

MOMMA'S, INC.

**FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT**

MOMMA'S, INC.
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DECEMBER 31, 2007 AND 2006

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Momma's, Inc.

I have audited the accompanying statements of financial position of Momma's, Inc. (Momma's) as of December 31, 2007 and 2006, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of Momma's management. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Momma's internal control over financial reporting. Accordingly, I express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audits provide a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Momma's, Inc. as of December 31, 2007 and 2006, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Pisani CPA, LLC

Pisani CPA, LLC
Brentwood, NY

July 31, 2008

MOMMA'S, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2007 AND 2006

	<u>ASSETS</u>	
	<u>2007</u>	<u>2006</u>
Current Assets		
Cash and cash equivalents	\$ 452,503	\$ 331,300
Investments	32,528	69,170
Grants receivable	183,889	99,158
Promises to give, net	23,895	30,140
Prepaid expenses	<u>11,152</u>	<u>2,100</u>
Total current assets	703,967	531,868
Property and equipment, net of accumulated depreciation	268,782	263,300
Grant receivable, long term	-	65,824
Promises to give, net, long term	47,106	66,613
Timeshare	8,500	9,000
Security deposits	<u>11,000</u>	<u>5,000</u>
Total assets	<u><u>\$ 1,039,355</u></u>	<u><u>\$ 941,605</u></u>
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities		
Accounts payable and accrued expenses	\$ 2,436	\$ -
Refundable advance	47,018	43,268
Accrued payroll and related liabilities	<u>2,770</u>	<u>2,022</u>
Total current liabilities	52,224	45,290
Security deposit payable	800	800
Net assets		
Unrestricted	676,397	549,744
Temporarily restricted	<u>309,934</u>	<u>345,771</u>
Total net assets	<u>986,331</u>	<u>895,515</u>
Total liabilities and net assets	<u><u>\$ 1,039,355</u></u>	<u><u>\$ 941,605</u></u>

The accompanying notes are an integral part of these statements.

MOMMA'S, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

	<u>2007</u>			<u>2006</u>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and revenue						
Contributions	\$ 194,785	\$ 14,250	\$ 209,035	\$ 103,757	\$ 211,405	\$ 315,162
Grant revenue	42,648	109,592	152,240	79,033	-	79,033
Contributed facilities	-	-	-	16,000	-	16,000
Contributed equity securities	5,049	-	5,049	6,406	-	6,406
Contributed autos	-	-	-	6,195	-	6,195
Contributions, in kind	32,943	-	32,943	35,480	-	35,480
Special events, gross proceeds	254,423	-	254,423	200,037	-	200,037
Less: Direct benefits to donors	(75,914)	-	(75,914)	(61,904)	-	(61,904)
Net proceeds from special events	<u>178,509</u>	<u>-</u>	<u>178,509</u>	<u>138,133</u>	<u>-</u>	<u>138,133</u>
Rent income	74,031	-	74,031	55,577	-	55,577
Daycare income	673	-	673	970	-	970
Dividend and interest income	9,808	-	9,808	4,700	-	4,700
Unrealized gain/(loss) on investments	(8,999)	-	(8,999)	5,390	-	5,390
Realized gain/(loss) on investments	(100)	-	(100)	885	-	885
Net assets released from restrictions	<u>159,679</u>	<u>(159,679)</u>	<u>-</u>	<u>46,517</u>	<u>(46,517)</u>	<u>-</u>
Total support and revenue	<u>689,026</u>	<u>(35,837)</u>	<u>653,189</u>	<u>499,043</u>	<u>164,888</u>	<u>663,931</u>
Expenses						
Program services	435,113	-	435,113	339,214	-	339,214
Support services						
Management and general	86,838	-	86,838	73,440	-	73,440
Fundraising	39,922	-	39,922	73,394	-	73,394
Total support services	<u>126,760</u>	<u>-</u>	<u>126,760</u>	<u>146,834</u>	<u>-</u>	<u>146,834</u>
Total expenses	<u>561,873</u>	<u>-</u>	<u>561,873</u>	<u>486,048</u>	<u>-</u>	<u>486,048</u>
Change in net assets from operations						
Loss on impairment of long-lived asset	(500)	-	(500)	(3,500)	-	(3,500)
Change in net assets	126,653	(35,837)	90,816	9,495	164,888	174,383
Net Assets, beginning of year	<u>549,744</u>	<u>345,771</u>	<u>895,515</u>	<u>540,249</u>	<u>180,883</u>	<u>721,132</u>
Net Assets, end of year	<u>\$ 676,397</u>	<u>\$ 309,934</u>	<u>\$ 986,331</u>	<u>\$ 549,744</u>	<u>\$ 345,771</u>	<u>\$ 895,515</u>

The accompanying notes are an integral part of these statements.

MOMMA'S, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2007

	Supporting Services			
Program Services	Management and General	Fundraising	Total	
Employee Compensation				
Salaries	\$ 215,276	\$ 38,590	\$ 14,788	\$ 268,654
Employee benefits	14,668	2,629	1,008	18,305
Payroll taxes	16,470	2,952	1,131	20,553
Total employee compensation	246,414	44,171	16,927	307,512
Other expenses				
Accounting	-	6,475	-	6,475
Advertising	666	-	-	666
Auto expense	2,683	-	-	2,683
Bad debt	-	3,875	-	3,875
Contributions	-	125	-	125
Event expense	-	-	12,184	12,184
Food and supplies	26,193	-	-	26,193
House expense	14,374	-	-	14,374
Insurance	9,162	12,908	-	22,070
Miscellaneous	-	3,980	3,196	7,176
Office expense	7,809	3,421	1,311	12,541
Postage	597	832	319	1,748
Printing	72	101	1,880	2,053
Recreation and client services	3,702	-	-	3,702
Rent	78,914	8,810	3,376	91,100
Repairs and maintenance	6,905	-	-	6,905
Telephone	3,913	740	283	4,936
Utilities	21,664	1,163	446	23,273
Depreciation	12,045	237	-	12,282
Total other expenses	188,699	42,667	22,995	254,361
Expenses reported by function	\$ 435,113	\$ 86,838	\$ 39,922	\$ 561,873

The accompanying notes are an integral part of these statements.

MOMMA'S, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>Supporting Services</u>			
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Employee Compensation				
Salaries	\$ 172,777	\$ 32,818	\$ 12,485	\$ 218,080
Employee benefits	10,181	1,934	736	12,851
Payroll taxes	13,248	2,511	955	16,714
Total employee compensation	<u>196,206</u>	<u>37,263</u>	<u>14,176</u>	<u>247,645</u>
Other expenses				
Accounting	-	7,000	-	7,000
Auto expense	1,986	-	-	1,986
Contributions	-	675	-	675
Contributed auto expense	6,195	-	-	6,195
Event expense	-	-	4,525	4,525
Food and supplies	18,948	-	-	18,948
House expense	7,492	-	-	7,492
Insurance	7,453	3,608	-	11,061
Materials	-	-	4,131	4,131
Miscellaneous	-	4,891	1,986	6,877
Office expense	1,908	3,745	1,413	7,066
Postage	1,036	1,986	753	3,775
Printing	-	-	7,062	7,062
Professional fees	-	-	36,000	36,000
Property taxes	4,755	-	-	4,755
Recreation and client services	2,436	-	-	2,436
Rent	55,414	7,886	3,000	66,300
Repairs and maintenance	7,646	3,763	-	11,409
Telephone	2,790	814	310	3,914
Utilities	16,279	1,611	-	17,890
Depreciation	8,670	198	38	8,906
Total other expenses	<u>143,008</u>	<u>36,177</u>	<u>59,218</u>	<u>238,403</u>
Expenses reported by function	<u>\$ 339,214</u>	<u>\$ 73,440</u>	<u>\$ 73,394</u>	<u>\$ 486,048</u>

The accompanying notes are an integral part of these statements.

MOMMA'S, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
Cash flows from operating activities		
Change in net assets	\$ 28,261	\$ 174,383
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	12,282	8,906
Unrealized (gain) loss on investments	8,999	(5,390)
Realized (gain) loss on investments	100	(885)
Loss on impairment of long-lived asset	500	3,500
Contribution of marketable equity securities	(5,049)	(6,406)
Change in operating assets and liabilities		
(Increase) decrease in grants receivable	(15,071)	39,134
(Increase) decrease in net promises to give	18,647	(93,478)
Increase in prepaid expenses	(9,052)	-
Decrease in grants receivable, long term	65,824	-
Increase in security deposits	(6,000)	-
Increase (decrease) in accounts payable and accrued expenses	2,436	(975)
Increase in refundable advance	3,750	43,268
Increase in accrued payroll and related liabilities	748	2,022
Net cash provided by operating activities	106,375	164,079
 Cash flows from investing activities		
Proceeds from sale of investments	32,592	35,034
Purchase of investments	-	(30,558)
Purchase of furniture and equipment	(4,035)	-
Improvements to residential home	(13,729)	(27,452)
Net cash provided by (used in) investing activities	14,828	(22,976)
 Net increase in cash and cash equivalents	121,203	141,103
 Cash and cash equivalents, beginning of year	331,300	190,197
 Cash and cash equivalents, end of year	\$ 452,503	\$ 331,300
 Supplemental Information		
Non-cash transactions		
Contributed facilities	\$ -	\$ 16,000
Contributed equity securities	5,049	6,406
Contributed autos	-	6,195
Contributions, in kind	32,943	35,480
Total non-cash transactions	\$ 37,992	\$ 64,081
 The non-cash contributions have been recorded in the following accounts.		
Special events, gross proceeds	\$ 18,843	\$ 22,480
Food and supplies	14,100	13,000
Investments	5,049	6,406
Rent	-	16,000
Contributed auto expense	-	6,195
	\$ 37,992	\$ 64,081

The accompanying notes are an integral part of these statements.

MOMMA'S, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006

(1) Nature of Activities, Nonprofit Status and Significant Accounting Policies

Nature of Activities

Momma's, Inc. is a residential program for young mothers and their children, providing a supportive environment for mother-child bonding and pursuit of work or schooling for up to two years after the birth of the child with the goal of self-sufficiency upon completion of the program. Momma's operates in Nassau County, New York. Momma's revenue consists primarily of contributions and grant revenues.

Nonprofit Status

Momma's, Inc. was incorporated in 1986 and is exempt from Federal income taxes as an organization (not a private foundation) formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code. Donors may deduct contributions made to Momma's within the requirements of the Internal Revenue Code.

Significant Accounting Policies

The following are the more significant accounting policies used in the preparation of the accompanying financial statements.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Under this method, revenue is recognized when earned and expenses are recognized when incurred.

Financial Statement Presentation

Financial statement presentation follows the requirements of the Financial Accounting Standards Board in its *Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations*. Under *SFAS No. 117*, Momma's is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

MOMMA'S, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006

(1) **Nature of Activities, Nonprofit Status and Significant Accounting Policies** (continued)

Revenue Recognition

Momma's revenue consists of grants, contributions, fundraising and special event revenues. Unrestricted grants, contributions and fundraising revenue intended for the current period are recognized when received. Restricted grants, contributions and fundraising revenue are recorded as temporarily restricted support and net assets if they are received with donor stipulations that limit the use of the contributed assets. When a donor or sponsor restriction expires, that is, when a stipulated time restriction ends or a 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.

Contributed Facilities

The contributed use of facilities is reflected in the financial statements based on the estimated value at the time of contribution. This amount is based on the estimated fair market rent per square foot for Nassau County, New York. Momma's has an agreement for the use of a residential home and the agreement is cancellable by either party.

Contributed Services and Materials

Momma's records various types of contributed support, including services and materials. Contributed support is recognized in accordance with *Statement of Financial Accounting Standards (SFAS) No. 116, Accounting for Contributions Received and Contributions Made*. This pronouncement requires recognition of certain services received if those services (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by contribution. Contributions of tangible and intangible assets are recognized at fair market value when received. The amounts reflected in the accompanying financial statements as in-kind support are offset by like amounts included in expenses.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited.

MOMMA'S, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006

(1) **Nature of Activities, Nonprofit Status and Significant Accounting Policies** (continued)

Property and Equipment

Acquisitions of property and equipment with useful lives greater than one year are recorded at cost. Property and equipment acquisitions are depreciated using the straight-line method over the estimated useful lives of the assets.

Estimates

The preparation of financial statements in accordance with accounting standards 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statements of cash flows, Momma's considers all highly liquid investments available for current use with an initial maturity date of three months or less to be cash equivalents.

(2) **Concentration of Credit Risk**

Momma's maintains its cash balances in several high-quality financial institutions. The balances are insured by the Federal Deposit Insurance Corporation up to \$100,000. Momma's uninsured cash balances totaled \$124,745 and \$42,359 at December 31, 2007 and 2006, respectively.

(3) **Unconditional Promises to Give**

Momma's had unconditional promises to give representing the following at December 31, 2007 and 2006, respectively:

	<u>2007</u>		<u>2006</u>
Purchase of residential home	\$ 83,050	\$	107,505

MOMMA'S, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006

(3) Unconditional Promises to Give (continued)

	<u>2007</u>		<u>2006</u>
Receivable in less than one year	\$ 23,895	\$	30,140
Receivable in one to five years	<u>59,155</u>		<u>77,365</u>
Total unconditional promises to give	83,050		107,505
Less allowances for uncollectible promises	(3,875)		-
Less discounts to net present value	<u>(8,174)</u>		<u>(10,752)</u>
Net unconditional promises to give	\$ <u>71,001</u>	\$	<u>96,753</u>

Unconditional promises to give are discounted at 5%.

(4) Property and Equipment

Property and equipment, accumulated depreciation and the estimated useful lives as of December 31, 2007 and 2006 are as follows:

	<u>2007</u>		<u>2006</u>	Estimated Useful Lives
Office equipment	\$ 450	\$	450	5 years
Furniture and fixtures	9,232		7,226	5 years
Automobile	17,000		17,000	5 years
Computer equipment	10,919		9,340	5 years
Leasehold improvements	27,452		27,452	5 years
Residential home	<u>261,292</u>		<u>247,113</u>	39 years
	326,345		308,581	
Less accumulated depreciation	<u>57,563</u>		<u>45,281</u>	
Property and equipment, net	\$ <u>268,782</u>	\$	<u>263,300</u>	

Depreciation expense was \$12,282 and \$8,906 for the years ended December 31, 2007 and 2006, respectively.

MOMMA'S, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006

(5) Grants Receivable

At December 31, 2007 and 2006, current and long term grants receivable consisted of the following:

	<u>2007</u>	<u>2006</u>
Current:		
Maternity and Early Childhood Foundation	\$ -	\$ 16,667
Nassau County Home Program	69,660	-
US Housing and Urban Development	114,229	82,491
	\$ <u>183,889</u>	\$ <u>99,158</u>
Long term:		
US Housing and Urban Development	\$ -	\$ 65,824

Management considers all grants receivable to be fully collectible.

(6) Investments

Investments are recorded at fair value based on readily determinable quoted market prices at December 31, 2007 and 2006 and consist of the following:

	<u>2007</u>		
	<u>Carrying Value</u>	<u>Fair Value</u>	<u>Unrealized gain/(loss)</u>
Equity securities	\$ 41,527	\$ 32,528	\$ (8,999)
Total investments	\$ <u>41,527</u>	\$ <u>32,528</u>	\$ <u>(8,999)</u>
	<u>2006</u>		
	<u>Carrying Value</u>	<u>Fair Value</u>	<u>Unrealized gain/(loss)</u>
Equity mutual funds	\$ 20,557	\$ 20,709	\$ 152
Equity securities	43,223	48,461	5,238
Total investments	\$ <u>63,780</u>	\$ <u>69,170</u>	\$ <u>5,390</u>

During the years ended December 31, 2007 and 2006, Momma's received contributions of equity securities valued at \$5,049 and \$6,406, respectively.

MOMMA'S, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006

(7) Contributed Facilities

Momma's occupied its home in Brookville on a month-to-month, rent-free basis. The facility was provided by an unrelated tax-exempt religious organization. Amounts have been recognized as revenues and expenses in the accompanying financial statements for the fair market value of the contributed facilities estimated at \$16,000 for the year ended December 31, 2006. The Brookville house was closed in August 2006.

(8) Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following periods or purposes at December 31, 2007 and 2006, respectively:

	<u>2007</u>	<u>2006</u>
Operation of residential home	\$ 114,229	\$ 150,066
Purchase of residential home	<u>195,705</u>	<u>195,705</u>
	<u>\$ 309,934</u>	<u>\$ 345,771</u>

(9) In-kind Contributions

Momma's receives contributed goods and services in support of various aspects of its programs. During the years ended December 31, 2007 and 2006, Momma's received the following in-kind contributions of materials and services that have been reflected in the financial statements:

	<u>2007</u>	<u>2006</u>
Special events, gross proceeds	\$ 18,843	\$ 22,480
Food and supplies	14,100	13,000
Contributed autos	-	6,195
Total in-kind contributions	<u>\$ 32,943</u>	<u>\$ 41,675</u>

Momma's receives a significant amount of contributed services of volunteers in connection with its various programs which do not meet the criteria for recognition. Accordingly, the value of these contributed services has not been reflected in the accompanying financial statements.

Momma's provides clients with contributed autos to enable the clients to be self-sufficient.

MOMMA'S, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006

(10) Leasing Arrangements

Momma's leases space under a noncancelable lease agreement for use of premises at the Roman Catholic Parish of St. Rocco in Glen Cove, NY. The agreement provides for annual rent of \$27,600 for the years ended December 31, 2007 and 2006, respectively. Rent expense was \$27,600 and \$27,600 for the years ended December 31, 2007 and 2006 under the agreement.

On January 1, 2006, Momma's entered into a new lease for its office facilities on Wantagh Avenue, which expires January 31, 2011. Momma's entered into the agreement to equally share the facilities and lease obligation with another nonprofit organization. Rent expense was \$18,500 and \$15,000 for the years ended December 31, 2007 and 2006, respectively under the agreement. Future lease payments are:

2008	\$	19,200
2009		19,800
2010		20,400
2011		1,750

On August 1, 2007, Momma's entered into a new lease for a residential home in Hempstead, NY, which expires July 31, 2008. Momma's has the option to renew the lease for an additional one year period for the next four years at a rental expense of \$3,000 per month. Rent expense was \$15,000 for the year ended December 31, 2007 under the agreement. Future lease payments are:

2008	\$	35,000
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MOMMA'S, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006

(11) Residential Home Purchase

In November 2004, Momma's entered into a conditional grant agreement with the US Department of Housing and Urban Development (HUD) to provide permanent supportive housing in Nassau County. The grant amount is \$327,472, \$130,000 of which is designated as part of the purchase price of the E. Massapequa home. The remaining \$197,472 of the grant is to be used for the operation and administration of the home for a three year period:

2005	\$	16,589
2006		65,824
2007		65,824
2008		49,235
	\$	<u>197,472</u>

Under the terms of the grant, Momma's must maintain ownership of the E. Massapequa home and operate it as supportive housing for a twenty year period from the date of initial occupancy. If the agreement is materially breached in this manner, HUD may reduce or recapture the grant award or continue the grant with a substitute recipient of HUD's choosing.

In June 2005, Momma's purchased the residential home in E. Massapequa, New York which substantially met the terms of the HUD grant. The home will provide additional housing for unwed mothers and their children. The purchase price of the home was \$200,000. In the years ended December 31, 2007 and 2006, Momma's received \$35,836 and \$30,817 under the agreement for the operation and administration of the home. Annual operating expenses for the home are less than originally anticipated. Accordingly, a budget modification for the grant has been approved by HUD.

(12) Residential Home Agreement

In June 2006, Momma's entered into an agreement with Nassau County to operate a County-owned home in Jericho, NY as a community home and temporary residence for up to five women, up to five babies under two years of age and up to two house mothers. The agreement is cancelable by either party with thirty days notice of termination in writing. The agreement provides for a monthly permit fee of \$2,500. Total permit fee expense was \$30,000 and \$10,000 under the agreement for the program for the years ended December 31, 2007 and 2006, respectively and is recorded on the Statement of Functional expenses as Rent.

MOMMA'S, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006

(13) Impairment of Timeshare

Momma's reviews the recoverability of long-lived assets when circumstances indicate that the carrying amount of the asset may not be recoverable. If the carrying value is not recoverable, the impairment loss is measured as the excess of the asset's carrying value over its fair value. In the years ended December 31, 2007 and 2006, Momma's reviewed the carrying value of the Timeshare assets and based on a comparison to their fair value, impairment losses of \$500 and \$3,500 were recognized. Fair value was based on quoted market prices.