

Audited Financial Statements



June 30, 2020 and 2019

Quigley & Miron

**SOMOS Mayfair
Audited Financial Statements
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June 30, 2020 and 2019**

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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, 2020 and 2019, 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, 2020 and 2019, 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
November 24, 2020

SOMOS Mayfair
Statement of Financial Position
June 30, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 903,290	\$ 743,537	\$ 1,646,827
Grants and contributions receivable, net—Note 3	-	854,159	854,159
Government grants receivable	227,578	-	227,578
Prepaid expenses	3,623	-	3,623
Deposits	4,087	-	4,087
Property and equipment, net—Note 4	72,114	-	72,114
Total Assets	<u>\$ 1,210,692</u>	<u>\$ 1,597,696</u>	<u>\$ 2,808,388</u>
Liabilities and Net Assets			
Liabilities			
Accounts payable and accrued liabilities	\$ 91,937	\$ -	\$ 91,937
Accrued vacation	58,021	-	58,021
Deferred revenue	18,425	-	18,425
SBA PPP advance—Note 6	4,373	-	4,373
SBA PPP loan—Note 6	10,000	-	10,000
Total Liabilities	<u>182,756</u>	<u>-</u>	<u>182,756</u>
Net Assets			
Without donor restrictions			
Undesignated	850,579	-	850,579
Board-designated reserve—Note 7	177,357	-	177,357
Total Net Assets Without Donor Restrictions	<u>1,027,936</u>	<u>-</u>	<u>1,027,936</u>
With donor restrictions—Note 8	-	1,597,696	1,597,696
Total Net Assets	<u>1,027,936</u>	<u>1,597,696</u>	<u>2,625,632</u>
Total Liabilities and Net Assets	<u>\$ 1,210,692</u>	<u>\$ 1,597,696</u>	<u>\$ 2,808,388</u>

See notes to financial statements.

SOMOS Mayfair
Statement of Financial Position
June 30, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 446,366	\$ 280,272	\$ 726,638
Grants and contributions receivable, net—Note 3	-	504,396	504,396
Government grants receivable	462,588	-	462,588
Prepaid expenses	19,400	-	19,400
Deposits	4,087	-	4,087
Property and equipment, net—Note 4	75,533	-	75,533
Total Assets	<u>\$ 1,007,974</u>	<u>\$ 784,668</u>	<u>\$ 1,792,642</u>
Liabilities and Net Assets			
Liabilities			
Accounts payable and accrued liabilities	\$ 74,474	\$ -	\$ 74,474
Accrued vacation	46,959	-	46,959
Total Liabilities	121,433	-	121,433
Net Assets			
Without donor restrictions			
Undesignated	709,570	-	709,570
Board-designated reserve—Note 7	176,971	-	176,971
Total Net Assets Without Donor Restrictions	886,541	-	886,541
With donor restrictions—Note 8	-	784,668	784,668
Total Net Assets	<u>886,541</u>	<u>784,668</u>	<u>1,671,209</u>
Total Liabilities and Net Assets	<u>\$ 1,007,974</u>	<u>\$ 784,668</u>	<u>\$ 1,792,642</u>

See notes to financial statements.

SOMOS Mayfair
Statement of Activities
Year Ended June 30, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Operating Activities			
Support and Revenue			
Government grants	\$ 1,131,547	\$ -	\$ 1,131,547
SBA PPP grant	481,227	-	481,227
Foundation grants	889,946	1,666,303	2,556,249
Corporate grants	26,549	69,750	96,299
In-kind contributions—Note 9	128,005	-	128,005
Individual contributions	106,215	-	106,215
Program service income	71,438	-	71,438
Interest income	1,960	-	1,960
Miscellaneous income	6,050	-	6,050
Total Support and Revenue	2,842,937	1,736,053	4,578,990
Net assets released from restrictions	923,025	(923,025)	-
Total Support, Revenue, and Net Assets Released from Restrictions	3,765,962	813,028	4,578,990
Expenses			
Program services	3,081,560	-	3,081,560
Supporting services			
Management and general	265,637	-	265,637
Fund development	277,370	-	277,370
Total Expenses	3,624,567	-	3,624,567
Change in Net Assets From Operations	141,395	813,028	954,423
Change in Net Assets	141,395	813,028	954,423
Net Assets at Beginning of Year	886,541	784,668	1,671,209
Net Assets at End of Year	\$ 1,027,936	\$ 1,597,696	\$ 2,625,632

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 9	84,753	-	84,753
Individual contributions	128,448	-	128,448
Special events			
Gross revenue	144,520	-	144,520
Less cost of 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 Functional Expenses
Year Ended June 30, 2020

	Program Services					Supporting Services			Total
	Leadership Development	Community Power	Early School Success	Economic Opportunity	In-Our Hands	Total Program Services	Management and General	Fund Development	
Salaries and wages	\$ 189,099	\$ 411,245	\$ 668,499	\$ 179,320	\$ 184,078	\$ 1,632,241	\$ 101,452	\$ 214,187	\$ 1,947,880
Employee benefits	26,932	82,309	103,780	24,633	25,455	263,109	18,860	16,159	298,128
Payroll taxes	14,559	32,613	52,801	14,238	14,732	128,943	8,387	17,298	154,628
Total Personnel	230,590	526,167	825,080	218,191	224,265	2,024,293	128,699	247,644	2,400,636
Contract services	24,186	10,296	33,710	69,448	247,889	385,529	-	-	385,529
Supplies	12,416	23,746	42,997	41,516	103,684	224,359	12,688	1,748	238,795
Professional fees and services	84,216	24,725	18,353	16,403	1,834	145,531	78,860	800	225,191
In-kind contributions	20,594	25,439	44,419	15,748	21,805	128,005	-	-	128,005
Facilities expense	13,350	14,868	22,046	13,270	14,512	78,046	15,389	7,533	100,968
Office expenses	3,416	4,500	10,718	3,122	7,378	29,134	11,087	5,253	45,474
Professional development	2,382	213	2,081	158	21,327	26,161	3,943	422	30,526
Miscellaneous expenses	-	-	26	979	2,774	3,779	9,044	8,015	20,838
Depreciation and amortization	1,244	3,145	6,675	1,439	1,434	13,937	1,148	1,082	16,167
Travel and meals	354	3,456	770	6,499	918	11,997	3,091	33	15,121
Insurance	958	2,418	5,134	1,176	1,103	10,789	1,688	832	13,309
Stipends	-	-	-	-	-	-	-	4,008	4,008
Total Non-Personnel	163,116	112,806	186,929	169,758	424,658	1,057,267	136,938	29,726	1,223,931
Total Expenses	\$ 393,706	\$ 638,973	\$ 1,012,009	\$ 387,949	\$ 648,923	\$ 3,081,560	\$ 265,637	\$ 277,370	\$ 3,624,567

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	33,097	-	24,621	84,065	-	2,598	144,381	-	-	-	144,381
Supplies	16,016	17,243	47,639	30,484	-	12,733	124,115	9,700	2,258	-	136,073
Professional fees and services	71,886	38,136	5,459	45,075	-	7,404	167,960	66,209	45	-	234,214
Facilities expense	15,408	17,914	19,412	19,656	607	20,153	93,150	13,055	9,257	-	115,462
In-kind contributions	382	481	83,159	346	-	385	84,753	-	-	-	84,753
Cost of direct benefits to donors	-	-	-	-	-	-	-	-	-	28,886	28,886
Office expenses	1,234	2,343	6,991	2,179	-	3,421	16,168	3,903	4,738	-	24,809
Professional development	1,075	1,087	731	2,059	-	8,283	13,235	2,355	1,141	-	16,731
Miscellaneous expenses	556	180	130	9,766	-	1,089	11,721	11,696	100	-	23,517
Depreciation and amortization	695	1,830	3,099	1,994	51	1,070	8,739	456	527	-	9,722
Travel and meals	652	3,161	18	3,693	-	2,990	10,514	3,324	449	-	14,287
Insurance	747	2,250	3,377	2,113	132	1,279	9,898	498	623	-	11,019
Stipends	611	-	-	-	500	-	1,111	-	2,360	-	3,471
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 expenses included with revenues on the statement of activities											
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
Statements of Cash Flows
Years Ended June 30, 2020 and 2019

	2020	2019
Cash Flows from Operating Activities		
Change in net assets	\$ 954,423	\$ 413,805
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	16,167	9,722
Loss on disposal of property and equipment	-	264
Changes in operating assets and liabilities:		
Grants and contributions receivable	(349,763)	(122,496)
Government grants receivable	235,010	(191,890)
Prepaid expenses	15,777	(12,474)
SBA PPP advance	4,373	-
Accounts payable and accrued liabilities	17,463	(61,870)
Accrued vacation	11,062	4,661
Deferred revenue	18,425	-
	Net Cash Provided by Operating Activities	39,722
	922,937	39,722
Cash Flows from Investing Activities		
Purchases of property and equipment	(12,748)	(50,037)
	Net Cash Used in Investing Activities	(50,037)
	(12,748)	(50,037)
Cash Flows from Financing Activities		
Proceeds from PPP Loan	10,000	-
	Net Cash Provided by Financing Activities	-
	10,000	-
	Net Increase (Decrease) in Cash and Cash Equivalents	(10,315)
	920,189	(10,315)
Cash and Cash Equivalents at the Beginning of Year	726,638	736,953
	Cash and Cash Equivalents at the End of Year	\$ 726,638
	\$ 1,646,827	\$ 726,638
Supplementary Disclosures		
Income taxes paid	\$ -	\$ -
Interest paid	\$ -	\$ 524

See notes to financial statements.

SOMOS Mayfair
Notes to Financial Statements
June 30, 2020 and 2019

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

With the launch of the In our Hands Campaign (2015), Leadership development was identified as the most effective strategy to support community and develop their solutions in response to current economic, housing and educational crisis in the neighborhood. SOMOS developed a curriculum to train and equip local leaders (Promotores) to become the primary agents of change. They began identifying new priorities in Mayfair, design alternative programs to fill basic needs, and organize the larger community for systemic change. Our most impactful programmatic strategies include:

Leadership Development

As community members recognize their strengths and experience through mentorship, learning and practice, we build a leadership that generates more leaders. In SOMOS' Universidad Popular de Mayfair, leaders continue their growth, further developing skills and deepening their analysis to sustain changes in the neighborhood.

Community Power

Our community organizing efforts support movement building in our neighborhood and schools. Parents and residents engage in participatory action, analysis, priority setting, relationship building, and tactical strategies to advance an equity platform developed by community, for community. This includes allocating appropriate resources to our schools, protecting tenants, and promoting the development of affordable housing without displacement.

Early School Success

Certified Promotores lead peer-to-peer programs and activities with parents and children to promote family and early learning. The Reading Circles, Bridge to Kindergarten, and all Family Resource Center programs work to close the opportunity gap by third grade, improve reading skills and social-emotional learning.

Economic Opportunity

Families need economic opportunity and mobility to support their children and break cycles of poverty. In response, SOMOS has launched SOMOS Fuertes, which provides Promotores with job training and placement to further advance opportunity and social justice in Mayfair and the broader South Bay.

For the FY 19-20, SOMOS Mayfair served 1,817 families; increased Kinder readiness and social-emotional learning in 115 students; championed the prioritization of an anti-displacement policy in San Jose; passed an Ethnic Studies resolution at the local school board; generated more than 150K in supplemental income in the community, and pivoted to become a hub distributor of essentials and food during COVID for 1200 families. Additionally, SOMOS Mayfair increasingly holds a role as a neighborhood convener and backbone agency in neighborhood-based, collective impact models and released \$385,529 in contract services to local partner organizations.

SOMOS Mayfair

Notes to Financial Statements—Continued

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

Financial Statement Presentation—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.

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, 2020 and 2019.

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, 2020 and 2019. 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.

Recently Adopted Accounting Standard—In June 2018, FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU No. 2018-08 clarifies the definition of an exchange transaction. As a result, not-for-profit entities (NFPs) will account for most government grants as donor-restricted conditional contributions rather than as exchange transactions (the prevalent practice today). An accommodation ("simultaneous release" option) is provided which, if elected, would allow grants received and used within the same period to be reported in net assets without donor restrictions, consistent with where the grant revenue is reported today. Donors will use the same criteria as recipients (i.e., a barrier or hurdle coupled with a right of return/right of release) to determine whether gifts or grants are conditional or unconditional. Expense recognition is deferred for conditional arrangements and is immediate for unconditional arrangements. No new disclosures are required. SOMOS adopted ASU No. 2018-08 for the year ended June 30, 2020. The adoption of ASU No. 2018-08 had no material impact on the financial statements.

SOMOS Mayfair

Notes to Financial Statements—Continued

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

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.

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, 2020 and 2019 were \$58,021 and \$46,959, 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 considered to be conditional grants until the services are performed. Once the corresponding service has been provided, the grant is recorded as an unconditional contribution in the statement of activities.

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.

SOMOS Mayfair
Notes to Financial Statements—Continued

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

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	Full-time equivalents
Payroll taxes	Full-time equivalents
Contract services	Time and effort
Depreciation and amortization	Full-time equivalents
Facilities expense	Full-time equivalents
In-kind contributions	Full-time equivalents
Insurance	Full-time equivalents
Miscellaneous expenses	Full-time equivalents
Office expenses	Full-time equivalents
Professional development	Time and effort
Professional fees and services	Time and effort
Stipends	Time and effort
Supplies	Time and effort
Travel and meals	Time and effort

Advertising—SOMOS's 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.

Note 2—Availability and Liquidity

SOMOS's goal is generally to maintain financial assets to meet at least 90 days of operating expenses (approximately \$900,000). As part of its liquidity plan, excess cash is invested in money market accounts. SOMOS has a \$250,000 line of credit available to meet cash flow needs. SOMOS also has a board-designated reserve with a balance of \$177,357 at June 30, 2020 which can be used to support operating needs if necessary.

The following represents the availability and liquidity of SOMOS's financial assets at June 30, 2020 to cover operating expenses for the next fiscal year:

Cash and cash equivalents	\$ 1,646,827
Grants and contributions receivable	854,159
Government grants receivable	<u>227,578</u>
Total Financial Assets	2,728,564
Less amounts not available within one year:	
Cash and cash equivalents	(743,537)
Grants and contributions receivable, net	(444,159)
Board-designated reserve	<u>(177,357)</u>
Current Availability of Financial Assets	<u>\$ 1,363,511</u>

SOMOS Mayfair
Notes to Financial Statements—Continued

Note 3—Grants and Contributions Receivable, Net

Net grants and contributions receivable at June 30, 2020 and 2019 are due from various foundations and consist of the following:

	<u>2020</u>	<u>2019</u>
Foundations and corporations	\$ 870,000	\$ 525,000
Total Grants and Contributions Receivable	870,000	525,000
Less discount at 2%	(15,841)	(20,604)
Net	<u>\$ 854,159</u>	<u>\$ 504,396</u>

The receivable balances at June 30, 2020 and 2019 due in excess of one year was discounted at 2% to account for time value of money.

Future estimated receipts of pledges receivable are as follows:

<u>Year Ending June 30,</u>	
2021	\$ 410,000
2022	360,000
2023	100,000
Total	<u>\$ 870,000</u>

Note 4—Property and Equipment

The cost of property and equipment and related accumulated depreciation and amortization at June 30, 2020 and 2019 is as follows:

	<u>2020</u>	<u>2019</u>
Furniture, fixtures, and equipment	\$ 245,322	\$ 232,574
Leasehold improvements	46,368	46,368
Total	291,690	278,942
Less accumulated depreciation and amortization	(219,576)	(203,409)
Net	<u>\$ 72,114</u>	<u>\$ 75,533</u>

Depreciation and amortization expense for the years ended June 30, 2020 and 2019 was \$16,167 and \$9,722, respectively.

Note 5—Line of Credit

SOMOS has an unsecured, revolving line of credit with Fremont Bank, with a credit limit of \$250,000, that matures on October 3, 2021. Interest accrues daily at a variable rate of prime plus 2, with a 6% floor, as of June 30, 2020. There were no outstanding balances at June 30, 2020 and 2019. There was no activity on the line of credit during the year ended June 30, 2020. During the year ended June 30, 2019, SOMOS borrowed and repaid \$110,000 on the line of credit.

SOMOS Mayfair
Notes to Financial Statements—Continued

Note 6—SBA PPP Funding

On April 15, 2020, SOMOS received funding in the amount of \$495,600 from the Small Business Administration (SBA) through the Paycheck Protection Program (PPP). SOMOS has elected to treat \$485,600 as an advance and \$10,000 as a loan, as SOMOS also received a \$10,000 Economic Injury Disaster Loan (EIDL) grant which reduces the amount that can ultimately be recognized as income on the PPP funding. The funding is designed to provide a direct incentive for non-profit organizations to keep their workers on the payroll during the global pandemic (see Note 14). The loan portion of the PPP funding of \$10,000 does not require any payments for six months, carries a 1% interest rate, matures in two years, requires no collateral, and is federally guaranteed. Qualified payroll, rent, mortgage interest, and/or utilities paid during the twenty-four-week period after loan origination are eligible for forgiveness. As of June 30, 2020, SOMOS has determined that it has met the requirements for forgiveness and has recorded grant income of \$481,237 in the statement of activities for the year ended June 30, 2020. A balance of \$4,373 remains outstanding and has been recorded as an advance liability in the statement of financial statement at June 30, 2020.

Note 7—Net Assets Without Donor Restrictions

Net assets without donor restrictions for the years ended June 30, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Undesignated	\$ 850,579	\$ 709,570
Board-designated operating reserve	177,357	176,971
Total Net Assets Without Donor Restrictions	<u>\$ 1,027,936</u>	<u>\$ 886,541</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, 2020 and 2019 consists of cash assets designated to protect SOMOS from devastating economic or other misfortune. The reserve totaled \$177,357 and \$176,971 at June 30, 2020 and 2019, respectively.

Note 8—Net Assets with Donor Restrictions

Net assets with donor restrictions for the years ended June 30, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Subject to expenditure for specified purpose:		
Community organizing	\$ 482,650	\$ 95,000
In Our Hands	165,370	18,851
Early Learning	83,456	15,919
Economic opportunity	12,061	150,502
Total Subject to Expenditure for Specified Purpose	<u>743,537</u>	<u>280,272</u>
Subject to time restrictions:		
General operations	854,159	479,396
Early Learning	-	25,000
Total Subject to Time Restrictions	<u>854,159</u>	<u>504,396</u>
Total Net Assets with Donor Restrictions	<u>\$ 1,597,696</u>	<u>\$ 784,668</u>

SOMOS Mayfair
Notes to Financial Statements—Continued

Note 8—Net Assets with Donor Restrictions—Continued

Net assets released from donor restrictions for the years ended June 30, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Satisfaction of purpose restrictions:		
Community organizing	\$ 277,350	\$ 79,029
Economic opportunity	201,691	310,433
In Our Hands	188,026	27,853
Early Learning	80,963	150,575
Leadership development	24,995	11,362
Total Satisfaction of Purpose Restrictions	773,025	579,252
Satisfaction of passage of time	150,000	231,900
Total Net Assets Released from Donor Restrictions	<u>\$ 923,025</u>	<u>\$ 811,152</u>

Note 9—In-Kind Contributions

During the years ended June 30, 2020 and 2019, SOMOS received in-kind goods, services, and use of facilities consisting of the following:

	<u>2020</u>	<u>2019</u>
From school district partners:		
Facilities	\$ 114,866	\$ 76,256
Total School District Partners	114,866	76,256
From others:		
Goods	1,423	2,737
Services	11,716	5,760
Total Others	13,139	8,497
Totals	<u>\$ 128,005</u>	<u>\$ 84,753</u>

In-kind expenses included on the statement of functional expenses for the years ended June 30, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Facilities expense	\$ 114,866	\$ 76,256
Professional fees and services	11,716	5,760
Supplies	1,423	2,737
Totals	<u>\$ 128,005</u>	<u>\$ 84,753</u>

SOMOS Mayfair
Notes to Financial Statements—Continued

Note 10—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 September 30, 2021.

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

<u>Year Ending June 30,</u>	
2021	\$ 60,202
2022	15,075
	<hr/>
Total	\$ 75,277

Operating lease expenses during the years ended June 30, 2020 and 2019 totaled \$64,424 and \$56,081, respectively, and are included in occupancy on the statement of functional expenses.

Note 11—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, 2020 and 2019.

Note 12—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 13—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, 2021, with early adoption permitted. SOMOS is currently evaluating the impact that the adoption of ASU No. 2016-02 will have on its financial statements.

SOMOS Mayfair
Notes to Financial Statements—Continued

Note 14—Risks and Uncertainties

In early March 2020, the COVID-19 virus was declared a global pandemic. Business continuity, including supply chains and consumer demand across a broad range of industries and countries, has been, and continues to be, severely impacted, as governments and their citizens take significant and unprecedented measures to mitigate the consequences of the pandemic. SOMOS has continued to conduct its activities, primarily on a remote basis, and to monitor the ongoing impact of the pandemic response on its overall operations. At the time of this reporting, the cumulative financial impact of the pandemic on the SOMOS, if any, cannot be fully determined, therefore no related adjustment has been made to these financial statements.

Note 15—Subsequent Events

Management evaluated subsequent events through November 24, 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.