

MOMMA'S, INC.

FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT

MOMMA'S, INC.
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DECEMBER 31, 2005 AND 2004

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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. as of December 31, 2005 and 2004, 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, Inc.'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, Inc. internal control over financial reporting. Accordingly, we 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, 2005 and 2004, 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
Brentwood, NY

February 23, 2006

MOMMA'S, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2005 AND 2004

	<u>ASSETS</u>	
	<u>2005</u>	<u>2004</u>
Current Assets		
Cash and cash equivalents	\$ 190,197	\$ 255,826
Investments (Note 6)	60,965	43,393
Grants receivable (Note 5)	138,292	37,500
Accounts receivable	-	2,433
Promises to give (Note 3)	3,275	-
Prepaid expenses	2,100	-
	<hr/>	<hr/>
Total current assets	394,829	339,152
Property and equipment, net of accumulated depreciation (Note 4)	244,754	3,745
Grant receivable, long term	65,824	-
Timeshare	12,500	12,500
Security deposits	5,000	2,000
	<hr/>	<hr/>
Total assets	<u>\$ 722,907</u>	<u>\$ 357,397</u>
 <u>LIABILITIES AND NET ASSETS</u> 		
Current liabilities		
Accounts payable and accrued expenses	\$ 975	\$ 2,542
Accrued payroll and related liabilities	-	320
	<hr/>	<hr/>
Total current liabilities	975	2,862
Security deposit payable	800	-
 Net assets		
Unrestricted	540,249	257,035
Temporarily restricted (Note 8)	180,883	97,500
	<hr/>	<hr/>
Total net assets	721,132	354,535
	<hr/>	<hr/>
Total liabilities and net assets	<u>\$ 722,907</u>	<u>\$ 357,397</u>

The accompanying notes are an integral part of these statements.

MOMMA'S, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

	<u>2005</u>			<u>2004</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	\$ 118,017	\$ 24,500	\$ 142,517	\$ 88,570	\$ 22,875	\$ 111,445
Grant revenue	33,333	368,472	401,805	35,050	-	35,050
Contributed facilities (Note 7)	24,000	-	24,000	36,000	-	36,000
Contributed services (Note 9)	10,000	-	10,000	-	-	-
Contributed equity securities (Note 6)	5,967	-	5,967	5,169	-	5,169
Contributed timeshare (Note 9)	-	-	-	12,500	-	12,500
Contributions, in kind (Note 9)	28,181	-	28,181	49,314	-	49,314
Special events, gross proceeds	171,605	-	171,605	169,535	-	169,535
Less: Direct benefits to donors	(60,846)	-	(60,846)	(67,831)	-	(67,831)
Net proceeds from special events	110,759	-	110,759	101,704	-	101,704
Rent income	37,511	-	37,511	38,777	-	38,777
Daycare income	1,253	-	1,253	6,742	-	6,742
Dividend and interest income	2,948	-	2,948	1,826	-	1,826
Unrealized gain/(loss) on investments	(652)	-	(652)	4,449	-	4,449
Realized loss on investments	(399)	-	(399)	(880)	-	(880)
Net assets released from restrictions	309,589	(309,589)	-	21,375	(21,375)	-
Total support and revenue	680,507	83,383	763,890	400,596	1,500	402,096
Expenses						
Program services	283,556	-	283,556	286,542	-	286,542
Support services						
Management and general	63,378	-	63,378	54,614	-	54,614
Fundraising	50,359	-	50,359	37,849	-	37,849
Total support services	113,737	-	113,737	92,463	-	92,463
Total expenses	397,293	-	397,293	379,005	-	379,005
Change in net assets	283,214	83,383	366,597	21,591	1,500	23,091
Net Assets, beginning of year	257,035	97,500	354,535	235,444	96,000	331,444
Net Assets, end of year	<u>\$ 540,249</u>	<u>\$ 180,883</u>	<u>\$ 721,132</u>	<u>\$ 257,035</u>	<u>\$ 97,500</u>	<u>\$ 354,535</u>

The accompanying notes are an integral part of these statements.

MOMMA'S, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2005

	Supporting Services			
	Program Services	Management and General	Fundraising	Total
Employee Compensation				
Salaries	\$ 128,761	\$ 30,809	\$ 10,922	\$ 170,492
Employee benefits	10,598	2,536	899	14,033
Payroll taxes	9,844	2,357	834	13,035
Total employee compensation	149,203	35,702	12,655	197,560
Other expenses				
Accounting	-	7,106	-	7,106
Advertising	-	274	-	274
Food and supplies	16,958	-	-	16,958
House expense	8,464	-	-	8,464
Insurance	19,585	4,000	-	23,585
Materials	-	-	5,250	5,250
Miscellaneous	-	1,872	5,317	7,189
Office expense	1,090	2,580	917	4,587
Postage	451	1,948	1,462	3,861
Printing	541	5,301	4,327	10,169
Professional fees	-	-	15,000	15,000
Property taxes	3,629	-	-	3,629
Recreation and client services	408	-	-	408
Rent	53,510	3,130	1,860	58,500
Repairs and maintenance	4,713	-	-	4,713
Telephone	3,926	1,064	378	5,368
Timeshare expenses	-	-	2,622	2,622
Utilities	15,946	-	-	15,946
Depreciation	5,132	401	571	6,104
Total other expenses	134,353	27,676	37,704	199,733
Expenses reported by function	\$ 283,556	\$ 63,378	\$ 50,359	\$ 397,293

The accompanying notes are an integral part of these statements.

MOMMA'S, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>Supporting Services</u>			
	<u>Program</u> <u>Services</u>	<u>Management</u> <u>and General</u>	<u>Fundraising</u>	<u>Total</u>
Employee Compensation				
Salaries	\$ 125,444	\$ 28,358	\$ 10,085	\$ 163,887
Employee benefits	8,306	1,878	668	10,852
Payroll taxes	9,861	2,169	772	12,802
Total employee compensation	<u>143,611</u>	<u>32,405</u>	<u>11,525</u>	<u>187,541</u>
Other expenses				
Accounting	-	7,447	-	7,447
Advertising	-	575	-	575
Contributions	-	2,240	-	2,240
Event decorations	-	-	800	800
Food and supplies	19,435	-	-	19,435
House coverage	154	-	-	154
House expense	8,735	-	-	8,735
Insurance	23,207	417	-	23,624
Materials	-	-	9,012	9,012
Miscellaneous	-	753	4,199	4,952
Office expense	868	2,054	731	3,653
Postage	802	1,898	1,456	4,156
Printing	428	1,012	7,971	9,411
Recreation and client services	1,620	-	-	1,620
Rent	61,711	4,049	1,440	67,200
Repairs and maintenance	6,364	-	-	6,364
Telephone	3,318	1,123	399	4,840
Utilities	12,889	-	-	12,889
Depreciation	3,400	641	316	4,357
Total other expenses	<u>142,931</u>	<u>22,209</u>	<u>26,324</u>	<u>191,464</u>
Expenses reported by function	<u>\$ 286,542</u>	<u>\$ 54,614</u>	<u>\$ 37,849</u>	<u>\$ 379,005</u>

The accompanying notes are an integral part of these statements.

MOMMA'S, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

	<u>2005</u>	<u>2004</u>
Cash flows from operating activities		
Change in net assets	\$ 366,597	\$ 23,091
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	6,104	4,357
Net appreciation in investments	2,136	(703)
Investment income received	(2,063)	(942)
Contribution of marketable equity securities	(5,967)	(5,169)
Capitalized contributions in kind	-	(12,500)
Change in operating assets and liabilities		
(Increase) decrease in grants receivable	(100,792)	46,000
(Increase) decrease in accounts receivable	2,433	(7)
Increase in contributed vehicles	-	1,205
(Increase) decrease in promise to give	(3,275)	30,000
(Increase) decrease in prepaid expenses	(2,100)	7,355
Increase in grants receivable, long term	(65,824)	-
Increase in security deposits	(3,000)	-
Decrease in accounts payable and accrued expenses	(1,567)	(626)
Decrease in accrued payroll and related liabilities	(320)	(3,968)
Increase in security deposit payable	800	-
Net cash provided by operating activities	<u>193,162</u>	<u>88,093</u>
Cash flows from investing activities		
Proceeds from sale of investments	11,793	20,870
Purchase of investments	(23,471)	(12,000)
Acquisition of residential home	(247,113)	-
Acquisition of furniture and fixtures	-	(220)
Net cash provided (used) by investing activities	<u>(258,791)</u>	<u>8,650</u>
Net increase (decrease) in cash and cash equivalents	(65,629)	96,743
Cash and cash equivalents, beginning of year	<u>255,826</u>	<u>159,083</u>
Cash and cash equivalents, end of year	<u>\$ 190,197</u>	<u>\$ 255,826</u>
Supplemental Information		
Non-cash transactions		
Contributed facilities	\$ 24,000	\$ 36,000
Contributed services	10,000	-
Contributed equity securities	5,968	5,169
Contributed timeshare	-	12,500
Contributions, in kind	28,181	49,314
Total non-cash transactions	<u>\$ 68,149</u>	<u>\$ 102,983</u>
The non-cash contributions have been recorded in the following accounts.		
Special events, gross proceeds	\$ 15,181	\$ 36,314
Food and supplies	13,000	13,000
Investments	5,968	5,169
Rent	24,000	36,000
Residential home	10,000	-
Timeshare	-	12,500

The accompanying notes are an integral part of these statements.

MOMMA'S, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004

(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, 2005 AND 2004

(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, 2005 AND 2004

(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 \$26,060 and \$65,766 at December 31, 2005 and 2004, respectively.

(3) **Unconditional Promises to Give**

At December 31, 2005, all promises to give are expected to be collected during the next year. Management expects that all promises to give are fully collectible; therefore, no allowance for uncollectible accounts is considered necessary.

MOMMA'S, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004

(4) Property and Equipment

Property and equipment, accumulated depreciation and the estimated useful lives as of December 31, 2005 and 2004 are as follows:

	<u>2005</u>	<u>2004</u>	Estimated Useful Lives
Office equipment	\$ 450	\$ 450	5 years
Furniture and fixtures	7,226	7,226	5 years
Automobile	17,000	17,000	5 years
Computer equipment	9,340	9,340	5 years
Residential home	<u>247,113</u>	<u>-</u>	39 years
	281,129	34,016	
Less accumulated depreciation	<u>36,375</u>	<u>30,271</u>	
Property and equipment, net	<u>\$ 244,754</u>	<u>\$ 3,745</u>	

Depreciation expense was \$6,104 and \$4,357 for the years ended December 31, 2005 and 2004, respectively.

(5) Grants Receivable

At December 31, 2005 and 2004, current and long term grants receivable consisted of the following:

	<u>2005</u>	<u>2004</u>
Current:		
Maternity and Early Childhood Foundation	\$ 6,333	\$ -
Nassau County Emergency Shelter Program	16,900	-
US Housing and Urban Development	115,059	
Nassau County Home Program	<u>-</u>	<u>37,500</u>
	<u>\$ 138,292</u>	<u>\$ 37,500</u>
Long term:		
US Housing and Urban Development	<u>\$ 65,824</u>	<u>-</u>

Management considers all grants receivable to be fully collectible.

MOMMA'S, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004

(6) Investments

Investments are recorded at fair value based on readily determinable quoted market prices at December 31, 2005 and 2004 and consist of the following:

2005			
	<u>Carrying Value</u>	<u>Fair Value</u>	<u>Unrealized gain/(loss)</u>
Equity mutual funds	\$ 24,251	\$ 24,358	\$ 107
Equity securities	37,366	36,607	(759)
Total investments	\$ 61,617	\$ 60,965	\$ (652)
2004			
	<u>Carrying Value</u>	<u>Fair Value</u>	<u>Unrealized gain</u>
Equity mutual funds	\$ 12,000	\$ 12,192	\$ 192
Equity securities	26,944	31,201	4,257
Total investments	\$ 38,944	\$ 43,393	\$ 4,449

During the years ended December 31, 2005 and 2004, Momma's received contributions of marketable mutual funds valued at \$5,967 and \$5,169, respectively.

(7) Contributed Facilities

Momma's occupies its homes in Brookville and Malverne on a month-to-month, rent-free basis. Facilities are provided by unrelated tax-exempt religious organizations. Amounts have been recognized as revenues and expenses in the accompanying financial statements for the fair market value of the contributed facilities estimated at \$24,000 and \$36,000 for the years ended December 31, 2005 and 2004, respectively. The Malverne house was closed in April 2004.

(8) Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following periods or purposes at December 31, 2005 and 2004, respectively:

	<u>2005</u>	<u>2004</u>
Operation of residential home	\$ 180,883	\$ -
Purchase of residential home	-	97,500
	\$ 180,883	\$ 97,500

MOMMA'S, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004

(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, 2005 and 2004, Momma's received the following in-kind contributions of materials and services that have been reflected in the financial statements:

	<u>2005</u>	<u>2004</u>
Contributions	\$ 15,181	\$ 36,314
Food and supplies	13,000	13,000
Home renovation services	10,000	-
Timeshare	-	12,500
Total in-kind contributions	\$ <u>38,181</u>	\$ <u>61,814</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.

(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 provided for annual rent of \$27,600 and \$24,000 for the years ended December 31, 2005 and 2004, respectively. Rent expense was \$27,300 and \$24,000 for the years ended December 31, 2005 and 2004 under the agreement.

Momma's leases its office space in Wantagh, New York on a month to month basis. Total rent expense was \$7,200 for the years ended December 31, 2005 and 2004, respectively.

MOMMA'S, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004

(10) Leasing Arrangements (continued)

On January 1, 2006, Momma's entered into a new lease for its office facilities, which expires January 31, 2011. Momma's entered into the agreement to equally share the facilities and lease obligation with another nonprofit organization. Momma's paid \$2,100 in prepaid rent under the agreement for the year ended December 31, 2005. Future lease payments are:

2006	\$	16,500
2007		18,600
2008		19,200
2009		19,800
2010		20,400
Future periods		1,750

(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.

MOMMA'S, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004

(12) Reclassification

Certain amounts in the 2004 financial statements have been reclassified to conform with the 2005 presentation.