

MODEST NEEDS FOUNDATION  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013

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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 financial statements of Modest Needs Foundation ("Modest Needs") as of December 31, 2013, which comprise the statement of financial position and the related statements of activities and cash flows for the year then ended.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Modest Needs Foundation as of December 31, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The statement of functional expenses on page 10 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Goldman & Co LLP*

New York, New York  
December 18, 2014



MODEST NEEDS FOUNDATION  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2013

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ASSETS

Assets:

Current assets

Cash and cash equivalents	\$ 85,493
Prepaid expenses	328
Security deposits	<u>10,415</u>

Total current assets 96,236

Fixed assets, net of accumulated  
depreciation of \$891,391

695,966

Total assets \$ 792,202

LIABILITIES AND NET ASSETS

Liabilities:

Current liabilities

Accounts payable and accrued expenses	\$ 92,802
Grants payable	<u>25,416</u>

Total current liabilities 118,218

Total liabilities 118,218

Net Assets:

Unrestricted 673,984

Total net assets 673,984

Total liabilities and net assets \$ 792,202

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

MODEST NEEDS FOUNDATION  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2013

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	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>Support and revenue:</b>			
Contributions	\$1,746,796		\$1,746,796
Interest	<u>74</u>		<u>74</u>
Total support and revenue	<u>1,746,870</u>		<u>1,746,870</u>
<b>Expenses:</b>			
Program services:			
Self-sufficiency grants to individuals	320,561		320,561
Back-to-work grants to individuals	16,836		16,836
Grants to other organizations	16,490		16,490
Good Samaritan grants	4,219		4,219
Bridge grants to individuals	30,857		30,857
Hurricane Sandy grants to individuals	258,567		258,567
Homecoming hero grants to individuals	20,014		20,014
Holiday help grant to individuals	13,686		13,686
Program services	<u>1,685,376</u>		<u>1,685,376</u>
Total program services	2,366,606		2,366,606
Management and general expenses	98,421		98,421
Fund raising expenses	<u>158,313</u>		<u>158,313</u>
Total expenses	<u>2,623,340</u>		<u>2,623,340</u>
Change in net assets	( 876,470)		( 876,470)
Net assets - January 1, 2013	<u>1,550,454</u>		<u>1,550,454</u>
Net assets - December 31, 2013	<u>\$ 673,984</u>		<u>\$ 673,984</u>

See independent auditors' report and accompanying notes to financial statements

MODEST NEEDS FOUNDATION  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2013

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Cash flows from operating activities:

Change in net assets	\$ ( <u>876,470</u> )
Adjustments to reconcile change in net assets to cash provided by (used in) operating activities:	
Depreciation	467,747
(Increase) decrease in accounts receivable	300,000
(Increase) decrease in prepaid expenses	21,258
Increase (decrease) in accounts payable & accrued expenses	50,880
Increase (decrease) in grants payable	<u>15,993</u>
Total adjustments	<u>855,878</u>
Net cash provided by (used in) operating activities	( <u>20,592</u> )
Cash flows from investing activities:	
Cash payments for the purchase of property & equipment	( <u>38,137</u> )
Net cash provided by (used in) investing activities	( <u>38,137</u> )
Net increase in cash and cash equivalents	( 58,729 )
Cash and cash equivalents - January 1, 2013	<u>144,222</u>
Cash and cash equivalents - December 31, 2013	\$ <u><u>85,493</u></u>

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

MODEST NEEDS FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013

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

Organization and Nature of Activities

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 find 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.

Financial statement presentation

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Unrestricted net assets represent revenues and expenses related to the operations and management of the Organization's primary programs and supporting services. If funds are raised and set aside by the board for future use, these are considered unrestricted.

Temporarily restricted contributions that are expensed for their restricted purpose in the same reporting period as received may be recorded as unrestricted. Temporarily restricted net assets represent resources available for use, but expendable only for the purpose specifically stated by the donor. For the year ended December 31, 2013 there were no temporarily restricted net assets.

Permanently restricted net assets are assets subject to donor-imposed stipulations that they be maintained permanently by the organization. Generally, the donors of these assets permit the organization to use all or part of the income earned on any related investments for general or specific purposes. For the year ended December 31, 2013, the organization has no permanently restricted net assets.

Functional allocation of expense

The costs of providing services have been summarized on a functional basis in the accompanying statement of functional expense. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from these estimates.

See independent auditors' report

MODEST NEEDS FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013

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

Cash and Cash Equivalents

The Organization maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. It has not experienced any losses in such accounts. It considers all highly liquid instruments purchased with a maturity of three months or less when purchased to be cash equivalents.

Revenue Recognition and Accounts Receivable

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.

Contributions

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor- restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Promises to give

Unconditional promises to give are recognized in the period received both as revenue or gains and as assets, decreases of liabilities, or expensed, depending on the form of the benefits received.

Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Property and Equipment

Property and equipment are recorded at cost 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. Expenditures for maintenance and repairs are charged to operations as incurred. Significant renovations and replacements, which improve and extend the life of the asset, are capitalized.

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 accounting principles generally accepted in the United States of America are recorded as both revenue and expense in the accompanying statements of activities at amounts determined by management to be reasonable for acquiring such goods and services.

Advertising Costs

The Organization policy is to expense Advertising costs as incurred. For the year ended December 31, 2013 advertising costs was \$18,108.

See independent auditors' report

MODEST NEEDS FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013

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

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.

The organization Form 990 is open for examination for the years 2013, 2012, and 2011.

Subsequent Events

The Organization evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through December 18, 2014, the day the financial statements were available to be issued.

**Note 2: Security Deposits**

Security deposits consist of the following on December 31, 2013:

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

**Note 3: Property and Equipment**

Property and Equipment consist of the following on December 31, 2013:

Office equipment	\$ 132,983
Software	18,369
Website	1,429,658
Furniture and fixtures	<u>6,347</u>
	1,587,357
less: accumulated depreciation	<u>( 891,391)</u>
	<u>\$ 695,966</u>

For the year ended December 31, 2013 depreciation expense was \$467,747.

**Note 4: Concentration of Revenue Sources**

During 2013, approximately 22% of Modest Need's total support was provided by one donor.

During 2013, 100% of Modest Need's total receivables was provided by one donor.

See independent auditors' report

MODEST NEEDS FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013

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**Note 5: Commitments and Contingencies**

Modest Needs rents office space in New York City, under the terms of an operating lease that expired in 2013. 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 2013 was \$35,797.

In 2013, Modest Needs 2009, 2010 and 2011 Forms 990 were selected for examination by the Internal Revenue Service.

See independent auditors' report

SUPPLEMENTARY INFORMATION



MODEST NEEDS FOUNDATION  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Program Services</u>	<u>Management &amp; General</u>	<u>Fund Raising</u>	<u>Total Expenses</u>
Grants:				
Self-sufficiency grants to individuals	\$ 320,561	\$ -	\$ -	\$ 320,561
Back-to-work grants to individuals	16,836			16,836
Grants to other organizations	16,490			16,490
Good Samaritan grants	4,219			4,219
Bridge grants to individuals	30,857			30,857
Homecoming hero grants to individuals	20,014			20,014
Holiday help grants to individuals	13,686			13,686
Hurricane Sandy grants to individuals	<u>258,567</u>			<u>258,567</u>
Total grants	681,230	-	-	681,230
Other salaries and wages	230,270		28,310	258,580
Compensation of officers	247,999	41,511	75,571	365,081
Professional fees	232,507	9,147	8,389	250,043
Depreciation	420,972	32,743	14,032	467,747
Employee benefits	26,635	1,912	1,929	30,476
Rent	32,691	1,205	1,901	35,797
Payroll taxes	28,989	2,081	2,099	33,169
Bank service charges	31,827	3,297	3,936	39,060
Staff development	7,301	90	272	7,663
Telephone	12,098	437	476	13,011
Accounting	31,000	4,000	5,000	40,000
Insurance	6,078	703		6,781
Office supplies	8,855	320	396	9,571
Equipment rental & maintenance	24,580			24,580
Books, subscriptions, dues	10,190	261	508	10,959
Website maintenance	292,459			292,459
Filing fees	1,546	408	2,227	4,181
Utilities	3,394	123	133	3,650
Advertising	11,482		6,626	18,108
Payroll fees	3,796	177	180	4,153
Postage & shipping	687			687
Printing and copying			3,526	3,526
Travel and meeting expense	19,808		2,788	22,596
Miscellaneous expenses	<u>212</u>	<u>6</u>	<u>14</u>	<u>232</u>
Total expenses	\$ <u>2,366,606</u>	\$ <u>98,421</u>	\$ <u>158,313</u>	\$ <u>2,623,340</u>

See independent auditors' report