordance with Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*, Somos reports its financial positions and operating activities in three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted net assets - net assets which are not subject to donor-imposed stipulations and net assets over which the Board of Directors has discretionary control in carrying out the operations of the Organization. The Organization has elected to report as an increase in unrestricted net assets any restricted support received in the current reporting period for which the restrictions have been met in the current reporting period.

Temporarily restricted net assets - net assets which are subject to donor-imposed stipulations which may or will be met either by actions of the Organization and/or by the passage of time, and for which the applicable restriction was not met as of the end of the current reporting period.

Permanently restricted net assets - net assets which are subject to a non-expiring donor restriction, such as endowments. There are currently no permanently restricted net assets.

SOMOS MAYFAIR INC.  
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS  
June 30, 2009

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NOTE B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. 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 at the date of the financial statements and the reported amounts of support, revenue and expenses during the period. Accordingly, actual results could differ from those estimates.

4. Cash and Cash Equivalents:

Cash and cash equivalents include highly liquid investments and investments with a maturity of three months or less, and exclude donor restricted receipts and amounts designated for long-term purposes. There were no cash equivalents as of June 30, 2009. The Organization maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. Management believes it is not exposed to any significant risk on cash accounts.

5. Grants Receivable:

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

6. Fixed Assets:

Property and equipment are stated at cost or estimated fair value for donated items. Equipment purchases over \$1,000 are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets, which range from three to seven years. Normal repairs and maintenance are expensed as incurred whereas significant improvements which materially increase values or extend useful lives are capitalized and depreciated over the remaining estimated useful lives of the related assets. Depreciation is charged to the activity benefiting from the use of the property or equipment. Upon sale or retirement of depreciable assets, the related cost and accumulated depreciation is removed from the accounts. Any gain or loss on the sale or retirement is recognized in current operations.

SOMOS MAYFAIR INC.  
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS  
June 30, 2009

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NOTE B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

7. Impairment of Long-Lived Assets:

Somos reviews property and equipment for impairment whenever events or changes in circumstances indicate that the carrying value of the property and equipment may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the asset to future net cash flows, undiscounted and without interest, expected to be generated by the asset. If assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds the fair value of the asset. For the year ended June 30, 2009 there were no events or changes in circumstances indicating that the carrying amount of the property and equipment may not be recoverable.

8. Accrued Vacation:

Accrued vacation represents vacation earned, but not taken as of June 30 and is included in "Accrued Liabilities" in the statement of financial position. The accrued vacation balance as of June 30, 2009 and 2008 were \$20,811 and \$19,201, respectively.

9. Revenue Recognition:

Somos recognizes support and revenue on the accrual basis of accounting. Revenue from grants which have been classified as "exchange transactions" and program fees are recognized as revenue in the period in which the service is provided.

10. Contributions:

Contributions are reported in accordance with SFAS No. 116, Accounting for Contributions Received and Contributions Made. Contributions are recognized when the donor makes a pledge to give that is, in substance, an unconditional promise. Contributions are recorded as unrestricted, temporarily restricted or permanently restricted depending on the nature of donor restrictions. Restricted contributions are reported as increases in restricted net assets. When the restriction is met the amount is shown as a reclassification of restricted net assets to unrestricted net assets.

SOMOS MAYFAIR INC.  
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS  
June 30, 2009

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NOTE B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

11. Contributions In-Kind:

Contributions in-kind are also recognized in accordance with the provisions of SFAS No. 116. Donated equipment and other donated goods are recorded at their estimated fair value as of the date of the donation. Contributed services, which require a specialized skill and which Somos would have paid for if not donated, are recorded at the estimated fair value at the time the services are rendered.

12. 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 and space utilized.

13. Income Taxes:

Somos Mayfair Inc. is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and from state income taxes under Section 23701(d) of the California Revenue Taxation Code. Accordingly, no provision for income taxes has been made in the accompanying statements. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) of the Internal Revenue Code and has been classified as an organization that is not a private foundation under Section 509(a)(1) of the Internal Revenue Code.

14. Advertising:

Somos's policy is to expense advertising costs as the costs are incurred. Advertising expenses for the years ended June 30, 2009 and 2008 were \$2,217 and \$1,447 respectively, and \$1,070 for the year ended June 30, 2007.

SOMOS MAYFAIR INC.  
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS  
June 30, 2009

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NOTE C. RESTRICTED CASH

Restricted cash as of June 30, 2009 consisted of the following:

	Audited 2009	Audited 2008	Reviewed 2007
Program	\$ 37,500	\$ 36,184	\$ 237,147
General Operating	2,500	-	21,077
Total Restricted Cash	<u>\$ 40,000</u>	<u>\$ 36,184</u>	<u>\$ 258,224</u>

NOTE D. PROPERTY AND EQUIPMENT

The cost and related accumulated depreciation of the property and equipment as of June 30, 2009 and 2008 were as follows:

	Audited 2009	Audited 2008	Reviewed 2007
Furniture, Fixtures and Equipment	\$ 138,511	\$ 138,511	\$ 138,511
Leasehold Improvements	38,568	38,568	18,198
Total	177,079	177,079	156,709
Less Accumulated Depreciation	150,106	132,601	127,186
Property and Equipment, Net	<u>\$ 26,973</u>	<u>\$ 44,478</u>	<u>\$ 29,523</u>

Depreciation expense for the years ended June 30, 2009 and 2008 were \$17,505 and \$23,613 respectively, and for the year ended June 30, 2007 Depreciation was \$18,011.

NOTE E. CONTRIBUTIONS IN-KIND

The estimated fair value of donated facilities, supplies and expert services received are recorded as contributions. During the year ended June 30, 2009 Somos received in-kind services in the amount of \$35,000 for professional services provided for the Family Support program.

NOTE F. EMPLOYEE BENEFIT PLAN

Somos has a 401(k) retirement plan for all employees who have reached the age of 21 years and completed one year of service. Somos does not match any employee contributions. Therefore no post-retirement plan expenses were incurred for the fiscal year ended June 30, 2009.

SOMOS MAYFAIR INC.  
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS  
June 30, 2009

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NOTE G. CONCENTRATIONS

Somos received approximately 47% of its funding from a government grant during the year ended June 30, 2009 (audited), 64% of funding for the year ended June 30, 2008 (audited), and 36% for the year ended June 30, 2007 (reviewed).

NOTE H. OPERATING LEASE COMMITMENTS

On June 25, 2007, the Organization entered into a lease agreement to occupy new office space beginning September 1, 2007 with a 3-year term expiring on August 31, 2010. Monthly lease amount is \$3,200.

The future minimum rental payments payable under non-cancelable operating leases is as follows at June 30, 2009

2010	\$ <u>43,478</u>
Total	\$ <u>43,478</u>

Rental expense for the office space for the years ended June 30, 2009 and 2008 were \$46,798 and \$51,046 respectively, and \$39,494 for the year ended June 30, 2007.

NOTE I. TEMPORARILY RESTRICTED NET ASSETS

Somos's temporarily restricted net assets as of June 30, 2009, 2008 and 2007 consisted of the following:

	Audited 2009	Audited 2008	Reviewed 2007
Program	\$ 178,500	\$ 90,184	\$ 433,995
General Operating	2,500	6,000	21,077
Total Temporarily Restricted Net Assets	<u>\$ 180,000</u>	<u>\$ 96,184</u>	<u>\$ 455,072</u>

SOMOS MAYFAIR INC.  
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS  
June 30, 2009

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NOTE J. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from restrictions during the year by incurring expenses satisfying the restricted purpose or by the expiration of time as follows:

	Audited 2009	Audited 2008	Reviewed 2007
Purpose Restriction:			
Program	\$ 360,518	\$ 398,948	\$ 269,356
General Operating	38,500	17,440	17,560
Total Net Assets Released from Restrictions	<u>\$ 399,018</u>	<u>\$ 416,388</u>	<u>\$ 286,916</u>

NOTE K. CONTINGENCIES

Grants and contracts awarded to Somos Mayfair Inc. are subject to the funding agencies' criteria, contract terms and regulations under which expenditures may be charges and are subject to audit under such terms, regulations and criteria. 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 L. COMPARATIVE INFORMATION - OPERATING RESULTS

The organization met the majority of its prior year restricted obligations utilizing restricted funds received during the fiscal year ended June 30, 2007. There was a delay in the renewal of additional restricted funds as of June 30, 2008. Subsequent to June 30, 2008, an anticipated renewal was awarded and received by the organization from The California Endowment in the amount of \$286,324. These funds were restricted for civic action.