

**Blue Star Mothers of America, Inc.
Financial Statements**

July 31, 2006

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Financial Statements**

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July 28, 2007

To the Board of Directors

Blue Star Mothers of America, Inc.

We have compiled the accompanying Statement of Financial Position of Blue Star Mothers of America, Inc. as of July 31, 2005 and the related Statements of Activities and Cash Flows for the period then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting, in the form of financial statements, information that is the representation of management. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

Sincerely,

(original signature on file)

Medlen & Associates, CPAs
Canyon Country, CA

Blue Star Mothers of America, Inc.
Statement of Financial Position
July 31, 2006

ASSETS

Current assets:

Cash and cash equivalents	<u>55,933</u>
Total Cash and Cash Equivalents	55,933
Inventory, net	<u>9,654</u>
Total current assets	<u>65,587</u>
TOTAL ASSETS	<u><u>75,045</u></u>

LIABILITIES & NET ASSETS

Net assets:

Unrestricted net assets:	
Operating	<u>64,704</u>
Total unrestricted net assets	<u>64,704</u>
TOTAL NET ASSETS	<u><u>75,045</u></u>

See accompanying notes to financial statements.

Blue Star Mothers of America, Inc.
Statement of Activities
For the Year Ended June 30, 2006

	Unrestricted	Temporarily Restricted	Total
Public Support, Revenues, and Reclassifications			
Gross Merchandise Sales	32,353	-	32,353
Cost of Goods Sold	(11,183)	-	(11,183)
Net Sales	21,170	-	21,170
Contributions	10,269	-	10,269
Convention and Conference Fees	5,252	-	5,252
Department, Chapter and Membership Fees	12,959	-	12,959
Chaplain Fund	-	731	731
Burlington Grant	-	20,000	-
Miscellaneous	198	-	198
VP Fund Raiser	3,949	-	3,949
Advertising	4,150	-	4,150
	1,640	-	1,640
Net assets released from restrictions (note 3)			
Satisfaction of purpose restrictions	11,347	(11,347)	
Total public support, revenues, and reclassifications	69,294	9,384	78,678
Expenses			
Conventions and Meetings	(8,010)	-	(8,010)
Professional Fees	(2,505)	-	(2,505)
Insurance	(122)	-	(122)
Office Expenses	(1,312)	-	(1,312)
Fund Raising	(3,716)	-	(3,716)
Administration	(10,250)	-	(10,250)
Miscellaneous	(2,250)	-	(2,250)
Total expenses and losses	(28,165)	-	(28,165)
Change in net assets	41,129	9,834	50,513
Net assets as of end of year	24,532	-	24,532
Net assets as of end of year	65,661	-	65,661

See accompanying notes to financial statements

Blue Star Mothers of America, Inc.
State of Cash Flows
For the Year Ended June 30, 2006

OPERATING ACTIVITY

Change in net assets	50,513
Adjustments to reconcile change in net assets to net cash provided by operating activities:	-
Depreciation and amortization	201
Other current assets	1,692
Restricted Support	<u> </u>
Net cash provided by operating activities	52,406

INVESTING ACTIVITY

Purchase of equipment	<u>(9,654)</u>
Net cash used in investing activities	(9,654)
Net increase in cash and cash equivalents	42,752
Cash and cash equivalents as of beginning of year	<u>13,181</u>
Cash and cash equivalents as of end of year	<u><u>55,933</u></u>

Blue Star Mothers of America, Inc.
Notes to Financial Statements
June 30, 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities

The Blue Star Mother's of America, Inc. (the Organization) is the National Chapter for the National Organization known as Blue Star Mother's of America organized by women and men who are mothers and fathers of members in the United States armed forces. It was formed in 1942 by mothers of servicemen and was incorporated by an act of congress in 1960. The Organization serves as the administrating office for most chapters and state departments including membership administration and chapter/department organization. The Organization obtains its primary support through department and chapter dues as well as Blue Star Mother's merchandise sales to other chapters and members.

The Organization is a nonprofit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from Federal and state income taxes.

Public Support and Revenue

Annual public contributions are generally available for unrestricted use unless specifically restricted by the donor. Cash receipts from sales of BSM Merchandise through the online store are also unrestricted.

Grants and other contributions of cash and other assets are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, tat is, when a stipulated 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. Contributions received with donor-imposed restrictions that are met in the same year in which the contributions are received are classified as unrestricted contributions.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of management's estimates.

Cash and Cash Equivalentents

The Organization holds only a liquid, non restricted cash account that makes up a significant part of the statement of financial position.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

No investments were part of the statement of financial position as of June 30, 2007

Furniture, Equipment, and Leasehold Improvements

Furniture, equipment, and leasehold improvements are capitalized at cost. It is the Council's policy to capitalize expenditures for these items in excess of \$100. Lesser amounts are expensed. Furniture and equipment are being depreciated over estimated useful lives of five to ten years using a straight-line method, with a half of a year's depreciation recognized in the years of acquisition and disposal. Leasehold improvements are being amortized over the shorter of the lease term or useful life.

NOTE 2: FURNITURE, EQUIPMENT AND LEASHOLD IMPROVEMENTS

The following is a summary of furniture, equipment, and leasehold improvements as of July 31, 2006:

Equipment	\$9,659
Less: Accumulated Depreciation	<u>(201)</u>
Fixed Assets, Net	<u>\$9,458</u>

NOTE 3: TEMPORARIY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes or periods:

Periods after July 31, 2006	\$ -
Specific grant programs	<u>9,654</u>
Total temporarily restricted assets	<u>\$ 9,654</u>

NOTE 3: TEMPORARILY RESTRICTED NET ASSETS (Continued)

Net assets were released from donor restrictions by incurring expenses satisfying the purpose or time restrictions specified by donors as follows:

Purpose restriction accomplished	\$ 8,285
Purchase of computers	1,043
Purchase of Printers	845
Purchase of Miscellaneous Computer Equipment	301
Shipping Expenses	<u>142</u>
 Total restrictions released	 <u>\$10,616</u>

NOTE 4: DONATED SERVICES

The Organization receives a significant amount of donated services from unpaid volunteers who assist in fund-raising and special projects. The Organization's management and officers contribute their time on a volunteer basis receiving reimbursements for out of pocket expenses in the form of monthly stipends. No amounts have been recognized in the statement of activities because the criteria for recognition under SFAS No. 116 have not been satisfied.

NOTE 5: FEDERAL INCOME TAXES

The corporation is a nonprofit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes. Accordingly, no provision for income taxes is included in the financial statements.