

MODEST NEEDS FOUNDATION
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditors' Report	1
FINANCIAL STATEMENTS	
Statement of Financial Position as of December 31, 2012	2
Statement of Activities for the year ended December 31, 2012	3
Statement of Functional Expenses for the year ended December 31, 2012	4
Statement of Cash Flows for the year ended December 31, 2012	5
Notes to Financial Statements	6-8



JACOB GOLDBURD, CPA
RIVKY RABINOWITZ, CPA

42 West 38th Street, Suite 901
New York, New York 10018
Telephone: (212) 302-8970
Facsimile: (212) 302-8973
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, 2012 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, 2012, 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.

New York, New York
October 15, 2013

MODEST NEEDS FOUNDATION
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2012

ASSETS

Assets:	
Cash and cash equivalents	\$ 144,222
Pledges receivable	300,000
Fixed assets, net of accumulated depreciation of \$ 423,644	1,125,576
Prepaid expenses	21,586
Security deposits	<u>10,415</u>
Total assets	<u>\$ 1,601,799</u>

LIABILITIES AND NET ASSETS

Liabilities:	
Accounts payable and accrued expenses	\$ 41,922
Grants payable	<u>9,423</u>
Total liabilities	<u>51,345</u>
Net Assets:	
Unrestricted	<u>1,550,454</u>
Total net assets	<u>1,550,454</u>
Total liabilities and net assets	<u>\$ 1,601,799</u>

See independent auditors' report and notes to financial statements

Goldburd & Co.
Certified Public Accountants

MODEST NEEDS FOUNDATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and revenue:			
Contributions	\$ 1,780,457		\$ 1,780,457
Interest	<u>192</u>	<u> </u>	<u>192</u>
Total support and revenue	<u>1,780,649</u>	<u> </u>	<u>1,780,649</u>
Expenses:			
Self-sufficiency grants to individuals	286,256		286,256
Independent living grants to individuals	54,931		54,931
Back-to-work grants to individuals	32,516		32,516
Grants to other organizations	54,906		54,906
Good Samaritan grants	9,392		9,392
Bridge grants to individuals	52,166		52,166
Hurricane Sandy grants to individuals	99,319		99,319
Program services	<u>769,325</u>	<u> </u>	<u>769,325</u>
Total program expenses	1,358,811		1,358,811
General and administrative expenses	71,346		71,346
Fund raising expenses	<u>79,373</u>	<u> </u>	<u>79,373</u>
Total expenses	<u>1,509,530</u>	<u> </u>	<u>1,509,530</u>
Change in net assets	271,119		271,119
Net assets - January 1, 2012	<u>1,279,335</u>	<u> </u>	<u>1,279,335</u>
Net assets - December 31, 2012	\$ <u>1,550,454</u>	<u> </u>	\$ <u>1,550,454</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, 2012

	<u>Program</u> <u>Services</u>	<u>Management</u> <u>& General</u>	<u>Fund</u> <u>Raising</u>	<u>Total</u> <u>Expenses</u>
Grants:				
Self-sufficiency grants to individuals	\$ 286,256	\$ -	\$ -	\$ 286,256
Independent living grants to individuals	54,931			54,931
Back-to-work grants to individuals	32,516			32,516
Grants to other organizations	54,906			54,906
Good Samaritan grants	9,392			9,392
Bridge grants to individuals	52,166			52,166
Hurricane Sandy grants to individuals	<u>99,319</u>			<u>99,319</u>
Total grants	589,486	-	-	589,486
Other salaries and wages	114,551	9,100	9,125	132,776
Compensation of officers	135,608	13,383	20,124	169,115
Professional fees	26,921	5,982	6,455	39,358
Depreciation	259,261	20,165	8,642	288,068
Employee benefits	17,386	1,579	1,859	20,824
Rent	29,639	2,828	3,329	35,796
Payroll taxes	26,721	2,565	3,071	32,357
Bank service charges	30,991	3,308	4,933	39,232
Staff development	356	14	28	398
Telephone	8,936	768	904	10,608
Accounting	10,000	5,000	5,000	20,000
Insurance	4,139	395	465	4,999
Office supplies	4,569	635	1,349	6,553
Equipment rental & maintenance	19,503			19,503
Books, subscriptions, dues	6,426	613	722	7,761
Website maintenance	46,715	2,671	8,012	57,398
Filing fees	3,453	329	388	4,170
Utilities	1,982	189	223	2,394
Advertising	16,209	1,155	4,020	21,384
Payroll fees	2,765	264	310	3,339
Postage & shipping	601	23	46	670
Travel and meeting expense	2,400	223	269	2,892
Miscellaneous expenses	<u>193</u>	<u>157</u>	<u>99</u>	<u>449</u>
Total expenses	\$ <u>1,358,811</u>	\$ <u>71,346</u>	\$ <u>79,373</u>	\$ <u>1,509,530</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, 2012

Cash flows from operating activities:

Increase in net assets \$ 271,119

Adjustments to reconcile increase in net assets to net cash provided by operating activities:

Depreciation 288,068
Increase (decrease) in prepaid expenses (21,586)
Increase (decrease) in accounts payable & accrued expenses (141,188)
Increase (decrease) in grants payable 15,465

Total adjustments 109,829

Net cash provided by operating activities 380,948

Cash flows from investing activities:

Cash payments for the purchase of property & equipment (367,448)

Net cash(used)by investing activities (367,448)

Net increase in cash and cash equivalents 13,500

Cash and cash equivalents - January 1, 2012 130,722

Cash and cash equivalents - December 31, 2012 \$ 144,222

See independent auditors' report and notes to financial statements

Goldburd & Co.
Certified Public Accountants

MODEST NEEDS FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

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, 2012

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 2012, a charitable foundation pledged \$300,000 to Modest Needs. Modest Needs expects to receive the \$300,000 during 2013.

MODEST NEEDS FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

Note 3: Security Deposits

Security deposits consist of the following on December 31, 2012:

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, 2012:

Office equipment	\$ 94,846
Software	18,369
Website	1,429,658
Furniture and fixtures	<u>6,347</u>
	1,549,220
less: accumulated depreciation	(<u>423,644</u>)
	<u>\$1,125,576</u>

During 2012, Modest Needs incurred an additional \$357,123 in costs with a web development company. The new website became active on March 22, 2012.

Note 5: Concentration of Revenue Sources

During 2012, approximately 22% 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 2012. The Organization has renewed the lease through December 31, 2013. The New York City lease requires minimum lease payments, plus escalation charges. Rent expense in 2012 was \$35,796.