

MOMMA'S, INC.

**FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT**

MOMMA'S, INC.
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DECEMBER 31, 2011 AND 2010

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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, 2011 and 2010, and the related statements of activities, functional expenses and cash flows for the years then ended. Management of Momma's is responsible for the financial statements. 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, 2011 and 2010, 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

May 21, 2012

MOMMA'S, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2011 AND 2010

	<u>ASSETS</u>	<u>2011</u>	<u>2010</u>
Current Assets			
Cash and cash equivalents	\$	352,023	\$ 577,714
Investments		377,840	14,805
Accounts receivable		29,349	57,151
Grants receivable		50,173	53,519
Promises to give, net		4,481	15,435
Prepaid expenses		6,800	-
		820,666	718,624
Total current assets		820,666	718,624
Property and equipment, net of accumulated depreciation		230,058	244,456
Promises to give, net, long term		1,140	1,839
Timeshare		9,000	9,000
Security deposits		11,000	11,000
		\$ 1,071,864	\$ 984,919
Total assets		\$ 1,071,864	\$ 984,919
<u>LIABILITIES AND NET ASSETS</u>			
Current liabilities			
Accounts payable	\$	7,021	\$ -
Accrued payroll and related liabilities		8,209	8,020
		15,230	8,020
Total current liabilities		15,230	8,020
Security deposit payable		3,991	3,991
		19,221	12,011
Total liabilities		19,221	12,011
Net assets			
Unrestricted		804,900	758,689
Temporarily restricted		247,743	214,219
		1,052,643	972,908
Total net assets		1,052,643	972,908
		\$ 1,071,864	\$ 984,919
Total liabilities and net assets		\$ 1,071,864	\$ 984,919

The accompanying notes are an integral part of these statements.

MOMMA'S, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	2011			2010		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and revenue						
Contributions	\$ 180,349	\$ -	\$ 180,349	\$ 226,732	\$ 1,150	\$ 227,882
Grant revenue	34,250	119,533	153,783	42,809	94,320	137,129
Contributed equity securities	897	-	897	-	-	-
Contributed services	5,000	-	5,000	-	-	-
Contributed materials	34,703	-	34,703	35,772	-	35,772
Special events, gross proceeds	141,429	-	141,429	118,562	-	118,562
Less: Direct benefits to donors	(28,443)	-	(28,443)	(26,499)	-	(26,499)
Net proceeds from special events	<u>112,986</u>	<u>-</u>	<u>112,986</u>	<u>92,063</u>	<u>-</u>	<u>92,063</u>
Program service revenue	306,686	-	306,686	277,179	-	277,179
Dividend and interest income	570	-	570	1,871	-	1,871
Unrealized gain (loss) on investments	(4,366)	-	(4,366)	665	-	665
Net assets released from restrictions	<u>86,009</u>	<u>(86,009)</u>	<u>-</u>	<u>131,550</u>	<u>(131,550)</u>	<u>-</u>
Total support and revenue	<u>757,084</u>	<u>33,524</u>	<u>790,608</u>	<u>808,641</u>	<u>(36,080)</u>	<u>772,561</u>
Expenses						
Program services	546,123	-	546,123	519,566	-	519,566
Support services						
Management and general	124,536	-	124,536	116,480	-	116,480
Fundraising	<u>40,214</u>	<u>-</u>	<u>40,214</u>	<u>52,649</u>	<u>-</u>	<u>52,649</u>
Total support services	<u>164,750</u>	<u>-</u>	<u>164,750</u>	<u>169,129</u>	<u>-</u>	<u>169,129</u>
Total expenses	<u>710,873</u>	<u>-</u>	<u>710,873</u>	<u>688,695</u>	<u>-</u>	<u>688,695</u>
Change in net assets	46,211	33,524	79,735	119,946	(36,080)	83,866
Net Assets, beginning of year	<u>758,689</u>	<u>214,219</u>	<u>972,908</u>	<u>638,743</u>	<u>250,299</u>	<u>889,042</u>
Net Assets, end of year	<u>\$ 804,900</u>	<u>\$ 247,743</u>	<u>\$ 1,052,643</u>	<u>\$ 758,689</u>	<u>\$ 214,219</u>	<u>\$ 972,908</u>

The accompanying notes are an integral part of these statements.

MOMMA'S, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2011

		<u>Supporting Services</u>		
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Employee Compensation				
Salaries	\$ 291,516	\$ 55,924	\$ 18,206	\$ 365,646
Employee benefits	23,098	3,963	1,831	28,892
Payroll taxes	21,409	4,436	1,466	27,311
Total employee compensation	<u>336,023</u>	<u>64,323</u>	<u>21,503</u>	<u>421,849</u>
Other expenses				
Accounting	\$ -	\$ 6,215	\$ -	\$ 6,215
Advertising	80	825	-	905
Auto expense	5,930	-	-	5,930
Board expense	-	47	-	47
Conferences and seminars	645	-	-	645
Dues and subscriptions	-	1,040	-	1,040
Event expense	-	-	8,022	8,022
Food	32,423	-	-	32,423
House expense	1,177	-	-	1,177
Insurance	-	23,056	-	23,056
Miscellaneous	1,512	4,288	-	5,800
Office expense	1,946	2,456	1,519	5,921
Postage	1,712	2,162	1,337	5,211
Printing	1,280	1,616	999	3,895
Recreation and client services	3,424	-	-	3,424
Rent	88,435	8,629	5,336	102,400
Repairs and maintenance	12,615	7,444	-	20,059
Supplies	5,966	-	-	5,966
Utilities	37,405	2,235	1,382	41,022
Depreciation	15,550	200	116	15,866
Total other expenses	<u>210,100</u>	<u>60,213</u>	<u>18,711</u>	<u>289,024</u>
Expenses reported by function	<u>\$ 546,123</u>	<u>\$ 124,536</u>	<u>\$ 40,214</u>	<u>\$ 710,873</u>

The accompanying notes are an integral part of these statements.

MOMMA'S, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2010

		<u>Supporting Services</u>			
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>	
Employee Compensation					
Salaries	\$ 278,573	\$ 47,794	\$ 22,077	\$ 348,444	
Employee benefits	24,339	4,176	1,929	30,444	
Payroll taxes	21,060	3,853	1,780	26,693	
Total employee compensation	<u>323,972</u>	<u>55,823</u>	<u>25,786</u>	<u>405,581</u>	
Other expenses					
Accounting	\$ -	\$ 6,335	\$ -	\$ 6,335	
Advertising	25	1,139	-	1,164	
Auto expense	1,378	-	-	1,378	
Bad debt	-	9,205	-	9,205	
Board expense	-	3,713	-	3,713	
Conferences and seminars	273	-	-	273	
Dues and subscriptions	-	911	-	911	
Event expense	-	-	17,399	17,399	
Food	32,252	-	-	32,252	
House expense	951	-	-	951	
Insurance	-	21,220	-	21,220	
Miscellaneous	1,027	2,818	-	3,845	
Office expense	2,408	3,039	1,879	7,326	
Postage	974	1,229	760	2,963	
Printing	736	929	575	2,240	
Recreation and client services	1,036	-	-	1,036	
Rent	87,959	8,027	4,964	100,950	
Repairs and maintenance	8,702	-	-	8,702	
Supplies	5,650	-	-	5,650	
Utilities	34,869	1,892	1,170	37,931	
Depreciation	17,354	200	116	17,670	
Total other expenses	<u>195,594</u>	<u>60,657</u>	<u>26,863</u>	<u>283,114</u>	
Expenses reported by function	<u>\$ 519,566</u>	<u>\$ 116,480</u>	<u>\$ 52,649</u>	<u>\$ 688,695</u>	

The accompanying notes are an integral part of these statements.

MOMMA'S, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities		
Change in net assets	\$ 79,735	\$ 83,866
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	15,866	17,670
Unrealized (gain) loss on investments	4,366	(665)
Contribution of marketable equity securities	(897)	-
Change in operating assets and liabilities		
(Increase) decrease in accounts receivable	27,802	(54,346)
Decrease in grants receivable	3,346	13,996
(Increase) decrease in net promises to give	11,653	(1,186)
(Increase) decrease in prepaid expenses	(6,800)	8,400
Decrease in refundable advance	-	(3,437)
Increase in accounts payable	7,021	-
Increase in accrued payroll and related liabilities	189	4,116
Increase in security deposit payable	-	1,297
Net cash provided by operating activities	<u>142,281</u>	<u>69,711</u>
Cash flows from investing activities		
Purchase of investments	(420,000)	-
Proceeds from the sale of investments	53,496	-
Purchase of property and equipment	(1,468)	-
Net cash used in investing activities	<u>(367,972)</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(225,691)	69,711
Cash and cash equivalents, beginning of year	<u>577,714</u>	<u>508,003</u>
Cash and cash equivalents, end of year	<u><u>\$ 352,023</u></u>	<u><u>\$ 577,714</u></u>
Supplemental Information		
Non-cash transactions		
Contributed equity securities	\$ 897	\$ -
Contributed services	5,000	-
Contributed materials	34,703	35,772
Total non-cash transactions	<u>\$ 40,600</u>	<u>\$ 35,772</u>
The non-cash contributions have been recorded in the following accounts.		
Special events	\$ 19,703	\$ 20,772
Food and supplies	15,000	15,000
Repairs and maintenance	5,000	-
Investments	897	-
	<u>\$ 40,600</u>	<u>\$ 35,772</u>

The accompanying notes are an integral part of these statements.

MOMMA'S, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010

(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. In addition, Momma's provides short-term emergency shelter as needed to homeless young women with children while they seek permanent housing. Momma's operates in Nassau County, New York; revenue consists primarily of contributions, grant revenues and program service revenue.

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. Under Accounting Standards Codification (ASC) Section 740, the tax status of tax-exempt entities is an uncertain tax position, since events could potentially occur that jeopardize the tax-exempt status. Management of Momma's is not aware of any events that could jeopardize the tax-exempt status. Therefore, no liability or provision for income tax has been reflected in the financial statements. Momma's federal exempt organization tax returns for the years ended December 31, 2008, 2009 and 2010 are subject to examination by the Internal Revenue Service, generally for three years after they are filed.

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.

MOMMA'S, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010

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

Financial Statement Presentation

Financial statement presentation follows the requirements of the Financial Accounting Standards Board. Momma's reports 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.

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. Momma's recognizes 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 assets are recognized at fair value when received. The amounts reflected in the accompanying financial statements as contributed services are offset by like amounts included in expenses.

Fair Value Measurements

Momma's defines fair value 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.

MOMMA'S, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010

(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.

Subsequent Events

Momma's has evaluated subsequent events through May 21, 2012 which is the date these financial statements were available to be issued.

MOMMA'S, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010

(2) Investments

Momma's measures its investments at fair value, as defined in Note 1. Accordingly, Momma's uses 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 hierarchy 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. The following investments at December 31, 2011 and 2010, respectively are categorized at Level 1.

Investments held by Momma's at December 31, 2011 and 2010, at fair value, consist of the following:

	<u>2011</u>	<u>2010</u>
US government bond mutual fund	\$ 366,504	\$ -
Equity securities	<u>11,336</u>	<u>14,805</u>
Total investments	<u>\$ 377,840</u>	<u>\$ 14,805</u>

Investment return consists of the following for the years ended December 31, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Interest and dividend income	\$ 570	\$ 1,871
Unrealized gain (loss)	<u>(4,366)</u>	<u>665</u>
Total investment return	<u>\$ (3,796)</u>	<u>\$ 2,536</u>

During the years ended December 31, 2011 and 2010, Momma's received contributions of equity securities valued at \$897 and \$0, respectively.

MOMMA'S, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010

(3) Grants Receivable

At December 31, 2011 and 2010, grants receivable consisted of the following:

	<u>2011</u>	<u>2010</u>
Nassau County	\$ 20,213	\$ 20,000
Maternity and Early Childhood Foundation	-	18,750
US Housing and Urban Development	<u>29,960</u>	<u>14,769</u>
	<u>\$ 50,173</u>	<u>\$ 53,519</u>

Management considers all grants receivable to be fully collectible.

(4) Unconditional Promises to Give

Momma's had unconditional promises to give representing the following at December 31, 2011 and 2010, respectively:

	<u>2011</u>	<u>2010</u>
Unrestricted	\$ 161	\$ 8,450
Purchase of residential home	<u>5,520</u>	<u>9,285</u>
Total Promises to Give	<u>\$ 5,681</u>	<u>\$ 17,735</u>
Receivable in less than one year	\$ 4,481	\$ 15,435
Receivable in one to five years	<u>1,200</u>	<u>2,300</u>
Total unconditional promises to give	5,681	17,735
Less discounts to net present value	<u>(60)</u>	<u>(461)</u>
Net unconditional promises to give	<u>\$ 5,621</u>	<u>\$ 17,274</u>

Unconditional promises to give are discounted at 5%.

MOMMA'S, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010

(5) Property and Equipment

Property and equipment, accumulated depreciation and the estimated useful lives as of December 31, 2011 and 2010 are as follows:

	<u>2011</u>	<u>2010</u>	Estimated Useful Lives
Office equipment	\$ 450	\$ 450	5 years
Furniture and fixtures	10,700	9,232	5 years
Automobile	17,000	17,000	5 years
Computer equipment	10,919	10,919	5 years
Leasehold improvements	46,852	46,852	5 years
Residential home	<u>265,257</u>	<u>265,257</u>	39 years
	351,178	349,710	
Less accumulated depreciation	<u>121,120</u>	<u>105,254</u>	
Property and equipment, net	<u>\$ 230,058</u>	<u>\$ 244,456</u>	

Depreciation expense was \$15,866 and \$17,670 for the years ended December 31, 2011 and 2010, respectively.

(6) Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following periods or purposes at December 31, 2011 and 2010, respectively:

	<u>2011</u>	<u>2010</u>
Operation of residential home	\$ 48,293	\$ 14,769
Purchase of residential home	<u>199,450</u>	<u>199,450</u>
Total temporarily restricted net assets	<u>\$ 247,743</u>	<u>\$ 214,219</u>

MOMMA'S, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010

(7) In-kind Contributions

Momma's receives contributed goods and services in support of various aspects of its programs. During the years ended December 31, 2011 and 2010, Momma's received the following in-kind contributions that have been reflected in the financial statements:

	<u>2011</u>	<u>2010</u>
Special events	\$ 19,703	\$ 20,772
Repairs and maintenance	5,000	-
Food and supplies	<u>15,000</u>	<u>15,000</u>
Total in-kind contributions	<u>\$ 39,703</u>	<u>\$ 35,772</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.

(8) Leasing Arrangements

On December 1, 2011, Momma's extended a lease agreement for use of premises at the Roman Catholic Parish of St. Rocco in Glen Cove, NY which will expire on November 30, 2014. The agreement provides for monthly rental payments of \$2,300. Rent expense was \$27,600 for each of the years ended December 31, 2011 and 2010, respectively. Future lease payments are:

2012	\$	27,600
2013		27,600
2014		<u>25,300</u>
	\$	<u>80,500</u>

On October 1, 2011, Momma's extended its lease for its office facilities on Wantagh Avenue, which will expire September 30, 2016. Momma's entered into the agreement to equally share the facilities and lease obligation with another nonprofit organization. Rent expense was \$20,800 and \$19,350 for the years ended December 31, 2011 and 2010, respectively under the agreement.

MOMMA'S, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010

(8) **Leasing Arrangements** (continued)

Future lease payments for the office facilities are:

2012	\$	19,200
2013		19,350
2014		19,950
2015		20,550
2016		<u>15,750</u>
	\$	<u>94,800</u>

Momma's leases a residential home in Hempstead, NY on a month to month basis. Rent expense was \$24,000 for each of the years ended December 31, 2011 and 2010, respectively.

(9) **Residential Home**

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. 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 provides additional housing for unwed mothers and their children. 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 July 2009, Momma's extended its grant agreement with HUD to provide housing for unwed mothers and their children. Momma's received \$61,200 and \$77,066 under the agreement in the years ended December 31, 2011 and 2010, respectively.

MOMMA'S, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010

(10) 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, 2011 and 2010, respectively, and is recorded on the Statement of Functional expenses as Rent.