

# Eisner

Eisner LLP  
Accountants and Advisors

## MODEST NEEDS FOUNDATION

FINANCIAL STATEMENTS

DECEMBER 31, 2009 AND 2008



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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Modest Needs Foundation  
New York, New York

We have audited the accompanying statements of financial position of Modest Needs Foundation ("Modest Needs") as of December 31, 2009 and 2008, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of Modest Needs' 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 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 enumerated above present fairly, in all material respects, the financial position of Modest Needs Foundation as of December 31, 2009 and 2008, 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.

A handwritten signature in black ink that reads "Eisner LLP".

New York, New York  
April 7, 2010

# MODEST NEEDS FOUNDATION

## Statements of Financial Position

	<u>December 31,</u>	
	<u>2009</u>	<u>2008</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 185,646	\$ 286,231
Investments	0	3,927
Pledges receivable	100,000	0
Other receivables	63,148	0
Prepaid expenses and other assets	16,416	27,259
Security deposits	33,463	32,028
Property and equipment, net	<u>159,056</u>	<u>120,699</u>
	<u>\$ 557,729</u>	<u>\$ 470,144</u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 550	\$ 27,841
Grants payable	<u>68,584</u>	<u>2,745</u>
Total liabilities	<u>69,134</u>	<u>30,586</u>
Net assets:		
Unrestricted	388,595	439,558
Temporarily restricted	<u>100,000</u>	<u>0</u>
Total net assets	<u>488,595</u>	<u>439,558</u>
	<u>\$ 557,729</u>	<u>\$ 470,144</u>

# MODEST NEEDS FOUNDATION

## Statements of Activities

	Year Ended December 31,					
	2009			2008		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>Support and revenue:</b>						
Contributions	\$ 2,232,950	\$ 460,000	\$ 2,692,950	\$ 1,372,243	\$ 1,289,500	\$ 2,661,743
Special event contributions				33,571		33,571
Program service revenue	12,535		12,535			
Investment (losses) income	(702)		(702)	2,795		2,795
Support and revenue before release from restrictions	2,244,783	460,000	2,704,783	1,408,609	1,289,500	2,698,109
Net assets released from restrictions	360,000	(360,000)	0	1,289,500	(1,289,500)	0
Total support and revenue	2,604,783	100,000	2,704,783	2,698,109	0	2,698,109
<b>Expenses:</b>						
Self-sufficiency grants to individuals	866,341		866,341	1,100,977		1,100,977
Independent living grants to individuals	136,774		136,774	169,194		169,194
Back-to-work grants to individuals	84,154		84,154	21,356		21,356
Grants to other organizations	76,511		76,511	1,441		1,441
Bridge grants	64,180		64,180	176,063		176,063
Program services	1,119,492		1,119,492	1,057,985		1,057,985
Total program expenses	2,347,452		2,347,452	2,527,016		2,527,016
General and administrative	193,296		193,296	166,773		166,773
Fund-raising	114,998		114,998	133,142		133,142
Total expenses	2,655,746		2,655,746	2,826,931		2,826,931
<b>Change in net assets</b>	(50,963)	100,000	49,037	(128,822)		(128,822)
Net assets - January 1	439,558	0	439,558	568,380	0	568,380
<b>Net assets - December 31</b>	<u>\$ 388,595</u>	<u>\$ 100,000</u>	<u>\$ 488,595</u>	<u>\$ 439,558</u>	<u>\$ 0</u>	<u>\$ 439,558</u>

See notes to financial statements

## MODEST NEEDS FOUNDATION

### Statement of Functional Expenses Year Ended December 31, 2009

(with summarized financial information for 2008)

	Program Services	Management And General	Fund- raising	Total Expenses	
				2009	2008
<b>Grants:</b>					
Self-sufficiency grants to individuals	\$ 866,341			\$ 866,341	\$ 1,100,977
Independent living grants to individuals	136,774			136,774	169,194
Back-to-work grants to individuals	84,154			84,154	21,356
Grants to other organizations	76,511			76,511	176,063
Bridge Grants	64,180			64,180	1,441
Total grants	1,227,960			1,227,960	1,469,031
Other salaries and wages	389,725	\$ 95,342	\$ 11,201	496,268	390,094
Compensation of officers	134,544	28,830	28,830	192,204	299,972
Travel	79,447	12,469	10,018	101,934	101,315
Professional fees	55,397	6,973	32,205	94,575	29,000
Depreciation	78,442	5,147	3,524	87,113	21,554
Employee benefits	61,308	15,072	4,740	81,120	145,261
Rent	55,768	2,989	2,989	61,746	61,593
Payroll taxes	38,998	8,415	2,656	50,069	49,012
Bank and merchant account fees	35,036	1,939	1,939	38,914	26,975
Staff development	26,810	2,361	609	29,780	29,085
Telephone	26,298	1,244	1,244	28,786	26,826
Insurance	21,120	1,703	637	23,460	8,309
Accounting	20,250	1,125	1,125	22,500	5,750
Conferences, conventions, and meetings	13,727	4,998	2,579	21,304	26,288
Office supplies	18,095	1,400	635	20,130	27,022
Equipment rental and maintenance	17,644	890	890	19,424	22,383
Books, subscriptions, and references	12,234	538	4,683	17,455	11,538
Filing fees	8,297	429	429	9,155	2,633
Postage and shipping	6,922	384	384	7,690	3,471
Utilities	6,416	356	356	7,128	5,403
Special events	4,186	222	408	4,816	35,101
Miscellaneous expenses	2,667	266	658	3,591	4,000
Advertising	1,720		1,720	3,440	18,235
Payroll processing fees	1,855	104	104	2,063	820
Printing and copying	1,506	40	375	1,921	4,358
Legal fees	1,080	60	60	1,200	1,634
Interest					268
Total expenses	\$ 2,347,452	\$ 193,296	\$ 114,998	\$ 2,655,746	\$ 2,826,931

**MODEST NEEDS FOUNDATION**

**Statement of Functional Expenses  
Year Ended December 31, 2008**

	<u>Program Services</u>	<u>Management And General</u>	<u>Fund-raising</u>	<u>Total Expenses</u>
<b>Grants:</b>				
Self-sufficiency grants to individuals	\$ 1,100,977			\$ 1,100,977
Independent living grants to individuals	169,194			169,194
Back-to-work grants to individuals	21,356			21,356
Grants to other organizations	176,063			176,063
Bridge grants	<u>1,441</u>			<u>1,441</u>
Total grants	1,469,031			1,469,031
Other salaries and wages	340,158	\$ 34,724	\$ 15,212	390,094
Compensation of officers	223,069	40,223	36,680	299,972
Travel	63,495	14,085	23,735	101,315
Professional fees	16,188	7,037	5,775	29,000
Depreciation	18,321	2,155	1,078	21,554
Employee benefits	121,156	14,904	9,201	145,261
Rent	51,934	7,582	2,077	61,593
Payroll taxes	40,039	5,254	3,719	49,012
Bank and merchant account fees	22,926	2,700	1,349	26,975
Staff development	20,771	7,020	1,294	29,085
Telephone	22,804	2,702	1,320	26,826
Insurance	5,564	2,534	211	8,309
Accounting		5,750		5,750
Conferences, conventions, and meetings	13,765	8,895	3,628	26,288
Office supplies	22,163	3,773	1,086	27,022
Equipment rental and maintenance	22,280	68	35	22,383
Books, subscriptions, and references	9,686	1,313	539	11,538
Filing fees	1,938	575	120	2,633
Postage and shipping	2,788	540	143	3,471
Utilities	4,371	826	206	5,403
Special events	18,701		16,400	35,101
Miscellaneous expenses	1,597	2,326	77	4,000
Advertising	9,573	30	8,632	18,235
Payroll processing		820		820
Printing and copying	3,594	204	560	4,358
Legal fees	1,104	465	65	1,634
Interest		<u>268</u>		<u>268</u>
Total expenses	<u>\$ 2,527,016</u>	<u>\$ 166,773</u>	<u>\$ 133,142</u>	<u>\$ 2,826,931</u>

# MODEST NEEDS FOUNDATION

## Statements of Cash Flows

	<u>Year Ended December 31,</u>	
	<u>2009</u>	<u>2008</u>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 49,037	\$ (128,822)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	87,113	21,554
Net realized and unrealized losses (gains) on investments	702	(329)
Donated securities	0	(2,570)
Changes in operating assets and liabilities:		
Pledges receivable	(100,000)	20,433
Other receivables	(63,148)	10,659
Prepaid expenses and other assets	10,843	(16,899)
Security deposits	(1,435)	(2,503)
Accounts payable and accrued expenses	(27,291)	9,476
Grants payable	65,839	2,410
Net cash provided by (used in) operating activities	<u>21,660</u>	<u>(86,591)</u>
<b>Cash flows from investing activities:</b>		
Proceeds from the sale of donated securities	3,225	
Donations of equipment to assist individuals	40,326	
Purchases of property and equipment	<u>(165,796)</u>	<u>(92,085)</u>
Net cash used in investing activities	<u>(122,245)</u>	<u>(92,085)</u>
<b>Net decrease in cash and cash equivalents</b>	<b>(100,585)</b>	<b>(178,676)</b>
Cash and cash equivalents at January 1, 2009	<u>286,231</u>	<u>464,907</u>
<b>Cash and cash equivalents at December 31, 2009</b>	<b><u>\$ 185,646</u></b>	<b><u>\$ 286,231</u></b>

## **MODEST NEEDS FOUNDATION**

### **Notes to Financial Statements December 31, 2009 and 2008**

#### **NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **[1] Organization:**

The Modest Needs Foundation ("Modest Needs") is a not-for-profit corporation formed on January 3, 2007. Modest Needs was originally formed in Tennessee in 2002 but merged its operations with a new corporation created in Delaware for that specific purpose.

The mission of Modest Needs is to provide emergency relief to generally self-sufficient individuals and families who encounter a temporary financial crisis through no immediate fault of their own, thereby bolstering the ability of Modest Needs' clients to continue to provide for themselves, while lessening the burden of the state and federal agencies charged with the care of the truly indigent.

Modest Needs is exempt from federal income taxes under section 501(c)(3) of the U.S. Internal Revenue Code and from state and local taxes under comparable laws.

##### **[2] Financial reporting:**

###### **(a) Basis of accounting:**

The accompanying financial statements of Modest Needs have been prepared using the accrual basis of accounting and conform to accounting principles generally accepted in the United States of America as applicable to not-for-profit organizations.

###### **(b) Cash and cash equivalents:**

Cash and cash equivalents include all highly-liquid investments available for use with initial maturity of three months or less.

###### **(c) Functional allocation of expenses:**

The costs of providing the various programs and supporting services have been summarized on a functional basis in the accompanying statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services in reasonable ratios determined by management.

###### **(d) Use of estimates:**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenues and expenses. Actual results may differ from those estimates.

###### **(e) Investments:**

Investments in marketable securities with readily determinable market values are reported at their fair values in the accompanying statements of financial position.



## MODEST NEEDS FOUNDATION

### Notes to Financial Statements December 31, 2009 and 2008

#### NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### [2] Financial reporting: (continued)

(f) Net assets:

(i) *Unrestricted:*

Unrestricted net assets are the remaining net assets of Modest Needs that are used to carry out its mission and are not subject to donor restrictions.

(ii) *Temporarily restricted:*

Temporarily restricted net assets include gifts, pledges, and trusts that can be expended, but for which the donors' restrictions have not yet been met. Temporary restrictions are removed either through the passage of time or because certain actions are taken by Modest Needs that fulfill the restrictions.

(g) Revenue recognition:

Contributions and pledges:

Contributions, including unconditional promises to give to Modest Needs, are recognized as revenue in the period received. Pledges and other receivables not expected to be collected within a year are reported at their discounted present values.

(h) Program service revenue:

During the fourth quarter of 2009, Modest Needs began charging a nominal application fee from its grant applicants. This fee is collected when an application is initially submitted and refundable in the event that Modest Needs is unable to provide the assistance requested by the applicant.

(i) Advertising costs:

Advertising costs are expensed as incurred.

##### [3] Property and equipment:

Property and equipment are reported at their costs at the dates of acquisition or at their fair values at the dates of donation. Depreciation of furniture and equipment is provided using the straight-line method over estimated useful lives from five to seven years. Software and website design are depreciated over three years.

##### [4] Grants payable:

Grant expenses are considered to be incurred at the time of approval for payment. Grants outstanding at the end of each fiscal year are expected to be paid in the following year.

##### [5] Income taxes:

In 2009, Modest Needs adopted the provisions of Accounting Standards Codification ("ASC") 740-10-05 relating to accounting and reporting for uncertainty in income taxes. Because of Modest Need's general tax-exempt status, ASC 740-10-05 is not anticipated to have a material impact on Modest Needs' financial statements.

## MODEST NEEDS FOUNDATION

### Notes to Financial Statements December 31, 2009 and 2008

#### NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### [6] Fair-value measurements:

In 2008, Modest Needs adopted ASC 820-10-05 relating to fair-value measurement. Accordingly, Modest Needs reports a fair-value measurement of all applicable financial assets and liabilities.

##### [7] Subsequent events:

Modest Needs considers the accounting treatments, and the related disclosures in the current year's financial statements, that may be required as the result of all events or transactions that occur after year-end through the date of the independent auditors' report. As a result, management believes all required disclosures have been made in the current financial statements.

#### NOTE B - INVESTMENTS

Modest Needs did not carry any investments at December 31, 2009. At December 31, 2008, investments consisted of readily marketable securities which had been donated to Modest Needs. With regard to ASC 820-10-05, these would be considered Level I investments, which is defined as the category whereby quoted prices for identical instruments in active markets are readily available. The fair value of investments as of December 31, 2008 was \$3,927.

#### NOTE C - PLEDGES RECEIVABLE

In 2009, a family foundation pledged \$200,000 over a two-year period. Modest Needs received \$100,000 during 2009 and expects to receive the second half of the pledge during 2010.

#### NOTE D - PROPERTY AND EQUIPMENT

At each year-end, property and equipment consisted of the following:

	<u>Year Ended December 31,</u>	
	<u>2009</u>	<u>2008</u>
Office equipment	\$ 175,047	\$ 169,381
Software	15,765	13,815
Website	128,305	0
Furniture and fixtures	<u>10,450</u>	<u>20,901</u>
	329,567	204,097
Less accumulated depreciation	<u>(170,511)</u>	<u>(83,398)</u>
	<u>\$ 159,056</u>	<u>\$ 120,699</u>

During 2009, Modest Needs donated approximately \$41,000 in furniture and equipment in the form of grants to individuals.

## MODEST NEEDS FOUNDATION

### Notes to Financial Statements December 31, 2009 and 2008

#### NOTE E - COMMITMENTS

##### Lease agreements:

Modest Needs rents office space in New York City, under the terms of an operating lease that expires in December 2011. During 2009, Modest Needs opted to reduce its overall costs by shifting all operational duties assigned to its San Francisco, California office back to its New York City office and to eliminate its physical presence in California. At December 31, 2009, the final payment due to finalize the termination of the San Francisco leases was \$15,025, all of which is included below as a commitment due in 2010. The New York City lease requires minimum lease payments, plus escalation charges. Rent expense in 2009 and 2008 was approximately \$62,000 in each year. The minimum annual future obligations under this lease are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2010	\$ 50,821
2011	<u>38,124</u>
Total	<u>\$ 88,945</u>

#### NOTE F - TEMPORARILY RESTRICTED NET ASSETS

As of December 31, 2009, temporarily restricted net assets consisted of a pledge receivable restricted for time.

At each year-end, releases of temporarily restricted net assets were composed of the following:

	<u>December 31,</u>	
	<u>2009</u>	<u>2008</u>
Capacity-building		\$ 336,500
Staffing and training	\$ 10,000	
Grant-making	<u>350,000</u>	<u>953,000</u>
	<u>\$ 360,000</u>	<u>\$ 1,289,500</u>

#### NOTE G - CONCENTRATION OF CREDIT RISK

Modest Needs deposits its cash with a major bank in amounts which may occasionally be in marginal excess of federal insurance limits. Management believes that there is no significant risk of loss on these accounts relating to the failure of the banking institution.

#### NOTE H - CONCENTRATION OF REVENUE SOURCES

During 2009 and 2008, approximately 20% and 38%, respectively, of Modest Needs' total support was provided by one donor.