



MICHAEL L. MOORE, CPA, LLC

BLUE STAR MOTHERS OF
AMERICA, INC.

FINANCIAL STATEMENTS

JUNE 30, 2008

Blue Star Mothers of America, Inc.

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Independent Auditor's Report

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

I have audited the accompanying statement of financial position – modified cash basis of Blue Star Mothers of America (BSM) (a non-profit corporation) as of June 30, 2008, and the related statements of activities – modified cash basis, functional expenses – modified cash basis, and cash flows – modified cash basis for the 11 month period then ended. These financial statements are the responsibility of BSM's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with U.S. generally accepted auditing standards. 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 my audit provides a reasonable basis for my opinion.

As described in Note 2, these financial statements were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principals.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of BSM as of June 30, 2008, and the changes in its net assets and its cash flows for the 11 month period then ended in conformity with the basis of accounting described in Note 2.

 CPA MC

Albuquerque, NM
February 18, 2009

Financial Statements

Blue Star Mothers of America, Inc.
Statement of Financial Position – Modified Cash Basis
June 30, 2008

Assets

Current assets

Cash	\$ 30,050
Inventory	<u>4,384</u>
Total current assets	<u>34,434</u>

Equipment, net

3,199

Total assets

37,633

Liabilities and Net Assets

Net assets

Unrestricted	34,408
Temporarily Restricted	<u>3,225</u>

Total net assets

37,633

Total liabilities and net assets

\$ 37,633

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

Blue Star Mothers of America, Inc.
Statement of Activities – Modified Cash Basis
For the 11 Month Period Ended June 30, 2008

	Unrestricted	Temporarily Restricted	Total
Support and Revenue			
In-kind services	\$ 236,470	-	\$ 236,470
Merchandise sales	21,933	-	21,933
Cost of goods sold	<u>(11,376)</u>	<u>-</u>	<u>(11,376)</u>
Net sales	10,557	-	10,557
Membership fees	10,995	-	10,995
Contributions	7,096	3,225	10,321
Convention and conference fees	5,374	-	5,374
Other income	<u>576</u>	<u>-</u>	<u>576</u>
Total support and revenue	<u>271,068</u>	<u>3,225</u>	<u>274,293</u>
Expenses			
Program services	36,767	-	36,767
Management and general	259,978	-	259,978
Fundraising	<u>2,584</u>	<u>-</u>	<u>2,584</u>
Total expenses	<u>299,329</u>	<u>-</u>	<u>299,329</u>
Change in net assets	(28,261)	3,225	(25,036)
Net assets, beginning of period	<u>62,669</u>	<u>-</u>	<u>62,669</u>
Net assets, end of period	<u>\$ 34,408</u>	<u>\$ 3,225</u>	<u>\$ 37,633</u>

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

Blue Star Mothers of America, Inc.
Statement of Functional Expenses – Modified Cash Basis
For the 11 Month Period Ended June 30, 2008

	Program Services	Management and General	Fundraising	Total
Professional fees	\$ -	\$ 249,885	\$ -	\$ 249,885
Conventions and meetings	18,358	-	-	18,358
Travel	5,344	594	-	5,938
Telephone	3,645	405	-	4,050
Office expense	3,215	8,405	-	11,620
Website and database	2,721	302	-	3,023
Inventory write-off	-	-	2,584	2,584
Depreciation	2,657	295	-	2,952
Miscellaneous	827	92	-	919
Total expenses	<u>\$ 36,767</u>	<u>\$ 259,978</u>	<u>\$ 2,584</u>	<u>\$ 299,329</u>

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

Blue Star Mothers of America, Inc.
Statement of Cash Flows
For the 11 Month Period Ended June 30, 2008

Cash flows from operating activities

Cash received from sale of merchandise	\$ 20,748
Cash received from membership fees	10,995
Cash received from contributions	10,321
Cash received from conventions and conferences	5,374
Other cash receipts	576
Cash paid to suppliers	<u>(64,892)</u>
Net cash used by operating activities	<u>(16,878)</u>

Decrease in cash (16,878)

Cash, beginning of period 46,928

Cash, end of period \$ 30,050

**Reconciliation of change in net assets to
net cash used in operating activities**

Change in net assets	\$ (25,036)
Adjustments to reconcile change in net assets to net cash used in operating activities	
Depreciation	2,952
Changes in assets and liabilities	
Inventory	<u>5,206</u>
Total adjustments	<u>8,158</u>
Net cash used by operating activities	<u><u>\$ (16,878)</u></u>

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

Blue Star Mothers of America, Inc.
Notes to Financial Statements
June 30, 2008

1) The Organization

The Blue Star Mothers of America, Inc (BSM), a nonprofit organization, is the national chapter of an affiliation of state departments and local chapters organized by women and men who are mothers and fathers of members of the United States armed forces. 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 and local chapters, providing membership administration and chapter/department organization. BSM is primarily supported by chapter/department dues and the sale of branded merchandise to chapters/departments and members.

2) Summary of Significant Accounting Policies

Basis of Presentation

BSM's financial statements are presented on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Modifications to the cash basis of accounting include recording depreciation on equipment and recording inventory.

Equipment

Equipment is stated at cost. Equipment that is received by donation is recorded at the estimated fair value on the date of donation. Such donations are reported as unrestricted support 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 are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, BSM reports the expiration of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. BSM reclassifies restricted net assets to unrestricted net assets at that time. Purchased or donated assets in excess of \$100 are capitalized. Depreciation is calculated on a straight-line basis in amounts sufficient to relate the cost of depreciable assets to operations over their estimated useful lives of three years.

Income Taxes

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

Blue Star Mothers of America, Inc.
Notes to Financial Statements
June 30, 2008

2) 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 \$1,806 for the 11 month period ended June 30, 2008.

Cash and Cash Equivalents

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

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.

Donated Services and Materials

Donated services are recognized as contributions in accordance with Statement of Financial Accounting Standards (SFAS) No. 116, *Accounting for Contributions Received and Contributions Made*, if the services create or enhance non-financial assets or require specialized skills; are provided by individuals possessing those skills; and, would otherwise be purchased by BSM. Recognized donated services and materials are recorded at the fair value on the date of donation. During the year ended June 30, 2008, BSM received in-kind donations of legal services for management and general supporting services valued at \$228,422 and donated materials of \$8,048. BSM did receive a significant amount of donated services from unpaid volunteers who assist in fundraising and other special projects. BSM's management and officers contribute their time on a volunteer basis and receive reimbursements for out-of-pocket expenses in the form of monthly advances. No amounts have been recognized in the statement of activities for these services because the criteria for recognition under SFAS No. 116 have not been satisfied.

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. When a donor restriction expires, restricted net assets are reclassified to unrestricted net assets and 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.

Blue Star Mothers of America, Inc.
Notes to Financial Statements
June 30, 2008

2) **Summary of Significant Accounting Policies — continued**

Inventory

Inventory is stated at the lower of cost or market using the first-in, first out basis.

Use of Estimates

The preparation of financial statements in conformity with U.S. 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.

3) **Equipment**

Equipment consists of the following at June 30, 2008.

Equipment	\$ 9,659
Less accumulated depreciation	<u>(6,460)</u>
Net equipment	<u>\$ 3,199</u>

4) **Concentrations**

BSM maintains its cash balances and certificate of deposit in one financial institution. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000.

5) **Temporarily Restricted Net Assets**

Temporarily restricted net assets consist of the following at June 30, 2008:

National Convention	\$ 2,200
Chaplain's Emergency Fund	<u>1,025</u>
Total	<u>\$ 3,225</u>