

MODEST NEEDS FOUNDATION  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011

TABLE OF CONTENTS

|  | <u>PAGE</u> |
|--|-------------|
| Independent Auditors' Report   | 1           |
| FINANCIAL STATEMENTS   |             |
| Statement of Financial Position as of<br>December 31, 2011               | 2           |
| Statement of Activities for the year ended<br>December 31, 2011          | 3           |
| Statement of Functional Expenses for the year<br>ended December 31, 2011 | 4           |
| Statement of Cash Flows for the year ended<br>December 31, 2011          | 5           |
| Notes to Financial Statements  | 6-8         |



JACOB GOLDBURD, CPA  
RIVKY RABINOWITZ, CPA

42 West 38<sup>th</sup> Street, Suite 901  
New York, New York 10018  
Telephone: (212) 302-8970  
Facsimile: (212) 302-8973  
[www.goldburd.com](http://www.goldburd.com)

## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Modest Needs Foundation  
New York, New York

We have audited the accompanying statement of financial position of Modest Needs Foundation ("Modest Needs") as of December 31, 2011 and the related statements of activities, functional expenses and cash flows for the year 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 audit.

We conducted our audit 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion of the effectiveness of the internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides 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, 2011, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

*Goldburd & Co. Inc.*

New York, New York  
November 26, 2012

MODEST NEEDS FOUNDATION  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2011

---

ASSETS

|  |    |                  |
|--|----|------------------|
| Assets:  |    |                  |
| Cash and cash equivalents                                      | \$ | 130,722          |
| Pledges receivable   |    | 300,000          |
| Fixed assets, net of accumulated<br>depreciation of \$ 135,576 |    | 1,046,196        |
| Security deposits  |    | <u>10,415</u>    |
| Total assets   | \$ | <u>1,487,333</u> |

LIABILITIES AND NET ASSETS

|                                       |    |                  |
|---------------------------------------|----|------------------|
| Liabilities:                          |    |                  |
| Accounts payable and accrued expenses | \$ | 183,110          |
| Grants payable                        |    | <u>24,888</u>    |
| Total liabilities                     |    | <u>207,998</u>   |
| Net Assets:                           |    | <u>1,279,335</u> |
| Unrestricted                          |    | <u>1,279,335</u> |
| Total net assets                      |    | <u>1,279,335</u> |
| Total liabilities and net assets      | \$ | <u>1,487,333</u> |

*See independent auditors' report and notes to financial statements*

MODEST NEEDS FOUNDATION  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2011

---

|  | <u>Unrestricted</u> | <u>Temporarily<br/>Restricted</u> | <u>Total</u>        |
|--|---------------------|-----------------------------------|---------------------|
| <b>Support and revenue:</b>              |                     |                                   |                     |
| Contributions                            | \$ <u>2,146,648</u> |                                   | \$ <u>2,146,648</u> |
| Total support and revenue                | <u>2,146,648</u>    |                                   | <u>2,146,648</u>    |
| <b>Expenses:</b>                         |                     |                                   |                     |
| Self-sufficiency grants to individuals   | 388,556             |                                   | 388,556             |
| Independent living grants to individuals | 111,814             |                                   | 111,814             |
| Back-to-work grants to individuals       | 76,355              |                                   | 766,355             |
| Grants to other organizations            | 36,072              |                                   | 36,072              |
| Good Samaritan grants                    | 4,035               |                                   | 4,035               |
| Program services                         | <u>685,807</u>      |                                   | <u>685,807</u>      |
| Total program expenses                   | 1,302,639           |                                   | 1,302,639           |
| General and administrative expenses      | 53,338              |                                   | 53,338              |
| Fund raising expenses                    | <u>22,858</u>       |                                   | <u>22,858</u>       |
| Total expenses                           | <u>1,378,835</u>    |                                   | <u>1,378,835</u>    |
| Change in net assets                     | 767,813             |                                   | 767,813             |
| Net assets- January 1, 2011              | <u>511,522</u>      |                                   | <u>511,522</u>      |
| Net assets- December 31, 2011            | \$ <u>1,279,335</u> |                                   | \$ <u>1,279,335</u> |

*See independent auditors' report and notes to financial statements*

**Goldburd & Co.**  
Certified Public Accountants

MODEST NEEDS FOUNDATION  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2011

|  | <u>Program<br/>Services</u> | <u>Management<br/>&amp; General</u> | <u>Fund<br/>Raising</u> | <u>Total<br/>Expenses</u> |
|--|-----------------------------|-------------------------------------|-------------------------|---------------------------|
| Grants:                                  |                             |                                     |                         |                           |
| Self-sufficiency grants to individuals   | \$ 388,556                  |                                     |                         | \$ 388,556                |
| Independent living grants to individuals | 111,814                     |                                     |                         | 111,814                   |
| Back-to-work grants to individuals       | 76,355                      |                                     |                         | 76,355                    |
| Grants to other organizations            | 36,072                      |                                     |                         | 36,072                    |
| Good Samaritan grants                    | <u>4,035</u>                |                                     |                         | <u>4,035</u>              |
| Total grants                             | 616,832                     |                                     |                         | 616,832                   |
| Other salaries and wages                 | 169,561                     | 13,188                              | 5,652                   | 188,401                   |
| Compensation of officers                 | 140,545                     | 10,931                              | 4,685                   | 156,161                   |
| Professional fees                        | 37,356                      | 2,905                               | 1,245                   | 41,506                    |
| Depreciation                             | 53,891                      | 4,192                               | 1,796                   | 59,879                    |
| Employee benefits                        | 23,230                      | 1,806                               | 774                     | 25,810                    |
| Rent                                     | 32,216                      | 2,506                               | 1,074                   | 35,796                    |
| Payroll taxes                            | 34,417                      | 2,678                               | 1,147                   | 38,242                    |
| Bank service charges                     | 38,513                      | 2,995                               | 1,284                   | 42,792                    |
| Staff development                        | 612                         | 48                                  | 20                      | 680                       |
| Telephone                                | 8,762                       | 682                                 | 292                     | 9,736                     |
| Production expenses                      | 41,945                      | 3,262                               | 1,398                   | 46,605                    |
| Insurance                                | 5,517                       | 429                                 | 184                     | 6,130                     |
| Office supplies                          | 2,925                       | 227                                 | 97                      | 3,249                     |
| Equipment rental & maintenance           | 33,298                      | 2,590                               | 1,110                   | 36,998                    |
| Books, subscriptions, dues               | 7,463                       | 580                                 | 249                     | 8,292                     |
| Filing fees                              | 7,063                       | 549                                 | 235                     | 7,847                     |
| Utilities                                | 2,730                       | 212                                 | 91                      | 3,033                     |
| Consultants                              | 35,760                      | 2,781                               | 1,192                   | 39,733                    |
| Payroll fees                             | 2,884                       | 224                                 | 96                      | 3,204                     |
| Postage & shipping                       | 585                         | 45                                  | 19                      | 649                       |
| Miscellaneous expenses                   | <u>6,534</u>                | <u>508</u>                          | <u>218</u>              | <u>7,260</u>              |
| Total expenses                           | \$ <u>1,302,639</u>         | \$ <u>53,338</u>                    | \$ <u>22,858</u>        | \$ <u>1,378,835</u>       |

See independent auditors' report and notes to financial statements

**Goldburd & Co.,**  
Certified Public Accountants

MODEST NEEDS FOUNDATION  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2011

---

Cash flows from operating activities:

|   |                    |
|---|--------------------|
| Increase in net assets  | \$ <u>767,813</u>  |
| Adjustments to reconcile increase in net assets to net cash provided by operating activities: |                    |
| Depreciation  | 59,879             |
| (Increase) decrease in pledges receivable   | ( 300,000)         |
| (Increase) decrease in prepaid expenses & other assets  | 111,355            |
| Increase (decrease) in accounts payable & accrued expenses                                    | ( 280,474)         |
| Increase (decrease) in grants payable   | ( 20,300)          |
| Total adjustments   | ( 429,540)         |
| Net cash provided by operating activities   | <u>338,273</u>     |
| Cash flows from investing activities:   |                    |
| Cash payments for the purchase of property & equipment  | ( <u>310,827</u> ) |
| Net cash(used)by investing activities   | ( <u>310,827</u> ) |
| Net increase in cash and cash equivalents   | 27,446             |
| Cash and cash equivalents - January 1, 2011   | <u>103,276</u>     |
| Cash and cash equivalents - December 31, 2011   | <u>\$ 130,722</u>  |

*See independent auditors' report and notes to financial statements*

**Goldburd & Co.,**  
*Certified Public Accountants*

MODEST NEEDS FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011

---

**Note 1: Organization and Summary of Significant Accounting Policies**

Nature of Organization

The Modest Needs Foundation ("Modest Needs") is a not-for-profit corporation formed January 3, 2007. While Modest Needs was originally formed in Tennessee in 2002, it subsequently moved to New York and filed Delaware incorporation documents. The mission of Modest Needs is to provide emergency relief to prevent otherwise financially self-sufficient individuals, and their families from entering the cycle of poverty. These individuals found themselves in this situation through no fault of their own. The emergency help provided lessens the burden of 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.

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.

Cash and Cash Equivalents

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

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.

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.

Net Assets - Unrestricted

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

Revenue Recognition

Contributions and Pledges

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



MODEST NEEDS FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011

---

**Note 1: Organization and Summary of Significant Accounting Policies (continued)**

Advertising Costs

Advertising costs are expensed as incurred.

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.

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.

Donated Goods and Services

Those donated goods and services that meet requirements for recognition under generally accepted accounting principles are recorded as both revenue and expense in the accompanying financial statements of activities at amounts determined by management to be reasonable for acquiring such goods and services.

Income Tax Uncertainties

Modest Needs is subject to the provisions of the Financial Accounting Standards Board's Accounting Standards Codification ("ASC") 740-10-05 relating to the accounting and reporting for uncertainty in income taxes.

Fair-Value Measurements

Modest Needs reports a fair-value measurement of all applicable financial assets and liabilities.

Subsequent Events

Modest Needs considers the accounting treatments, and 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 2: Pledges Receivable**

In 2011, a charitable foundation pledged \$600,000 to Modest Needs in two separate pledges. Modest Needs received \$300,000 during 2011 and received the remaining balance of the pledge in 2012.

MODEST NEEDS FOUNDATION  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2011

---

**Note 3: Security Deposits**

Security deposits consist of the following on December 31, 2011:

|                           |                 |
|---------------------------|-----------------|
| Lease and rental deposits | \$ 9,600        |
| Utility deposits          | <u>815</u>      |
| Total Security deposits   | <u>\$10,415</u> |

**Note 4: Property and Equipment**

Property and Equipment consist of the following on December 31, 2011:

|                                |                    |
|--------------------------------|--------------------|
| Office equipment               | \$ 84,519          |
| Software                       | 18,369             |
| Website                        | 85,537             |
| Furniture and fixtures         | <u>6,347</u>       |
|                                | 194,772            |
| less: accumulated depreciation | <u>( 135,576)</u>  |
|                                | 59,196             |
| Website under development      | <u>987,000</u>     |
|                                | <u>\$1,046,196</u> |

During 2011, Modest Needs incurred an additional \$294,000 in costs with a web development company. The new website became active on March 22, 2012.

**Note 5: Concentration of Revenue Sources**

During 2011, approximately 28% of Modest Needs' total support was provided by one donor.

**Note 6: Commitments and Contingencies**

Modest Needs rents office space in New York City, under the terms of an operating lease that expired in 2011. The Organization has renewed the lease through December 31, 2014. The New York City lease requires minimum lease payments, plus escalation charges. Rent expense in 2011 was \$35,796.

In 2011, Modest Needs' 2008 form 990 was selected for examination. While field audit work by the Internal Revenue Service did proceed, the statute was allowed to lapse in 2012, with no proposed adjustment by the Internal Revenue Service.