

Blue Star Mothers of America, Inc.
Financial Statements

June 30, 2007

Blue Star Mothers of America, Inc.
Financial Statements

June 30, 2007

Table of Contents

	<u>Page #</u>
Auditor's Report	1
Statement of Financial Position	2
Statement of Activities	3
Statement of Cash Flows	4
Notes to Financial Statements	5-7

July 28, 2007

To the Board of Directors

Blue Star Mothers of America, Inc.

We have audited the accompanying statements of financial position of Blue Star Mothers of America, Inc. (a nonprofit organization) as of June 30, 2007 and the related statements of activities and cash flows for the eleven-month period then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we 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 overall accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our 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 June 30 2007 and the changes in its net assets and its cash flows for the eleven-month period then ended in conformity with accounting principles generally accepted in the United States of America.

Sincerely,

(original signature on file)

Medlen & Associates, CPAs
Canyon Country, CA

Blue Star Mothers of America, Inc.
Statement of Financial Position
June 30, 2007

ASSETS

Current assets:

Cash and cash equivalents	36,334
Total Cash and Cash Equivalents	<u>36,334</u>

Inventory, net	<u>16,319</u>
----------------	---------------

Total current assets	52,653
----------------------	--------

Fixed Assets, net	<u>6,419</u>
-------------------	--------------

TOTAL ASSETS	<u><u>59,072</u></u>
--------------	----------------------

LIABILITIES & NET ASSETS

Net assets:

Unrestricted net assets:	
Operating	<u>59,072</u>
Total unrestricted net assets	<u>59,072</u>

TOTAL NET ASSETS	<u><u>59,072</u></u>
------------------	----------------------

See accompanying notes to financial statements.

Blue Star Mothers of America, Inc.
Statement of Activities
For the Year Ended June 30, 2007

	Unrestricted	Temporarily Restricted	Total
Public Support, Revenues, and Reclassifications			
Gross Merchandise Sales	23,552	-	23,552
Cost of Goods Sold	(19,452)	-	(19,452)
Net Sales	4,100	-	4,100
Contributions	4,266	-	4,266
Convention and Conference Fees	4,774	-	4,774
Department, Chapter and Membership Fees	10,825	-	10,825
Chaplain Fund	-	825	825
Miscellaneous	2,361	-	2,361
Net assets released from restrictions			-
Satisfaction of purpose restrictions	10,209	(10,209)	-
Total public support, revenues, and reclassifications	36,535	(9,384)	27,151
Expenses			
Conventions and Meetings	(7,409)	-	(7,409)
Professional Fees	(4,252)	-	(4,252)
Donations	(4,185)	-	(4,185)
Office Expenses	(2,865)	-	(2,865)
Administration	(15,286)	-	(15,286)
Other Expenses	(9,127)	-	(9,127)
Total expenses and losses	(43,124)	-	(43,124)
Change in net assets	(6,589)	(9,384)	(15,973)
Net assets as of beginning of year	75,045	-	75,045
Net assets as of end of year	68,456	(9,384)	59,072

See accompanying notes to financial statements

Blue Star Mothers of America, Inc.
State of Cash Flows
For the Year Ended June 30, 2007

OPERATING ACTIVITY

Change in net assets	(15,973)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	3,039
Other current assets	<u>(6,665)</u>
Net cash provided by operating activities	(19,599)
Net increase in cash and cash equivalents	(19,599)
Cash and cash equivalents as of beginning of year	<u>55,933</u>
Cash and cash equivalents as of end of year	<u><u>36,334</u></u>

Blue Star Mothers of America, Inc.
Notes to Financial Statements
June 30, 2007

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 Equivalents

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 June 30, 2007:

Equipment	\$9,659
Less: Accumulated Depreciation	<u>(3,240)</u>
Fixed Assets, Net	<u>\$6,419</u>

NOTE 3: 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 4: 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.