

MOMMA'S, INC.

**FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT**

MOMMA'S, INC.
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DECEMBER 31, 2008 AND 2007

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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, 2008 and 2007, 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, 2008 and 2007, 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

June 9, 2009

MOMMA'S, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2008 AND 2007

	<u>ASSETS</u>	
	<u>2008</u>	<u>2007</u> <u>As restated</u>
Current Assets		
Cash and cash equivalents	\$ 453,929	\$ 452,503
Investments	12,197	32,528
Accounts receivable	4,379	-
Grants receivable	203,322	183,889
Promises to give, net	53,180	32,069
Prepaid expenses	-	11,152
	727,007	712,141
Total current assets	727,007	712,141
Property and equipment, net of accumulated depreciation	261,778	268,782
Promises to give, net, long term	7,097	29,631
Timeshare	9,000	8,500
Security deposits	11,000	11,000
	\$ 1,015,882	\$ 1,030,054
Total assets	\$ 1,015,882	\$ 1,030,054
 <u>LIABILITIES AND NET ASSETS</u> 		
Current liabilities		
Accounts payable and accrued expenses	\$ -	\$ 2,436
Refundable advance	3,618	47,018
Accrued payroll and related liabilities	7,967	2,770
	11,585	52,224
Total current liabilities	11,585	52,224
Security deposit payable	-	800
Net assets		
Unrestricted	744,126	667,096
Temporarily restricted	260,171	309,934
	1,004,297	977,030
Total net assets	1,004,297	977,030
	\$ 1,015,882	\$ 1,030,054
Total liabilities and net assets	\$ 1,015,882	\$ 1,030,054

The accompanying notes are an integral part of these statements.

MOMMA'S, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	<u>2008</u>			<u>2007</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	\$ 230,719	\$ 3,745	\$ 234,464	\$ 194,785	\$ 14,250	\$ 209,035
Grant revenue	47,336	208,706	256,042	42,648	109,592	152,240
Contributed equity securities	-	-	-	5,049	-	5,049
Contributions, in kind	24,486	-	24,486	32,943	-	32,943
Special events, gross proceeds	157,280	-	157,280	254,423	-	254,423
Less: Direct benefits to donors	<u>(61,007)</u>	<u>-</u>	<u>(61,007)</u>	<u>(75,914)</u>	<u>-</u>	<u>(75,914)</u>
Net proceeds from special events	96,273	-	96,273	178,509	-	178,509
Rent income	117,950	-	117,950	74,031	-	74,031
Daycare income	-	-	-	673	-	673
Dividend and interest income	8,113	-	8,113	9,808	-	9,808
Unrealized loss on investments	(19,396)	-	(19,396)	(8,999)	-	(8,999)
Realized loss on investments	-	-	-	(100)	-	(100)
Net assets released from restrictions	<u>262,214</u>	<u>(262,214)</u>	<u>-</u>	<u>159,679</u>	<u>(159,679)</u>	<u>-</u>
Total support and revenue	<u>767,695</u>	<u>(49,763)</u>	<u>717,932</u>	<u>689,026</u>	<u>(35,837)</u>	<u>653,189</u>
Expenses						
Program services	552,200	-	552,200	435,113	-	435,113
Support services						
Management and general	98,089	-	98,089	86,838	-	86,838
Fundraising	<u>40,876</u>	<u>-</u>	<u>40,876</u>	<u>39,922</u>	<u>-</u>	<u>39,922</u>
Total support services	<u>138,965</u>	<u>-</u>	<u>138,965</u>	<u>126,760</u>	<u>-</u>	<u>126,760</u>
Total expenses	<u>691,165</u>	<u>-</u>	<u>691,165</u>	<u>561,873</u>	<u>-</u>	<u>561,873</u>
Change in net assets from operations	76,530	(49,763)	26,767	127,153	(35,837)	91,316
Change in value of long-lived asset	<u>500</u>	<u>-</u>	<u>500</u>	<u>(500)</u>	<u>-</u>	<u>(500)</u>
Change in net assets	77,030	(49,763)	27,267	126,653	(35,837)	90,816
Net Assets, beginning of year, as previously reported	667,096	309,934	977,030	549,744	345,771	895,515
Prior period adjustment	<u>-</u>	<u>-</u>	<u>-</u>	<u>(9,301)</u>	<u>-</u>	<u>(9,301)</u>
Net Assets, beginning of year, as restated	<u>667,096</u>	<u>309,934</u>	<u>977,030</u>	<u>540,443</u>	<u>345,771</u>	<u>886,214</u>
Net Assets, end of year	<u>\$ 744,126</u>	<u>\$ 260,171</u>	<u>\$ 1,004,297</u>	<u>\$ 667,096</u>	<u>\$ 309,934</u>	<u>\$ 977,030</u>

The accompanying notes are an integral part of these statements.

MOMMA'S, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>Supporting Services</u>			
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Employee Compensation				
Salaries	\$ 292,859	\$ 38,707	\$ 17,058	\$ 348,624
Employee benefits	18,905	2,499	1,101	22,505
Payroll taxes	22,785	2,961	1,305	27,051
Total employee compensation	<u>334,549</u>	<u>44,167</u>	<u>19,464</u>	<u>398,180</u>
Other expenses				
Accounting	-	8,627	-	8,627
Advertising	475	-	-	475
Auto expense	399	-	-	399
Conferences and seminars	1,185	-	-	1,185
Event expense	-	-	10,689	10,689
Food	31,470	-	-	31,470
House expense	2,137	-	-	2,137
Insurance	8,900	16,252	-	25,152
Miscellaneous	-	3,651	70	3,721
Office expense	3,841	6,067	2,477	12,385
Postage	1,102	1,741	711	3,554
Printing	1,301	2,057	840	4,198
Recreation and client services	2,849	-	-	2,849
Rent	99,368	9,112	3,720	112,200
Repairs and maintenance	11,259	-	-	11,259
Supplies	9,552	1,205	492	11,249
Telephone	3,719	487	221	4,427
Utilities	26,776	4,306	1,758	32,840
Depreciation	13,318	417	434	14,169
Total other expenses	<u>217,651</u>	<u>53,922</u>	<u>21,412</u>	<u>292,985</u>
Expenses reported by function	<u>\$ 552,200</u>	<u>\$ 98,089</u>	<u>\$ 40,876</u>	<u>\$ 691,165</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

		<u>Supporting Services</u>		
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
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	<u>246,414</u>	<u>44,171</u>	<u>16,927</u>	<u>307,512</u>
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	26,193	-	-	26,193
House expense	3,019	-	-	3,019
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
Supplies	11,355	-	-	11,355
Telephone	3,913	740	283	4,936
Utilities	21,664	1,163	446	23,273
Depreciation	12,045	237	-	12,282
Total other expenses	<u>188,699</u>	<u>42,667</u>	<u>22,995</u>	<u>254,361</u>
Expenses reported by function	<u>\$ 435,113</u>	<u>\$ 86,838</u>	<u>\$ 39,922</u>	<u>\$ 561,873</u>

The accompanying notes are an integral part of these statements.

MOMMA'S, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	<u>2008</u>	<u>2007</u> <u>As restated</u>
Cash flows from operating activities		
Change in net assets	\$ 27,267	\$ 90,816
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	14,169	12,282
Unrealized (gain) loss on investments	20,331	8,999
Realized (gain) loss on investments	-	100
(Gain) loss on impairment of long-lived asset	(500)	500
Contribution of marketable equity securities	-	(5,049)
Change in operating assets and liabilities		
Increase in accounts receivable	(4,379)	-
Increase in grants receivable	(19,433)	(84,731)
Decrease in net promises to give	1,423	6,245
(Increase) decrease in prepaid expenses	11,152	(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)	2,436
Increase (decrease) in refundable advance	(43,400)	3,750
Increase in accrued payroll and related liabilities	5,197	748
Decrease in security deposit payable	(800)	-
Net cash provided by operating activities	8,591	86,868
Cash flows from investing activities		
Proceeds from sale of investments	-	52,099
Purchase of furniture and equipment	-	(4,035)
Improvements to residential home	(7,165)	(13,729)
Net cash provided by (used in) investing activities	(7,165)	34,335
Net increase in cash and cash equivalents	1,426	121,203
Cash and cash equivalents, beginning of year	452,503	331,300
Cash and cash equivalents, end of year	\$ 453,929	\$ 452,503
Supplemental Information		
Non-cash transactions		
Contributed equity securities	\$ -	\$ 5,049
Contributions, in kind	24,486	32,943
Total non-cash transactions	\$ 24,486	\$ 37,992
The non-cash contributions have been recorded in the following accounts.		
Special events, gross proceeds	\$ 9,486	\$ 18,843
Food and supplies	15,000	14,100
Investments	-	5,049
	\$ 24,486	\$ 37,992

The accompanying notes are an integral part of these statements.

MOMMA'S, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

(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, 2008 AND 2007

(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 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 value when received. The amounts reflected in the accompanying financial statements as in-kind support are offset by like amounts included in expenses.

Investments

Momma's has adopted the provisions of *SFAS No. 157, Fair Value Measurements*, effective January 1, 2008. Under *SFAS No. 157*, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. *SFAS No. 157* establishes a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs requiring the most observable inputs be used when available. The fair value hierarchy is categorized into three levels (Level 1, 2, and 3). The adoption of *SFAS No. 157* did not have an effect on Momma's financial statements.

MOMMA'S, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

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

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.

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 were insured by the Federal Deposit Insurance Corporation up to \$250,000 and \$100,000, in the years ended December 31, 2008 and 2007, respectively. Momma's' uninsured cash balances totaled \$81,564 and \$124,745 at December 31, 2008 and 2007, respectively.

MOMMA'S, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

(3) Unconditional Promises to Give

Momma's had unconditional promises to give representing the following at December 31, 2008 and 2007, respectively:

	<u>2008</u>	<u>2007</u>
Unrestricted	\$ 38,500	\$ -
Purchase of residential home	<u>27,755</u>	<u>73,749</u>
Total Promises to Give	<u>\$ 66,255</u>	<u>\$ 73,749</u>
Receivable in less than one year	\$ 53,555	\$ 35,944
Receivable in one to five years	<u>12,700</u>	<u>37,805</u>
Total unconditional promises to give	66,255	73,749
Less allowances for uncollectible promises	(375)	(3,875)
Less discounts to net present value	<u>(5,603)</u>	<u>(8,174)</u>
Net unconditional promises to give	<u>\$ 60,277</u>	<u>\$ 61,700</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, 2008 and 2007 are as follows:

	<u>2008</u>	<u>2007</u>	<u>Estimated Useful Lives</u>
Office equipment	\$ 450	\$ 450	5 years
Furniture and fixtures	9,232	9,232	5 years
Automobile	17,000	17,000	5 years
Computer equipment	10,919	10,919	5 years
Leasehold improvements	30,652	27,452	5 years
Residential home	<u>265,257</u>	<u>261,292</u>	39 years
	333,510	326,345	
Less accumulated depreciation	<u>71,732</u>	<u>57,563</u>	
Property and equipment, net	<u>\$ 261,778</u>	<u>\$ 268,782</u>	

Depreciation expense was \$14,169 and \$12,282 for the years ended December 31, 2008 and 2007, respectively.

MOMMA'S, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

(5) Grants Receivable

At December 31, 2008 and 2007, grants receivable consisted of the following:

	<u>2008</u>	<u>2007</u>
Nassau County	\$ 142,151	\$ 69,660
US Housing and Urban Development	61,171	114,229
	<u>\$ 203,322</u>	<u>\$ 183,889</u>

Management considers all grants receivable to be fully collectible.

(6) Investments

The following disclosure applies the *SFAS No. 157* fair value hierarchy and disclosure requirements to Momma's financial instruments that are carried at fair value. *SFAS No. 157* establishes a fair value hierarchy that prioritizes the inputs in the valuation techniques used to measure fair value into three broad levels (Level 1, 2 and 3).

Level 1 financial instruments are valued by observable inputs that reflect quoted prices for identical assets or liabilities in active markets that Momma's has the ability to access at the measurement date. Examples of Level 1 securities include highly liquid U.S. Treasury securities and exchange traded securities and derivative securities. The following investments at December 31, 2008 and 2007, respectively are valued at Level 1.

	<u>2008</u>		
	<u>Carrying Value</u>	<u>Fair Value</u>	<u>Unrealized gain/(loss)</u>
Equity securities	\$ 31,593	\$ 12,197	\$ (19,396)
Total investments	<u>\$ 31,593</u>	<u>\$ 12,197</u>	<u>\$ (19,396)</u>
	 <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>

During the years ended December 31, 2008 and 2007, Momma's received contributions of equity securities valued at \$0 and \$5,049, respectively.

MOMMA'S, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

(7) Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following periods or purposes at December 31, 2008 and 2007, respectively:

	<u>2008</u>	<u>2007</u>
Operation of residential home	\$ 60,721	\$ 114,229
Purchase of residential home	<u>199,450</u>	<u>195,705</u>
Total temporarily restricted net assets	<u>\$ 260,171</u>	<u>\$ 309,934</u>

(8) In-kind Contributions

Momma's receives contributed goods and services in support of various aspects of its programs. During the years ended December 31, 2008 and 2007, Momma's received the following in-kind contributions that have been reflected in the financial statements:

	<u>2008</u>	<u>2007</u>
Special events, gross proceeds	\$ 9,486	\$ 18,843
Food and supplies	<u>15,000</u>	<u>14,100</u>
Total in-kind contributions	<u>\$ 24,486</u>	<u>\$ 32,943</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, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

(9) 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 which expires September 30, 2010. The agreement provides for monthly rental payments of \$2,300. Rent expense was \$27,600 for each of the years ended December 31, 2008 and 2007, 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 \$18,100 and \$18,500 for the years ended December 31, 2008 and 2007, respectively under the agreement. Future lease payments are:

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, 2009. Momma's has the option to renew the lease for an additional one year period for the next three years at a rental expense of \$3,000 per month. In early 2009, Momma's renegotiated the lease for 2009 at \$2,000 per month. Rent expense was \$36,000 and \$15,000 for the years ended December 31, 2008 and 2007, respectively, under the agreement. Future lease payments are:

2009	\$	24,000
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MOMMA'S, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

(10) 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 was designated as part of the purchase price of the E. Massapequa home. The remaining \$197,472 of the grant was originally to be used for the operation and administration of the home for a four 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, 2008 and 2007, Momma's received \$53,058 and \$35,836 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.

(11) 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 under the agreement for the program for each of the years ended December 31, 2008 and 2007, respectively and is recorded on the Statement of Functional expenses as Rent.

MOMMA'S, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

(12) Change in Value 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 applying the SFAS No. 157 fair value hierarchy to the Timeshare assets, Momma's utilized Level 1 inputs. In the years ended December 31, 2008 and 2007, Momma's reviewed the carrying value of the Timeshare assets and based on a comparison to their fair value, a gain of \$500 was recognized in the year ended December 31, 2008 and an impairment loss of \$500 was recognized in the year ended December 31, 2007.

(13) Reclassification

Certain amounts in the 2007 financial statements have been reclassified with conform to the 2008 presentation.

(14) Restated 2007 Financial Statements and Prior Period Adjustment

The financial statements for the year ended December 31, 2006 overstated promises to give and temporarily restricted net assets by \$9,301. Accordingly, the net asset balances as of December 31, 2006 have been reduced to reflect this overstatement. The 2007 financial statements have been restated to reflect the overstatement of Promises to Give at December 31, 2007.