

**MY STUFF BAGS FOUNDATION**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2007 AND 2006**

MY STUFF BAGS FOUNDATION

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Independent Auditors' Report

Board of Directors  
My Stuff Bags Foundation  
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Members of the Board:

We have audited the accompanying statements of financial position of My Stuff Bags Foundation as of December 31, 2007 and 2006, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's 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 referred to above present fairly, in all material respects, the financial position of My Stuff Bags Foundation as of December 31, 2007 and 2006, 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.

*Miller, Kaplan, Arase & Co., LLP*  
MILLER, KAPLAN, ARASE & CO., LLP

November 10, 2008

MY STUFF BAGS FOUNDATION  
STATEMENTS OF FINANCIAL POSITION

| <u>ASSETS</u>  | <u>December 31, 2007</u> | <u>December 31, 2006</u> |
|--|--------------------------|--------------------------|
| <u>CURRENT ASSETS</u>                                      |                          |                          |
| Cash and Cash Equivalents                                  | \$ 66,452                | \$ 88,427                |
| Property Held for Donation                                 | 2,810,009                | 2,389,044                |
| Prepaid Expenses   | <u>8,304</u>             | <u>10,609</u>            |
| <u>TOTAL CURRENT ASSETS</u>                                | 2,884,765                | 2,488,080                |
| Property and Equipment, Net of<br>Accumulated Depreciation | 16,819                   | 24,325                   |
| Deposits   | <u>6,797</u>             | <u>6,594</u>             |
| <u>TOTAL ASSETS</u>  | <u>\$ 2,908,381</u>      | <u>\$ 2,518,999</u>      |
| <br><u>LIABILITIES AND NET ASSETS</u>                      |                          |                          |
| <u>CURRENT LIABILITIES</u>                                 |                          |                          |
| Accounts Payable   | \$ 48,725                | \$ 36,547                |
| Line of Credit   | 50,000                   | 15,000                   |
| Accrued Vacation and Payroll                               | <u>19,575</u>            | <u>17,870</u>            |
| <u>TOTAL LIABILITIES</u>                                   | <u>118,300</u>           | <u>69,417</u>            |
| <br><u>NET ASSETS</u>                                      |                          |                          |
| Unrestricted   | (19,928)                 | 60,538                   |
| Temporarily Restricted                                     | <u>2,810,009</u>         | <u>2,389,044</u>         |
| <u>TOTAL NET ASSETS</u>                                    | <u>2,790,081</u>         | <u>2,449,582</u>         |
| <u>TOTAL LIABILITIES AND NET ASSETS</u>                    | <u>\$ 2,908,381</u>      | <u>\$ 2,518,999</u>      |

MY STUFF BAGS FOUNDATION  
STATEMENTS OF ACTIVITIES

|                                       | January 1, 2007 to December 31, 2007 |                           |              |
|---------------------------------------|--------------------------------------|---------------------------|--------------|
|                                       | Unrestricted                         | Temporarily<br>Restricted | Total        |
| <u>PUBLIC SUPPORT AND REVENUE</u>     |                                      |                           |              |
| <u>Public Support</u>                 |                                      |                           |              |
| Cash Contributions                    | \$ 700,495                           | \$ -                      | \$ 700,495   |
| Property Contributions                | -                                    | 2,395,447                 | 2,395,447    |
| <u>Total Public Support</u>           | 700,495                              | 2,395,447                 | 3,095,942    |
| Net Assets Released from Restrictions | 1,974,482                            | (1,974,482)               | -            |
| <u>TOTAL PUBLIC SUPPORT</u>           | 2,674,977                            | 420,965                   | 3,095,942    |
| <u>EXPENSES</u>                       |                                      |                           |              |
| <u>Program Services</u>               |                                      |                           |              |
| My Stuff Bags                         | 2,448,190                            | -                         | 2,448,190    |
| <u>Support Services</u>               |                                      |                           |              |
| Management and General                | 104,906                              | -                         | 104,906      |
| Fundraising                           | 202,347                              | -                         | 202,347      |
| <u>Total Support Services</u>         | 307,253                              | -                         | 307,253      |
| <u>TOTAL EXPENSES</u>                 | 2,755,443                            | -                         | 2,755,443    |
| <u>CHANGE IN NET ASSETS</u>           | (80,466)                             | 420,965                   | 340,499      |
| <u>NET ASSETS, BEGINNING OF YEAR</u>  | 60,538                               | 2,389,044                 | 2,449,582    |
| <u>NET ASSETS, END OF YEAR</u>        | \$ (19,928)                          | \$ 2,810,009              | \$ 2,790,081 |

(Attached notes are an integral part of this statement)

| January 1, 2006 to December 31, 2006 |                                   |                     |
|--------------------------------------|-----------------------------------|---------------------|
| <u>Unrestricted</u>                  | <u>Temporarily<br/>Restricted</u> | <u>Total</u>        |
| \$ 512,858                           | \$ 188,426                        | \$ 701,284          |
| -                                    | 1,933,214                         | 1,933,214           |
| <u>512,858</u>                       | <u>2,121,640</u>                  | <u>2,634,498</u>    |
| <u>1,739,959</u>                     | <u>(1,739,959)</u>                | <u>-</u>            |
| <u>2,252,817</u>                     | <u>381,681</u>                    | <u>2,634,498</u>    |
| <br>                                 |                                   |                     |
| <u>2,012,473</u>                     | <u>-</u>                          | <u>2,012,473</u>    |
| <br>                                 |                                   |                     |
| 97,486                               | -                                 | 97,486              |
| 158,126                              | -                                 | 158,126             |
| <u>255,612</u>                       | <u>-</u>                          | <u>255,612</u>      |
| <u>2,268,085</u>                     | <u>-</u>                          | <u>2,268,085</u>    |
| (15,268)                             | 381,681                           | 366,413             |
| <u>75,806</u>                        | <u>2,007,363</u>                  | <u>2,083,169</u>    |
| <u>\$ 60,538</u>                     | <u>\$ 2,389,044</u>               | <u>\$ 2,449,582</u> |

MY STUFF BAGS FOUNDATION  
STATEMENTS OF FUNCTIONAL EXPENSES  
2007 WITH COMPARATIVE TOTALS FOR 2006

|                              | Program<br>Services        | Support Services          |                          | 2007<br>Total              | 2006<br>Total              |
|------------------------------|----------------------------|---------------------------|--------------------------|----------------------------|----------------------------|
|                              | My Stuff Bags<br>Program   | Management<br>and General | Fundraising              |                            |                            |
| Facility Related Expenses    | \$ 72,768                  | \$ 9,906                  | \$ 9,906                 | \$ 92,580                  | \$ 89,861                  |
| Depreciation                 | -                          | 8,552                     | -                        | 8,552                      | 9,404                      |
| Direct Response Expenses     | -                          | -                         | 46,065                   | 46,065                     | 58,950                     |
| My Stuff Bags                | 2,050,431                  | -                         | -                        | 2,050,431                  | 1,630,875                  |
| Insurance                    | 33,832                     | 4,606                     | 4,606                    | 43,044                     | 34,803                     |
| Miscellaneous                | 9,307                      | 1,045                     | 1,045                    | 11,397                     | 17,430                     |
| Office and Supplies          | 5,542                      | 622                       | 622                      | 6,786                      | 8,464                      |
| Postage and Shipping         | 48,635                     | 4,606                     | -                        | 53,241                     | 55,495                     |
| Printing                     | 3,672                      | 412                       | 412                      | 4,496                      | 1,706                      |
| Professional Fees            | -                          | 26,947                    | -                        | 26,947                     | 28,647                     |
| Promotion and Marketing      | -                          | -                         | 91,481                   | 91,481                     | 31,257                     |
| Salaries                     | 191,921                    | 42,204                    | 42,204                   | 276,329                    | 256,446                    |
| Taxes and Licenses           | 15,569                     | 3,424                     | 3,424                    | 22,417                     | 22,258                     |
| Telephone                    | 7,408                      | 832                       | 832                      | 9,072                      | 8,335                      |
| Travel and Entertainment     | 2,258                      | 253                       | 253                      | 2,764                      | 5,739                      |
| Utilities                    | 6,193                      | 843                       | 843                      | 7,879                      | 7,900                      |
| Interest Expense             | 654                        | 654                       | 654                      | 1,962                      | 515                        |
| <b><u>TOTAL EXPENSES</u></b> | <b><u>\$ 2,448,190</u></b> | <b><u>\$ 104,906</u></b>  | <b><u>\$ 202,347</u></b> | <b><u>\$ 2,755,443</u></b> | <b><u>\$ 2,268,085</u></b> |



MY STUFF BAGS FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Nature of Activities

My Stuff Bags Foundation was formed in 1998 to serve the needs of children in the United States and Canada. The Foundation provides in-kind gifts to tax exempt organizations that meet the special needs of children. The Foundation, through its *My Stuff Bags* program, supports groups that help abused and neglected children. The Foundation's primary source of revenue is contributions of cash and property from the general public.

B. Basis of Presentation

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

C. Depreciation

Property and equipment are stated at cost and are depreciated using the straight-line method over their estimated useful lives of five to seven years. Expenditures for maintenance and repairs or minor renewals are charged to expense when incurred.

D. Contributions

Contributions of cash and property received are recorded as unrestricted, temporarily restricted, or permanently restricted, depending on the existence and/or nature of any donor stipulations. Gifts of property designated for use in "My Stuff" bags are reported as temporarily restricted contributions.

E. Cash and Cash Equivalents

The Foundation considers all time deposits with original maturities of three months or less to be cash equivalents. In addition, demand deposits in banks and money market accounts are included in cash and cash equivalents.

F. Tax-Exempt Status

No provision for Federal or state income tax is made. The Foundation has received tax-exempt status from the Federal government under Internal Revenue Code Section 501(c)(3) and the State of California Revenue and Taxation Code Section 23701d.

G. Property Held for Donation

The Foundation values property purchases at cost. As discussed below, the value of property contributions included in property held for donation is estimated by management.

H. Functional Allocation of Expenses

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

MY STUFF BAGS FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. 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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

J. Property Held for Donation

The Foundation receives property contributions from third parties. The majority of the items received do not have readily available market values. Management believes that it would be misleading to the reader of these financial statements not to include these items; therefore, a conservative estimate of their value has been made based on amounts paid for similar items.

K. Comparative Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by functional classification. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended December 31, 2006, from which the summarized information was derived.

NOTE 2 - PROPERTY AND EQUIPMENT

Property and equipment at December 31 consisted of the following:

|                                | <u>2007</u>      | <u>2006</u>      |
|--------------------------------|------------------|------------------|
| Office Equipment               | \$ 7,104         | \$ 7,104         |
| Computer Equipment             | 13,456           | 12,410           |
| Furniture and Fixtures         | 21,268           | 21,268           |
| Leasehold Improvements         | <u>27,394</u>    | <u>27,394</u>    |
|                                | 69,222           | 68,176           |
| Less: Accumulated Depreciation | <u>52,403</u>    | <u>43,851</u>    |
|                                | <u>\$ 16,819</u> | <u>\$ 24,325</u> |

NOTE 3 - LEASE OBLIGATIONS

The Foundation leases office and warehouse space in Westlake Village under a five year lease for \$6,989 per month, with annual increases, through February 28, 2013. Rent under the lease totaled \$83,199 and \$81,234 for the years ended December 31, 2007 and 2006, respectively. Future minimum payments are as follows:

MY STUFF BAGS FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006

NOTE 3 - LEASE OBLIGATIONS (Continued)

| <u>Year Ending</u><br><u>December 31,</u> |                   |
|---|-------------------|
| 2008                                      | \$ 86,428         |
| 2009                                      | 89,110            |
| 2010                                      | 91,784            |
| 2011                                      | 94,542            |
| 2012                                      | 97,374            |
| 2013                                      | <u>16,308</u>     |
|   | <u>\$ 475,546</u> |

NOTE 4 - NET ASSETS

Temporarily restricted net assets totaling \$2,810,009 and \$2,389,044 as of December 31, 2007 and 2006, respectively, are available for the My Stuff Bags program. There were no permanently restricted net assets as of December 31, 2007 or 2006.

NOTE 5 - LINE OF CREDIT

The Foundation has a \$50,000 line of credit with First Private Bank & Trust. As of December 31, 2007, none of this credit remained unused. The line of credit calls for interest at the Wall Street Journal prime rate plus .50%, and requires monthly payments of accrued interest.