

BLUE STAR MOTHERS OF AMERICA, INC.

FINANCIAL STATEMENTS

Year Ended August 31, 2010

BLUE STAR MOTHERS OF AMERICA, INC.

TABLE OF CONTENTS

	Page
Independent Auditors' Report	1
Statement of Financial Position	2
Statement of Activities	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to Financial Statements	6-8

JOSEPH R. CASTELLANO
Certified Public Accountant, PA

MEMBER:

American Institute of CPAs • South Carolina Association of CPAs
• Grand Strand Chapter of CPAs •

INDEPENDENT AUDITORS REPORT

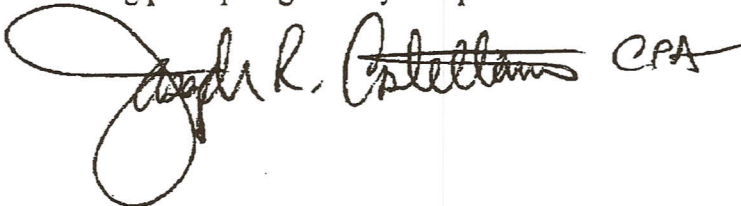
January 5th 2010

To the Board of Directors
Blue Star Mothers of America, Inc.
United States of America

I have audited the accompanying statements of financial position of Blue Star Mothers of America, Inc. (a non-profit corporation) as of August 31, 2010 and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Blue Star Mothers of America, Inc. management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for our opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Blue Star Mothers of America, Inc. as of August 31, 2010 and the changes in its net assets and the cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

 CPA

FINANCIAL STATEMENTS

BLUE STAR MOTHERS OF AMERICA, INC.
STATEMENT OF FINANCIAL POSITION
August 31, 2010

ASSETS	2010
Cash and cash equivalents	\$ 58,882
Inventory	12,557
Property and equipment (net)	<u>-</u>
TOTAL ASSETS	\$ <u>71,439</u>
 LIABILITIES	
Accounts payable	\$ 2,245
Due to local chapters	2,495
Deferred revenue - Big Dipper	<u>2,357</u>
TOTAL LIABILITIES	7,097
 NET ASSETS	
Unrestricted	64,342
Temporarily Restricted	<u>-</u>
TOTAL NET ASSETS	<u>64,342</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>71,439</u>

The accompanying notes are an integral part of these financial statements.

BLUE STAR MOTHERS OF AMERICA, INC.
STATEMENT OF ACTIVITIES
For the Year Ended August 31, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUES			
Merchandise sales	\$ 29,190	-	\$ 29,190
Cost of goods sold	(18,028)	-	(18,028)
Net sales	<u>11,162</u>		<u>11,162</u>
Membership Fees	55,968	-	55,968
Contributions	11,346	5,564	16,910
Convention and conference fees	17,935	-	17,935
Other revenues	962	-	962
Net assets released from restrictions	<u>9,564</u>	<u>(9,564)</u>	<u>-</u>
TOTAL SUPPORT AND REVENUES	<u>106,937</u>	<u>(4,000)</u>	<u>102,937</u>
EXPENSES			
Program services	72,281	-	72,281
Management and general	9,110	-	9,110
Fundraising	<u>3,772</u>	<u>-</u>	<u>3,772</u>
TOTAL EXPENSES	<u>85,163</u>	<u>-</u>	<u>85,163</u>
CHANGE IN NET ASSETS	21,774	(4,000)	17,774
NET ASSETS AT BEGINNING OF YEAR	<u>42,568</u>	<u>4,000</u>	<u>46,568</u>
NET ASSETS AT END OF YEAR	<u>\$ 64,342</u>	<u>\$ -</u>	<u>\$ 64,342</u>

The accompanying notes are an integral part of these financial statements.

BLUE STAR MOTHERS OF AMERICA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended August 31, 2010

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Professional Fees	\$ -	\$ 5,451	\$ -	\$ 5,451
Chaplin fees	9,564	-	-	9,564
Conventions and meetings	31,370	-	-	31,370
Travel	15,685	1,743	-	17,428
Telephone/conference	1,243	23	-	1,266
Office expense	7,155	1,090	-	8,245
Web site and database	6,924	769	-	7,693
Fees	-	-	3,772	3,772
Miscellaneous	340	34	-	374
TOTAL EXPENSES	\$ 72,281	\$ 9,110	\$ 3,772	\$ 85,163

The accompanying notes are an integral part of these financial statements.

BLUE STAR MOTHERS OF AMERICA, INC.
STATEMENT OF CASH FLOWS
For the Year Ended
August 31, 2010

CASH FLOWS FROM OPERATING ACTIVITIES

Increase in net assets	\$ 21,774
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
(Increase) decrease in operating assets:	
Inventory	(4,488)
Increase (decrease) in operating liabilities:	
Accounts payable	2,245
Due to local chapters	2,495
Deferred revenue - Big Dipper	2,357
Increase (decrease) in temporarily restricted net assets:	
Chaplin's emergency fund released	<u>(4,000)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>20,383</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	<u>20,383</u>
Beginning cash and cash equivalents	<u>38,499</u>
Ending cash and cash equivalents	<u><u>\$ 58,882</u></u>

SUPPLEMENTAL DISCLOSURE:

The accompanying notes are an integral part of these financial statements.

BLUE STAR MOTHERS OF AMERICA, INC
NOTES TO FINANCIAL STATEMENTS
August 31, 2010

NOTE A – THE ORGANIZATION

The Blue Star Mothers of America, Inc (BSM), is a nonprofit organization formed for the purpose of supporting America's military, veterans, and their families. Mothers of the men and women who are serving, or have served in the United States armed forces, can join Chapters located throughout the nation to become Blue Star Mothers. BSM was formed in 1942 by mothers of servicemen and was incorporated by an act of the United States Congress in 1960. BSM is the administrating office for most of the affiliated state departments (four) and local chapters (225), providing membership administration and chapter/department organization. BSN is primarily supported by chapter/department dues and the sale of branded merchandise to departments/chapters and members.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Support

BSM reports contributions of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. As donor restriction expires, restricted net assets are reported in the statement of activities as net assets released from restriction. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

Income Taxes

BSM is exempt from federal income taxes under Section 501(c) (3) of the Internal Revenue Code and is classified as an organization that is not a private foundation.

Equipment

Equipment is stated at cost and capitalized over \$1,000. Lesser amounts and maintenance and repairs are charged to expense as incurred. Major additions and betterments that extend assets useful life are capitalized. The costs and related accumulated depreciation of any property and equipment disposed of are removed from the accounts and resulting gain or loss is recognized in operations. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions.

BLUE STAR MOTHERS OF AMERICA, INC
NOTES TO FINANCIAL STATEMENTS
August 31, 2010

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Equipment - continued

Absent donor stipulations regarding how long those donated assets must be maintained, BSM reports expirations of donor restrictions when the donated or acquired assets are placed in service. BSM reclassifies temporarily restricted net assets to unrestricted net assets at the time. Property and equipment are depreciated using the straight – line method over estimated useful lives of 3 years or longer.

Cash and Cash Equivalents

For the purposes of the statement of cash flows, BSM considers all highly liquid investments available for current use with initial maturity of three months or less to be cash equivalents.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Contributed Services and materials

No amounts have been reflected in the financial statements for donated services. BSM generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist BSM, but these services do not meet the criteria for recognition as contributed services.

Functional Allocation of Expenses

Expenses are charged directly to program, management and general, and fundraising activities based on specific identification. Costs benefiting more than one service are allocated based on measures such as management's estimates of time spent, as applicable.

Receivables

There are no receivables as of August 31, 2010. Based on the membership dues policy of BSM, all annual membership renewals are due by September 25, and memberships will be cancelled if not paid by January 15. The proceeds from merchandise sales is collected when sold, and there were no donation or grant pledges to BSM as of August 31, 2010.

BLUE STAR MOTHERS OF AMERICA, INC
NOTES TO FINANCIAL STATEMENTS
August 31, 2010

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Shipping Costs

BSM includes shipping expense associated with merchandise sales in cost of goods sold. Total shipping expense included in cost of goods sold was \$1,754 for the year then ended August 31, 2010.

Inventory

Inventory is stated at the lower of cost or market using the first-in, first out basis and primarily consists of coins, pins, patches, hats, yearbooks and t-shirts.

NOTE C - CONCENTRATIONS

BSM maintains its cash and certificate of deposit in one financial institution. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000.

NOTE D - EQUIPMENT

Property and equipment consist of the following:

Equipment	\$ 9,659
Less accumulated depreciation	<u>(9,659)</u>
Net equipment	<u><u>\$ -</u></u>

NOTE E - TEMPORARILY RESTRICTED NET ASSETS

There are no temporarily restricted net assets as of August 31, 2010

NOTE F - EVALUATION OF SUBSEQUENT EVENTS

BSM has evaluated subsequent events through January 5, 2011, the date which the financial statements were available to be issued.