

Audited Financial Statements



June 30, 2021 and 2020

Quigley & Miron

**SOMOS Mayfair
Audited Financial Statements
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June 30, 2021 and 2020**

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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, 2021 and 2020, 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, 2021 and 2020, 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
December 13, 2021

**SOMOS Mayfair
Statement of Financial Position
June 30, 2021**

	Without Donor Restrictions	With Donor Restrictions	Total
Assets			
Cash and cash equivalents	\$ 1,194,375	\$ 1,445,511	\$ 2,639,886
Grants and contributions receivable, net—Note 3	-	3,226,823	3,226,823
Government grants receivable	815,249	-	815,249
Prepaid expenses	36,956	-	36,956
Deposits	4,087	-	4,087
Property and equipment, net—Note 4	77,572	-	77,572
Total Assets	\$ 2,128,239	\$ 4,672,334	\$ 6,800,573
Liabilities and Net Assets			
Liabilities			
Accounts payable and accrued liabilities	\$ 254,737	\$	\$ 254,737
Accrued vacation	107,002		107,002
Total Liabilities	361,739		361,739
Net Assets			
Without donor restrictions			
Undesignated	1,288,809		1,288,809
Board-designated reserve—Note 7	477,691		477,691
Total Net Assets Without Donor Restrictions	1,766,500		1,766,500
With donor restrictions—Note 8	-	4,672,334	4,672,334
Total Net Assets	1,766,500	4,672,334	6,438,834
Total Liabilities and Net Assets	\$ 2,128,239	\$ 4,672,334	\$ 6,800,573

See notes to financial statements.

**SOMOS Mayfair
Statement of Financial Position
June 30, 2020**

	Without Donor Restrictions	With Donor Restrictions	Total
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>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>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 Activities
Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Activities			
Support and Revenue			
Government grants	\$ 3,023,706	\$ -	\$ 3,023,706
SBA PPP funding—Note 6	18,800	-	18,800
Foundation grants	515,808	2,898,631	3,414,439
Corporate grants	13,534	70,750	84,284
In-kind contributions—Note 9	112,476	-	112,476
Individual contributions	606,969	2,505,000	3,111,969
Special events			
Gross revenue	34,923	-	34,923
Less cost of direct benefits to donors	(2,212)	-	(2,212)
Special Events, Net	32,711	-	32,711
Program service income	72,260	-	72,260
Interest income	1,182	-	1,182
Miscellaneous income	2,603	-	2,603
Total Support and Revenue	4,400,049	5,474,381	9,874,430
Net assets released from restrictions	2,399,743	(2,399,743)	-
Total Support, Revenue, and Net Assets Released from Restrictions	6,799,792	3,074,638	9,874,430
Expenses			
Program services	5,290,924		5,290,924
Supporting services			
Management and general	568,223		568,223
Fund development	202,081		202,081
Total Expenses	6,061,228		6,061,228
Change in Net Assets From Operations	738,564	3,074,638	3,813,202
Change in Net Assets	738,564	3,074,638	3,813,202
Net Assets at Beginning of Year	1,027,936	1,597,696	2,625,632
Net Assets at End of Year	\$ 1,766,500	\$ 4,672,334	\$ 6,438,834

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 funding—Note 6	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 Functional Expenses
Year Ended June 30, 2021

	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	Special Events	
Salaries and wages	\$ 240,535	\$ 566,677	\$ 810,743	\$ 70,974	\$ 211,274	\$ 1,900,203	\$ 287,690	\$ 139,121	\$ -	\$ 2,327,014
Employee benefits	30,244	98,491	159,363	9,612	59,333	357,043	53,354	11,085	-	421,482
Payroll taxes	18,291	58,181	62,455	5,282	1,440	145,649	21,902	10,918	-	178,469
Total Personnel	289,070	723,349	1,032,561	85,868	272,047	2,402,895	362,946	161,124	-	2,926,965
Subcontract fees	70,000	-	-	-	1,511,626	1,581,626	-	-	-	1,581,626
Contract services	66,382	56,522	80,954	194,415	404,655	802,928	54,491	9,867	-	867,286
Supplies	40,004	9,967	54,027	1,923	34,912	140,833	11,857	1,233	-	153,923
Miscellaneous expenses	2,394	7,683	8,245	3,470	82,236	104,028	10,196	3,330	-	117,554
In-kind contributions	9,754	15,850	64,169	3,048	6,705	99,526	-	12,950	-	112,476
Professional fees and services	-	220	6,597	-	4,510	11,327	97,106	-	-	108,433
Facilities expense	9,789	17,696	24,012	4,853	18,087	74,437	11,941	6,944	-	93,322
Office expenses	3,790	6,063	7,400	1,111	11,076	29,440	9,604	3,832	-	42,876
Professional development	154	1,242	4,949	-	7,601	13,946	5,881	1,265	-	21,092
Depreciation and amortization	2,087	3,668	8,016	404	1,441	15,616	2,365	886	-	18,867
Insurance	1,513	2,723	5,905	289	1,025	11,455	1,738	650	-	13,843
Stipends	-	2,373	-	-	280	2,653	-	-	-	2,653
Cost of direct benefits to donors	-	-	-	-	-	-	-	-	2,212	2,212
Travel and meals	-	-	-	-	214	214	98	-	-	312
Total Non-Personnel	205,867	124,007	264,274	209,513	2,084,368	2,888,029	205,277	40,957	2,212	3,136,475
Total Expenses by Function	494,937	847,356	1,296,835	295,381	2,356,415	5,290,924	568,223	202,081	2,212	6,063,440
Less expenses included with revenues on the statement of activities Less cost of direct benefits to donors									(2,212)	(2,212)
Total Expenses	\$ 494,937	\$ 847,356	\$ 1,296,835	\$ 295,381	\$ 2,356,415	\$ 5,290,924	\$ 568,223	\$ 202,081	\$ -	\$ 6,061,228

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
Subcontract fees	70,481	-	-	-	2,750	73,231	-	-	73,231
Contract services	24,186	10,296	33,710	69,448	245,139	382,779	-	-	382,779
Supplies	12,416	23,746	42,997	41,516	103,684	224,359	12,688	1,748	238,795
Miscellaneous expenses	-	-	26	979	2,774	3,779	9,044	8,015	20,838
In-kind contributions	20,594	25,439	44,419	15,748	21,805	128,005	-	-	128,005
Professional fees and services	13,735	24,725	18,353	16,403	1,834	75,050	78,860	800	154,710
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
Depreciation and amortization	1,244	3,145	6,675	1,439	1,434	13,937	1,148	1,082	16,167
Insurance	958	2,418	5,134	1,176	1,103	10,789	1,688	832	13,309
Stipends	-	-	-	-	-	-	-	4,008	4,008
Travel and meals	354	3,456	770	6,499	918	11,997	3,091	33	15,121
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 by Function	393,706	638,973	1,012,009	387,949	648,923	3,081,560	265,637	277,370	3,624,567
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
Statements of Cash Flows
Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 3,813,202	\$ 954,423
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
SBA PPP loan forgiveness	(10,000)	-
Depreciation and amortization	18,867	16,167
Changes in operating assets and liabilities:		
Grants and contributions receivable	(2,372,664)	(349,763)
Government grants receivable	(587,671)	235,010
Prepaid expenses	(33,333)	15,777
SBA PPP advance	(4,373)	4,373
Accounts payable and accrued liabilities	162,800	17,463
Accrued vacation	48,981	11,062
Deferred revenue	(18,425)	18,425
	<u>1,017,384</u>	<u>922,937</u>
Net Cash Provided by Operating Activities	1,017,384	922,937
Cash Flows from Investing Activities		
Purchases of property and equipment	(24,325)	(12,748)
	<u>(24,325)</u>	<u>(12,748)</u>
Net Cash Used in Investing Activities	(24,325)	(12,748)
Cash Flows from Financing Activities		
Proceeds from PPP loan	-	10,000
	<u>-</u>	<u>10,000</u>
Net Cash Provided by Financing Activities	-	10,000
Net Increase in Cash and Cash Equivalents	993,059	920,189
Cash and Cash Equivalents at the Beginning of Year	<u>1,646,827</u>	<u>726,638</u>
Cash and Cash Equivalents at the End of Year	<u><u>\$ 2,639,886</u></u>	<u><u>\$ 1,646,827</u></u>
Supplementary Disclosures		
Income taxes paid	\$ -	\$ -
Interest paid	\$ -	\$ -

See notes to financial statements.

SOMOS Mayfair
Notes to Financial Statements
June 30, 2021 and 2020

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* (2012), leadership development was identified as the most effective strategy to support community and develop solutions in response to current economic, housing, and educational crises in the neighborhood. SOMOS developed a grassroots university to train and equip local leaders (*Promotores*) to become the primary agents of change. They began identifying new priorities in Mayfair, designing alternative programs to fill basic needs, and organizing the larger community for systemic change. Since the onset of the COVID-19 pandemic in early 2020, SOMOS has made a series of programmatic realignments to best serve our community's needs.

Our most impactful programmatic strategies include:

In Our Hands—SOMOS Mayfair, as the backbone agency of the *Sí Se Puede Collective* (Amigos de Guadalupe, Grail Family Services, School of Arts and Culture, SOMOS Mayfair and Veggielution), worked with local government agencies to support Santa Clara County-wide outreach and education campaigns, COVID-19 testing, and vaccination efforts in the Mayfair Community during the COVID-19 pandemic. During FY21, \$2.3 million (40%) of our programmatic expenses were in support of COVID-19 response.

Leadership Development—As community members recognize their strengths and experience through mentorship, learning, and practice, we build a leadership brand 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. FY21 accomplishments include development of the Citywide Residential Anti-Displacement Strategic Plan, Eviction Moratorium/Rent Freeze, preventing evictions for approximately 44,000 families, and Citywide Community Opportunity to Purchase Act (COPA) Education Forums where 1,500 residents participated.

Early School Success—Certified *Promotores* lead peer-to-peer programs and activities with parents and children to promote family and early learning practices. Bridge to Kindergarten and all Family Resource Center programs improve reading skills and social-emotional learning while providing basic needs assistance and referrals to a larger safety net. SOMOS Mayfair provided over 4,000 boxes of diapers to over 600 families, 232,000 pounds of food served through various partnerships to over 550 families and 750,000 meals served in partnership with the Alum Rock School District.

Economic Opportunity—Families need economic opportunity and mobility to support their children and break cycles of poverty. Through *SOMOS Fuertes*, the organization continues to support two worker-owned cooperatives to further advance opportunity and social justice in Mayfair and the broader South Bay.

SOMOS Mayfair

Notes to Financial Statements—Continued

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

For FY20-21, SOMOS Mayfair engaged 2,000 parents and 2,000 children participated in our Chavez and Painter Family Resource Centers programming; SOMOS Mayfair had 100 active leaders (*Promotores*) taking on roles this fiscal year; the *Sí Se Puede Collective* (SSPC) Mayfair neighborhood platform served as a strategic policy platform that brought together all its policy and organizing work. The platform specified what the community demands including: high quality public education; access to resources and opportunities; permanently affordable housing; environmental equity; cultural assets and community identity, deeper democracy, and economic justice. SOMOS Mayfair continues to hold a role as a neighborhood convener and backbone agency in neighborhood-based, collective impact models and released \$1,500,000 in contract services to local partner organizations. During the pandemic, SOMOS Mayfair distributed over \$200,000 in financial assistance to 400 families. SOMOS Mayfair, in partnership with the SSPC, connected to over 50,000 residents to provide them with COVID-19 resources, vaccination information, testing, and other essential services available to mitigate the ongoing crises. In total, we collectively scheduled over 2,000 COVID-19 vaccination appointments and thousands more were referred to walk-in vaccination sites.

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, 2021 and 2020.

SOMOS Mayfair
Notes to Financial Statements—Continued

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

Income Taxes—SOMOS is a nonprofit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (Code), and from California state income taxes under Section 23701(d) of the California Revenue Taxation Code. Accordingly, no provision for income taxes is included in the financial statements. In addition, SOMOS has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Code. Accounting standards require an organization to evaluate its tax positions and provide for a liability for any positions that would not be considered ‘more likely than not’ to be upheld under a tax authority examination. Management has evaluated its tax positions and has concluded that a provision for a tax liability is not necessary at June 30, 2021 and 2020. 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. SOMOS had no open federal or state examinations during the years ended June 30, 2021 or 2020.

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 Principle—In June 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU No. 2018-08 clarifies and improves the scope of the accounting guidance for contributions received and contributions made. The clarifications and improved scope assist entities in 1) evaluating whether transactions should be accounted for as contributions (nonreciprocal) or as exchange (reciprocal) transactions, and 2) determining whether a contribution is conditional. The clarified guidance applies to all entities that receive or make contributions (grants). ASU No. 2018-08 has been adopted by SOMOS for the year ended June 30, 2020, however, the retrospective approach requires that organizations reflect the effect of the new guidance in the earliest year presented in the financial statements. SOMOS has determined that adopting ASU No. 2018-08 has had no material effect on the financial statements.

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 \$1,500 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, 2021 and 2020 were \$107,002 and \$58,021, respectively.

Government grants—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.

SOMOS Mayfair
Notes to Financial Statements—Continued

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

Program Service Income—Program service 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.

Contributions—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.

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 records contributed goods at their market’s fair value.

Special event income—Special event income is recognized when such income is received.

Functional Allocation of Expenses—The costs of providing the various programs and 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
Subcontract fees	Time and effort
Contract services	Time and effort
Supplies	Time and effort
Miscellaneous expenses	Full-time equivalents
In-kind contributions	Full-time equivalents
Professional fees and services	Time and effort
Facilities expense	Full-time equivalents
Office expenses	Full-time equivalents
Professional development	Time and effort
Depreciation and amortization	Full-time equivalents
Insurance	Full-time equivalents
Stipends	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.

SOMOS Mayfair
Notes to Financial Statements—Continued

Note 2—Availability and Liquidity

The SOMOS's goal is generally to maintain financial assets to meet 90 days of operating expenses. As part of SOMOS' liquidity plan, excess cash is invested in money market accounts. SOMOS has a \$500,000 line of credit available to meet cash flow needs. SOMOS also has a board-designated reserve with a balance of \$477,691 at June 30, 2021 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, 2021 to cover operating expenses for the next fiscal year:

Cash and cash equivalents	\$ 2,639,886
Grants and contributions receivable	3,226,823
Government grants receivable	815,249
Total Financial Assets	6,681,958
Less amounts purpose-restricted or not available within one year:	
Cash and cash equivalents	(1,445,511)
Grants and contributions receivable, net	(2,366,823)
Board-designated reserve	(477,691)
Current Availability of Financial Assets	\$ 2,391,933

Note 3—Grants and Contributions Receivable, Net

Net grants and contributions receivable at June 30, 2021 and 2020 are due from various foundations and individuals which consist of the following:

	<u>2021</u>	<u>2020</u>
Foundations	\$ 1,255,475	\$ 870,000
Individuals	2,000,000	
Total Grants and Contributions Receivable	3,255,475	870,000
Less discount at 2%	(28,652)	(15,841)
Net	\$ 3,226,823	\$ 854,159

The receivable balances at June 30, 2021 and 2020 due in excess of one year were discounted at 2% to account for time value of money.

Future estimated receipts of grant and contribution receivable are as follows:

<u>Year Ending June 30,</u>	
2022	\$ 1,822,880
2023	1,432,595
Total	\$ 3,255,475

SOMOS Mayfair
Notes to Financial Statements—Continued

Note 4—Property and Equipment

The cost of property and equipment and related accumulated depreciation and amortization at June 30, 2021 and 2020 is as follows:

	<u>2021</u>	<u>2020</u>
Furniture, fixtures, and equipment	\$ 269,647	\$ 245,322
Leasehold improvements	46,368	46,368
	<u>Total</u>	<u>291,690</u>
	316,015	291,690
Less accumulated depreciation and amortization	<u>(238,443)</u>	<u>(219,576)</u>
	Net	Net
	<u>\$ 77,572</u>	<u>\$ 72,114</u>

Depreciation and amortization expense for the years ended June 30, 2021 and 2020 was \$18,867 and \$16,167, respectively.

Note 5—Line of Credit

SOMOS has an unsecured, revolving line of credit with Fremont Bank, with a credit limit of \$250,000 through October 3, 2021 at a variable rate of prime plus 2%, with a 6% floor. Subsequent to year end, on September 17, 2021, the line of credit was renewed with an increased credit limit of \$500,000, at a variable rate of prime plus 1.25%, maturing on October 3, 2023. There were no outstanding balances at June 30, 2021 and 2020.

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 \$10,000 loan portion of the PPP funding 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 \$481,227 in the statement of activities for the year ended June 30, 2020. A balance of \$4,373 remained outstanding and was recorded as an advance liability in the statement of financial position at June 30, 2020. The conditions were met during the year ended June 30, 2021 and the \$4,373 was recorded as grant income, along with the \$10,000 PPP loan and accrued interest of \$4,427.

SOMOS Mayfair
Notes to Financial Statements—Continued

Note 7—Net Assets Without Donor Restrictions

Net assets without donor restrictions for the years ended June 30, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Undesignated	\$ 1,288,809	\$ 850,579
Board-designated operating reserve	477,691	177,357
Total Net Assets Without Donor Restrictions	<u>\$ 1,766,500</u>	<u>\$ 1,027,936</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, 2021 and 2020 consists of cash assets designated to protect SOMOS from devastating economic or other misfortune. The reserve totaled \$477,691 and \$177,357 at June 30, 2021 and 2020, respectively.

Note 8—Net Assets with Donor Restrictions

Net assets with donor restrictions for the years ended June 30, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Subject to expenditure for specified purpose:		
In Our Hands	\$ 1,016,994	\$ 165,370
Community organizing	320,017	482,650
Capital campaign	53,500	-
Early Learning	30,000	83,456
Leadership development	25,000	-
Digital organizing	-	-
Economic opportunity	-	12,061
Total Subject to Expenditure for Specified Purpose	<u>1,445,511</u>	<u>743,537</u>
Subject to time restrictions:		
General operations	1,448,000	854,159
In Our Hands	1,778,823	-
Total Subject to Time Restrictions	<u>3,226,823</u>	<u>854,159</u>
Total Net Assets with Donor Restrictions	<u>\$ 4,672,334</u>	<u>\$ 1,597,696</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, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Satisfaction of purpose restrictions:		
Community organizing	\$ 747,609	\$ 277,350
In Our Hands	1,121,241	188,026
Early Learning	83,456	80,963
General program expense	18,875	-
Economic opportunity	12,062	201,691
Fund development	6,500	-
Leadership development	-	24,995
Total Satisfaction of Purpose Restrictions	1,989,743	773,025
Satisfaction of passage of time	410,000	150,000
Total Net Assets Released from Donor Restrictions	<u>\$ 2,399,743</u>	<u>\$ 923,025</u>

Note 9—In-Kind Contributions

During the years ended June 30, 2021 and 2020, SOMOS received in-kind goods, services, and use of facilities consisting of the following:

	<u>2021</u>	<u>2020</u>
From school district partners:		
Facilities	\$ 55,396	\$ 114,866
Total From School District Partners	55,396	114,866
From others:		
Goods	29,810	1,423
Services	27,270	11,716
Total From Others	57,080	13,139
Totals	<u>\$ 112,476</u>	<u>\$ 128,005</u>

In-kind expenses included on the statements of functional expenses for the years ended June 30, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Facilities expense	\$ 55,396	\$ 114,866
Professional fees and services	27,270	11,716
Supplies	29,810	1,423
Totals	<u>\$ 112,476</u>	<u>\$ 128,005</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 March 31, 2022.

Future minimum annual rental commitments by year for the operating lease at June 30, 2021 are as follows:

<u>Year Ending June 30,</u>	
2022	\$ 50,250
Total	<u>\$ 50,250</u>

Operating lease expenses during the years ended June 30, 2021 and 2020 totaled \$47,238 and \$64,424, respectively, and are included in facilities expense 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, 2021 and 2020.

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, FASB issued ASU 2016-02, *Leases (Topic 842)*. This amendment is applicable to leases with terms exceeding 12 months and 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. 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 is 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 nonprofit organizations with 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 13—New Accounting Pronouncements—Continued

Gifts-in-Kind—In September 2020, FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires increased transparency around the use and valuation of contributed nonfinancial assets (also known as gifts-in-kind) received by not-for-profit entities. Under the updated guidance, gifts-in-kind are required to be presented as a separate line item in the statement of activities, apart from contributions of cash or other financial assets, and to be disaggregated in the notes to the financial statements by the category that depicts the type of contributed nonfinancial assets. There are additional required disclosures regarding qualitative information denoting whether the gifts-in-kind were monetized or utilized during the reporting period; the entity's policy, if any, about monetizing rather than utilizing contributed nonfinancial assets; and the valuation techniques and inputs used to arrive at a fair value measure. ASU No. 2020-07 is to be applied retrospectively and is effective for annual reporting periods beginning after June 15, 2021, and interim periods within annual reporting periods beginning after June 15, 2022. Early adoption is permitted. SOMOS is currently evaluating the impact that the adoption of ASU 2020-07 will have on its financial statements.

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 including sources of funding. 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

On September 9, 2021, SOMOS entered into a lease agreement with Quetzal Gardens, L.P. to lease office, program and storage space at 7 North King Road in San Jose, CA. Occupancy is expected to commence in March 2022 with an initial 5-year term. SOMOS has options for two 5-year extensions. Base rent is \$3,500 per month. Annual increases are at 3.5%. As noted in Note 6, on September 17, 2021, SOMOS renewed its revolving line of credit for two years, increasing the credit limit to \$500,000. Management has evaluated subsequent events through December 13, 2021, which is the date the financial statements were available to be issued, and concluded that no other material subsequent events have occurred that would require adjustment to the financial statements or disclosure in the notes to the financial statements.