

SOMOS MAYFAIR, INC.

(A California Nonprofit public benefit corporation)

ACCOUNTANT'S REVIEW REPORT

AND

FINANCIAL STATEMENTS

JUNE 30, 2007

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Lynda R. Boman
Certified Public Accountant

INDEPENDENT ACCOUNTANT'S REPORT

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

I have reviewed the accompanying statement of financial position of Somos Mayfair, Inc. (a California nonprofit public benefit corporation) as of June 30, 2007, and the related statements of activities, functional expenses, and cash flows for the year then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of Somos Mayfair, Inc.

A review consists principally of inquiries of Organization personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, I do not express such an opinion.

Based on my review, I am not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles.

Campbell, CA
November 19, 2007

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

June 30, 2007

		<u>Total</u>
ASSETS		
Current Assets		
Cash and Equivalents	\$	258,224
Accounts Receivable		231,899
Grants Receivable		132,637
Prepaid Expenses		<u>5,917</u>
Total Current Assets		628,677
Property and Equipment, Net		29,523
Other Assets		
Deposits		<u>8,718</u>
Total Assets	\$	<u><u>666,918</u></u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts Payable	\$	5,587
Accrued Liabilities		<u>36,189</u>
Total Current Liabilities		41,776
Commitments and Contingencies		<u>-</u>
Total Liabilities		41,776
Net Assets		
Unrestricted		170,070
Temporarily Restricted		<u>455,072</u>
Total Net Assets		<u>625,142</u>
Total liabilities and net assets	\$	<u><u>666,918</u></u>

See accompanying notes and accountant's review report

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

Year Ended June 30, 2007

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and Revenue:			
Government Grants	\$ 572,745	\$	\$ 572,745
Foundation Grants	11,250	503,958	515,208
Corporate Grants	30,400	14,500	44,900
Contributions In-Kind	4,000		4,000
Contributions	10,459		10,459
Special Event (net of direct expenses of \$33,385)	39,443		39,443
Earned Income	31,561		31,561
Interest Income	2,884		2,884
	<u>702,742</u>	<u>518,458</u>	<u>1,221,200</u>
Net assets released from restriction	<u>286,916</u>	<u>(286,916)</u>	<u>-</u>
Total Support and Revenue	989,658	231,542	1,221,200
Expenses			
Program Services			
Family Support	472,027		472,027
Community Engagement	178,681		178,681
Civic Action	35,435		35,435
Supporting Services			
Management and general	86,416		86,416
Fundraising	128,047		128,047
Total Expenses	<u>900,606</u>	<u>-</u>	<u>900,606</u>
Increase in net assets	89,052	231,542	320,594
Net assets at beginning of year	<u>81,018</u>	<u>223,530</u>	<u>304,548</u>
Net assets at end of year	<u>\$ 170,070</u>	<u>\$ 455,072</u>	<u>\$ 625,142</u>

See accompanying notes and accountant's review report

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

Year Ended June 30, 2007

	Program Services				Supporting Services			Total Expenses
	Family Support	Community Engagement	Civic Action	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries & Wages	\$ 292,141	\$ 92,266	\$ 20,143	\$ 404,550	\$ 33,216	\$ 85,474	\$ 118,690	\$ 523,240
Payroll Taxes	26,263	7,871	1,930	36,064	3,038	7,637	10,675	46,739
Benefits	48,057	13,732	2,822	64,611	2,442	7,990	10,432	75,043
	<u>366,461</u>	<u>113,869</u>	<u>24,895</u>	<u>505,225</u>	<u>38,696</u>	<u>101,101</u>	<u>139,797</u>	<u>645,022</u>
Professional Services	37,269	42,431	1,402	81,102	28,874	6,328	35,202	116,304
Occupancy	36,135	9,768	2,065	47,968	3,548	6,345	9,893	57,861
Supplies	8,184	4,244	4,278	16,706	5,611	1,655	7,266	23,972
Printing	-	0	868	868	295	5,302	5,597	6,465
Insurance	2,344	749	216	3,309	846	409	1,255	4,564
Transportation	2,832	923	163	3,918	308	2,462	2,770	6,688
Equipment, Rent and Maintenance	3,581	942	187	4,710	3,332	2,041	5,373	10,083
Postage and Shipping	1,106	367	204	1,677	175	396	571	2,248
Conferences	1,417	1,262	492	3,171	605	-	605	3,776
Licenses, Taxes and Fees	-	0	0	-	547	-	547	547
Professional Development	1,912	350	0	2,262	2,121	-	2,121	4,383
Bank and Credit Card Fees	-	0	0	-	557	125	682	682
	<u>461,241</u>	<u>174,905</u>	<u>34,770</u>	<u>670,916</u>	<u>85,515</u>	<u>126,164</u>	<u>211,679</u>	<u>882,595</u>
Subtotal before depreciation								
Depreciation & Amortization	<u>10,786</u>	<u>3,776</u>	<u>665</u>	<u>15,227</u>	<u>901</u>	<u>1,883</u>	<u>2,784</u>	<u>18,011</u>
Total Functional Expenses	<u>\$ 472,027</u>	<u>\$ 178,681</u>	<u>\$ 35,435</u>	<u>\$ 686,143</u>	<u>\$ 86,416</u>	<u>\$ 128,047</u>	<u>\$ 214,463</u>	<u>\$ 900,606</u>
Percentage of Total	52.41%	19.84%	3.93%	76.19%	9.60%	14.22%	23.81%	100.00%

See accompanying notes and accountant's review report

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

Year Ended June 30, 2007

Cash flows from operating activities:

Increase in net assets	\$ 320,594
Adjustments to reconcile changes in net assets to cash provided by operating activities	
Depreciation and amortization	18,011
Increase (decrease) in operating assets	
Receivables	(236,871)
Deposits	(2,348)
Prepaid expenses	(5,277)
Increase (decrease) in operating liabilities	
Accounts payable	(7,890)
Accrued liabilities	<u>21,035</u>
Net cash provided by operating activities	107,254

Cash flows from investing activities:

Net cash provided by investing activities -

Cash flows from financing activities:

Net cash provided by financing activities -

Increase in cash and cash equivalents	107,254
Beginning cash and cash equivalents	<u>150,970</u>
Ending cash and cash equivalents	<u>\$ 258,224</u>

See accompanying notes and accountant's review report

SOMOS MAYFAIR INC.
(A California Nonprofit Public Benefit Corporation)
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE A. DESCRIPTION OF THE ORGANIZATION AND PROGRAM SERVICES

Somos Mayfair, Inc. ("Mayfair") 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. It began under the name of the Mayfair Improvement Initiative, Inc. In 1997, the William and Flora Hewlett Foundation and the Community Foundation Silicon Valley made a multi-million dollar, six year investment in this neighborhood. Mayfair was a place of intractable poverty and continual transience as the vast majority of residents were recent arrivals to the United States. With this investment, hundreds of residents committed themselves to the long task of community transformation.

During our initial Hewlett-period, from 1998-2004, we focused on improving the neighborhood's physical environment by refurbishing San Jose's oldest community garden; and accessing more than \$3 million in public safety enhancements including sidewalk and streetlight improvements. In addition, we advocated for increased affordable housing and direct investments in education by establishing adult computer, ESL, and GED/High School completion classes. Concerned about the health of our youngest children, we enrolled more than 1,000 children in health insurance plans.

At the sunset of the Hewlett grant in 2004, we set new organizational priorities placing the health of children and families at the center of our work. Over the course of the last two years we have worked to transform our community using three intersecting approaches: Community Engagement, Children and Family Support, and Civic Action for Long-Term Change.

During FY2006-07 we celebrated our 10 year anniversary of work in the Mayfair community. Some of our key accomplishments for the year included:

- Somos Mayfair's *promotores*/community educators provided case-management to 205 Mayfair families, helping them prepare their 0-5 aged children for school success through physical, mental and emotional support. We worked with these families to develop individual goals and action plans, and referred families to a number of services including, but not limited to the following: 60 families to parenting classes and in-home family therapy. We conducted early screenings with 70 children for mental health needs and referred 25 of them to professional services. Eighty children received oral health services. We began a new partnership with Evergreen Community College to orient and test Mayfair residents for English as a Second Language classes and piloted an ESL class in the community attended by 25 residents.
- Somos Mayfair launched an integrated health campaign to address the obesity and diabetes skyrocketing in the Mayfair community. We brought

SOMOS MAYFAIR INC.
(A California Nonprofit Public Benefit Corporation)
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE A. DESCRIPTION OF THE ORGANIZATION AND PROGRAM SERVICES (Continued)

new nutrition classes into the community taught by the University of California and The American Diabetes Association, attended by 128 residents. We launched *Salud por Vida / Health for Life*, a six-week after-school exercise program at two elementary schools, in partnership with the Bay Area Women's Sports Initiative, attended by 53 Mayfair mothers. Women were given a pedometer to use with the goal of 10,000 steps per day, and were coached by volunteer athletes from Santa Clara University. We developed a new skit "What is a Healthy Child?" and facilitated dialogues about children's health with 380 parents attending diabetes support groups, ESL classes, and parent support groups throughout the community.

- We solidified our innovative approach to community engagement through popular theater within and outside the Mayfair community. We presented a theater skit "Hasta la Vista, Baby! / See you later, baby!" demonstrating the multiple barriers facing immigrants to more than 700 audience members at the Binational Health Week, the Santa Clara County Office of Human Relations Immigration Symposium, and at a community reception for the new President of the Silicon Valley Community Foundation. We trained members of the newly formed Silicon Valley Alliance for Immigration Reform to lead workshops and present a "Know your Rights" theater skit for immigrants. And we worked closely with the Chicano Theater Company Teatro Vision to encourage the use of popular theater by six county-wide organizations working to support early childhood learning through FIRST 5 Santa Clara County.
- To celebrate our heritage and build community pride, we organized a December *Posada* attended by 500 community residents. Posada activities included a procession with songs and lit candles through the neighborhood, traditional food, children's theater skits and literacy activities, and folkloric dance performances. In May, we recognized the value of Mayfair mothers with a *Día de las Madres* Mother's Day celebration in the park, attended by 175 residents. This year's theme was family health. We served healthy food, taught salsa dance, and serenaded the mothers with traditional rondalla songs.
- We joined the Mobilize the Immigrant Vote coalition and campaign contacting over 1,700 Mayfair voter households through door-knocking and phone-banking; registering 58 residents to vote; assisting residents get to the polls; and translating for them once there. We co-hosted two community issues forums attended by 100 residents. Due in part to our efforts in Mayfair, registration increased by 1,232 voters from 2005 to 2006 and voter turn out increased from 41% to 48% during that same period.

SOMOS MAYFAIR INC.
(A California Nonprofit Public Benefit Corporation)
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE A. DESCRIPTION OF THE ORGANIZATION AND PROGRAM SERVICES (Continued)

- We celebrated ten years of working in the Mayfair community and formally changed our name from the Mayfair Improvement Initiative to Somos Mayfair, signifying pride in ourselves and in our community. We hosted a 10-year anniversary day-long program attended by 150 residents and stakeholders, and a 3-day family carnival. We changed our logo and launched a new website www.somosmayfair.org

NOTE B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting:

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

Basis of Presentation:

Mayfair 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*, Mayfair 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 include those assets over which the Board of Directors has discretionary control in carrying out the operations of Mayfair. Under this category, Mayfair maintains an operating fund plus any net assets designated by the Board for specific purposes.

Temporarily restricted net assets include those assets which are subject to donor restriction and for which the applicable restriction was not met as of the year end of the current reporting period.

Permanently restricted net assets include those 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, 2007

NOTE B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Management's Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles 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 dates of the financial statements and the reported amounts of expenses during the reporting periods. Actual results could differ from those estimates.

Cash and Cash Equivalents:

For purposes of the balance sheet and statement of cash flows, the Company considers all highly liquid investments which are readily convertible into known amounts of cash and have a maturity of three months or less when acquired to be cash equivalents. Mayfair maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. Mayfair has not experienced any losses in such accounts. Management believes it is not exposed to any significant risk on cash accounts.

Grants Receivable:

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

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, 2007

NOTE B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

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, 2007 was \$22,297.

Revenue Recognition:

Mayfair 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.

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.

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 Mayfair would have paid for if not donated, are recorded at the estimated fair value at the time the services are rendered.

Allocation of Shared Functional Expenses:

Shared functional expenses are allocated to program and supporting services based on an analysis of personnel time and space utilized.

SOMOS MAYFAIR INC.
(A California Nonprofit Public Benefit Corporation)
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

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.

Advertising:

Mayfair's policy is to expense advertising costs as the costs are incurred. Advertising expenses for the years ended June 30, 2007 was \$1,070.

NOTE C. PROPERTY AND EQUIPMENT

The cost and related accumulated depreciation of the property and equipment as of June 30, 2007 was as follows:

Office Equipment	\$ 87,985
Furniture and Fixture	50,526
Leasehold Improvements	18,198
	<u>156,709</u>
Less: Accumulated Depreciation	127,186
Property and Equipment, Net	<u>\$ 29,523</u>

Depreciation expense for the year ended June 30, 2007 was \$18,011.

NOTE D. LINE OF CREDIT

Mayfair has a \$25,000 line of credit with Wells Fargo. The amount available under this line of credit at June 30, 2007 was \$25,000. As of June 30, 2007 no amount was outstanding.

SOMOS MAYFAIR INC.
(A California Nonprofit Public Benefit Corporation)
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

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, 2007 Mayfair received in-kind contributions for Professional Services in the amount of \$4,000.

NOTE F. EMPLOYEE BENEFIT PLAN

Mayfair has a 401(k) retirement plan for all employees who have reached the age of 21 years and completed one year of service. Mayfair previously provided matching contributions equal to 100% of the first 3% of employee contributions that the employee elected to contribute via 401(k) salary deferrals. During the year ended June 30, 2006 Mayfair ceased matching employee contributions.

NOTE G. CONCENTRATIONS

Mayfair received approximately 36% of its funding from a government grant during the year ended June 30, 2007.

NOTE H. OPERATING LEASE COMMITMENTS

The organization leased two office spaces with leases which expire in August and September, 2007. The organization leases office space on a month-to-month basis. The organization also leases a photocopier under an operating lease which expires on July 31, 2007.

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 will be \$3,200 commencing September 1, 2007.

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

2008	\$ 38,280
2009	40,640
2010	<u>43,478</u>
Total	<u>\$122,398</u>

Rental expense for the office space for the years ended June 30, 2007 was \$39,494.

SOMOS MAYFAIR INC.
(A California Nonprofit Public Benefit Corporation)
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE I. TEMPORARILY RESTRICTED NET ASSETS

Mayfair's temporarily restricted net assets as of June 30, 2007 consisted of the following:

Program	\$ 433,995
General Operating	<u>21,077</u>
Total Temporarily Restricted Net Assets	<u>\$ 455,072</u>

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:

Purpose Restriction:	
Program	\$ 269,356
General Operating	<u>17,560</u>
Total Net Assets Released from Restrictions	<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, Mayfair 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. Mayfair 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.