

MOMMA'S, INC.

FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT

MOMMA'S, INC.
TABLE OF CONTENTS
DECEMBER 31, 2006 AND 2005

	<u>Pages</u>
Independent Auditor's Report -----	1
Financial Statements	
Statements of Financial Position -----	2
Statements of Activities -----	3
Statements of Functional Expenses -----	4, 5
Statements of Cash Flows -----	6
Notes to Financial Statements -----	7 - 14

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, 2006 and 2005, 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, 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, 2006 and 2005, 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 11, 2007

MOMMA'S, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2006 AND 2005

		<u>ASSETS</u>	
		<u>2006</u>	<u>2005</u>
Current Assets			
Cash and cash equivalents	\$	331,300	\$ 190,197
Investments (Note 6)		69,170	60,965
Grants receivable (Note 5)		99,158	138,292
Promises to give, net (Note 3)		96,753	3,275
Prepaid expenses		2,100	2,100
		598,481	394,829
Total current assets			
Property and equipment, net of accumulated depreciation (Note 4)		263,300	244,754
Grant receivable, long term		65,824	65,824
Timeshare		9,000	12,500
Security deposits		5,000	5,000
		\$ 941,605	\$ 722,907
Total assets		\$ 941,605	\$ 722,907
 <u>LIABILITIES AND NET ASSETS</u> 			
Current liabilities			
Accounts payable and accrued expenses	\$	-	\$ 975
Refundable advance		43,268	-
Accrued payroll and related liabilities		2,022	-
		45,290	975
Total current liabilities			
Security deposit payable		800	800
Net assets			
Unrestricted		549,744	540,249
Temporarily restricted (Note 8)		345,771	180,883
		895,515	721,132
Total net assets			
Total liabilities and net assets		\$ 941,605	\$ 722,907

The accompanying notes are an integral part of these statements.

MOMMA'S, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

	<u>2006</u>			<u>2005</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	\$ 103,757	\$ 211,405	\$ 315,162	\$ 118,017	\$ 24,500	\$ 142,517
Grant revenue	79,033	-	79,033	33,333	368,472	401,805
Contributed facilities (Note 7)	16,000	-	16,000	24,000	-	24,000
Contributed services (Note 9)	-	-	-	10,000	-	10,000
Contributed equity securities (Note 6)	6,406	-	6,406	5,967	-	5,967
Contributed autos (Note 9)	6,195	-	6,195	-	-	-
Contributions, in kind (Note 9)	35,480	-	35,480	28,181	-	28,181
Special events, gross proceeds	200,037	-	200,037	171,605	-	171,605
Less: Direct benefits to donors	(61,904)	-	(61,904)	(60,846)	-	(60,846)
Net proceeds from special events	138,133	-	138,133	110,759	-	110,759
Rent income	55,577	-	55,577	37,511	-	37,511
Daycare income	970	-	970	1,253	-	1,253
Dividend and interest income	4,700	-	4,700	2,948	-	2,948
Unrealized gain/(loss) on investments	5,390	-	5,390	(652)	-	(652)
Realized gain/(loss) on investments	885	-	885	(399)	-	(399)
Net assets released from restrictions	46,517	(46,517)	-	309,589	(309,589)	-
Total support and revenue	499,043	164,888	663,931	680,507	83,383	763,890
Expenses						
Program services	339,214	-	339,214	283,556	-	283,556
Support services						
Management and general	73,440	-	73,440	63,378	-	63,378
Fundraising	73,394	-	73,394	50,359	-	50,359
Total support services	146,834	-	146,834	113,737	-	113,737
Total expenses	486,048	-	486,048	397,293	-	397,293
Change in net assets from operations						
Loss on impairment of long-lived asset (Note 14)	(3,500)	-	(3,500)	-	-	-
Change in net assets	9,495	164,888	174,383	283,214	83,383	366,597
Net Assets, beginning of year	540,249	180,883	721,132	257,035	97,500	354,535
Net Assets, end of year	\$ 549,744	\$ 345,771	\$ 895,515	\$ 540,249	\$ 180,883	\$ 721,132

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.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>Supporting Services</u>			
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
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	<u>149,203</u>	<u>35,702</u>	<u>12,655</u>	<u>197,560</u>
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	<u>134,353</u>	<u>27,676</u>	<u>37,704</u>	<u>199,733</u>
Expenses reported by function	<u>\$ 283,556</u>	<u>\$ 63,378</u>	<u>\$ 50,359</u>	<u>\$ 397,293</u>

The accompanying notes are an integral part of these statements.

MOMMA'S, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

	<u>2006</u>	<u>2005</u>
Cash flows from operating activities		
Change in net assets	\$ 174,383	\$ 366,597
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	8,906	6,104
Net appreciation in investments	(3,694)	2,136
Investment income received	(2,683)	(2,063)
Loss on impairment of long-lived asset	3,500	-
Contribution of marketable equity securities	(6,406)	(5,967)
Change in operating assets and liabilities		
(Increase) decrease in grants receivable	39,134	(100,792)
Decrease in accounts receivable	-	2,433
Increase in net promises to give	(93,478)	(3,275)
Increase in prepaid expenses	-	(2,100)
Increase in grants receivable, long term	-	(65,824)
Increase in security deposits	-	(3,000)
Decrease in accounts payable and accrued expenses	(975)	(1,567)
Increase in refundable advance	43,268	-
Increase (decrease) in accrued payroll and related liabilities	2,022	(320)
Increase in security deposit payable	-	800
Net cash provided by operating activities	<u>163,977</u>	<u>193,162</u>
Cash flows from investing activities		
Proceeds from sale of investments	35,136	11,793
Purchase of investments	(30,558)	(23,471)
Acquisition of residential home	-	(247,113)
Improvements to residential home	(27,452)	-
Net cash used by investing activities	<u>(22,874)</u>	<u>(258,791)</u>
Net increase (decrease) in cash and cash equivalents	141,103	(65,629)
Cash and cash equivalents, beginning of year	<u>190,197</u>	<u>255,826</u>
Cash and cash equivalents, end of year	<u>\$ 331,300</u>	<u>\$ 190,197</u>
Supplemental Information		
Non-cash transactions		
Contributed facilities	\$ 16,000	\$ 24,000
Contributed services	-	10,000
Contributed equity securities	6,406	5,968
Contributed autos	6,195	-
Contributions, in kind	35,480	28,181
Total non-cash transactions	<u>\$ 64,081</u>	<u>\$ 68,149</u>
The non-cash contributions have been recorded in the following accounts.		
Special events, gross proceeds	\$ 22,480	\$ 15,181
Food and supplies	13,000	13,000
Investments	6,406	5,968
Rent	16,000	24,000
Contributed auto expense	6,195	-
Residential home	-	10,000

The accompanying notes are an integral part of these statements.

MOMMA'S, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005

(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, 2006 AND 2005

(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, 2006 AND 2005

(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 \$42,359 and \$26,060 at December 31, 2006 and 2005, respectively.

(3) **Unconditional Promises to Give**

Momma's had unconditional promises to give representing the following at December 31, 2006 and 2005, respectively:

	<u>2006</u>		<u>2005</u>
Unrestricted	\$ -	\$	3,275
Purchase of residential home	107,505		-
Total unconditional promises to give	<u>107,505</u>		<u>3,275</u>

MOMMA'S, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005

(3) Unconditional Promises to Give (continued)

Receivable in less than one year	30,140	3,275
Receivable in one to five years	<u>77,365</u>	<u>-</u>
Total unconditional promises to give	107,505	3,275
Less discounts to net present value	<u>(10,752)</u>	<u>-</u>
Net unconditional promises to give	<u><u>96,753</u></u>	<u><u>3,275</u></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, 2006 and 2005 are as follows:

	<u>2006</u>	<u>2005</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
Leasehold improvements	27,452	-	5 years
Residential home	<u>247,113</u>	<u>247,113</u>	39 years
	308,581	281,129	
Less accumulated depreciation	45,281	36,375	
Property and equipment, net	\$ <u><u>263,300</u></u>	\$ <u><u>244,754</u></u>	

Depreciation expense was \$8,906 and \$6,104 for the years ended December 31, 2006 and 2005, respectively.

MOMMA'S, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005

(5) Grants Receivable

At December 31, 2006 and 2005, current and long term grants receivable consisted of the following:

	<u>2006</u>	<u>2005</u>
Current:		
Maternity and Early Childhood Foundation	\$ 16,667	\$ 6,333
Nassau County Emergency Shelter Program	-	16,900
US Housing and Urban Development	82,491	115,059
	<u>\$ 99,158</u>	<u>\$ 138,292</u>
Long term:		
US Housing and Urban Development	\$ <u>65,824</u>	\$ <u>65,824</u>

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, 2006 and 2005 and consist of the following:

<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>
<u>2005</u>			
	<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	<u>\$ 61,617</u>	<u>\$ 60,965</u>	<u>\$ (652)</u>

During the years ended December 31, 2006 and 2005, Momma's received contributions of equity securities valued at \$6,406 and \$5,967, respectively.

MOMMA'S, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005

(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 and \$24,000 for the years ended December 31, 2006 and 2005, respectively. 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, 2006 and 2005, respectively:

		<u>2006</u>		<u>2005</u>
Operation of residential home	\$	150,066	\$	180,883
Purchase of residential home		<u>209,432</u>		<u>-</u>
	\$	<u><u>359,498</u></u>	\$	<u><u>180,883</u></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, 2006 and 2005, Momma's received the following in-kind contributions of materials and services that have been reflected in the financial statements:

		<u>2006</u>		<u>2005</u>
Contributions	\$	22,480	\$	15,181
Food and supplies		13,000		13,000
Contributed autos		6,195		-
Home renovation services		<u>-</u>		<u>10,000</u>
Total in-kind contributions	\$	<u><u>41,675</u></u>	\$	<u><u>38,181</u></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, 2006 AND 2005

(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 for the years ended December 31, 2006 and 2005, respectively. Rent expense was \$27,600 and \$27,300 for the years ended December 31, 2006 and 2005 under the agreement.

Momma's leased its office space on Park Avenue in Wantagh, New York on a month to month basis. Total rent expense was \$7,200 for the year ended December 31, 2005.

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 \$15,000 for the year ended December 31, 2006 under the agreement. Future lease payments are:

2007	\$	18,600
2008		19,200
2009		19,800
2010		20,400
2011		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
	\$	197,472

MOMMA'S, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005

(11) Residential Home Purchase (continued)

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 year ended December 31, 2006, Momma's received \$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 \$10,000 under the agreement for the program for the year ended December 31, 2006 and is recorded on the Statement of Functional expenses as Rent.

(13) Related Party Transaction

In the year ended December 31, 2006, Momma's paid \$15,733 as salary to an Assistant Director. The Assistant Director is the daughter of the Executive Director.

(14) 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 year ended December 31, 2006, Momma's reviewed the carrying value of the Timeshare assets and based on a comparison to their fair value, an impairment loss of \$3,500 was recognized. Fair value was based on quoted market prices.