

MY STUFF BAGS FOUNDATION

FINANCIAL STATEMENTS

DECEMBER 31, 2011 AND 2010

MY STUFF BAGS FOUNDATION

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Independent Auditors' Report

Board of Directors
My Stuff Bags Foundation
5347 Sterling Center Drive
Westlake Village, California 91361-4613

Members of the Board:

We have audited the accompanying statement of financial position of My Stuff Bags Foundation 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 the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from My Stuff Bags Foundation's 2010 financial statements and, in our report dated April 8, 2011, we expressed an unqualified opinion on those financial statements.

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 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 audit provides 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, 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.

Miller Kaplan Arase LLP
MILLER KAPLAN ARASE LLP

November 29, 2012

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MY STUFF BAGS FOUNDATION
STATEMENTS OF FINANCIAL POSITION

<u>ASSETS</u>	<u>December 31, 2011</u>	<u>December 31, 2010</u>
<u>CURRENT ASSETS</u>		
Cash and Cash Equivalents	\$ 108,926	\$ 126,611
Property Held for Donation, Current Portion	1,536,000	1,314,000
Prepaid Expenses	1,934	2,035
Contributions Receivable	<u>4,975</u>	<u>5,000</u>
<u>TOTAL CURRENT ASSETS</u>	1,651,835	1,447,646
Property Held for Donation, Less Current Portion	2,684,279	709,129
Property and Equipment, Net	3,401	4,601
Deposits	<u>7,494</u>	<u>7,494</u>
<u>TOTAL ASSETS</u>	<u>\$ 4,347,009</u>	<u>\$ 2,168,870</u>
 <u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Accounts Payable	\$ 64,433	\$ 50,799
Accrued Vacation and Payroll	22,548	16,531
Note Payable, Current Portion	<u>6,442</u>	<u>5,603</u>
<u>TOTAL CURRENT LIABILITIES</u>	93,423	72,933
<u>LONG-TERM LIABILITIES</u>		
Note Payable, Less Current Portion	<u>75,600</u>	<u>82,397</u>
<u>TOTAL LIABILITIES</u>	<u>169,023</u>	<u>155,330</u>
<u>NET ASSETS</u>		
Unrestricted	(47,268)	(14,589)
Temporarily Restricted	<u>4,225,254</u>	<u>2,028,129</u>
<u>TOTAL NET ASSETS</u>	<u>4,177,986</u>	<u>2,013,540</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$ 4,347,009</u>	<u>\$ 2,168,870</u>

MY STUFF BAGS FOUNDATION
STATEMENTS OF ACTIVITIES

January 1, 2011 to December 31, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<u>PUBLIC SUPPORT AND REVENUE</u>			
<u>Public Support</u>			
Cash Contributions	\$ 493,272	\$ 96,543	\$ 589,815
Property Contributions	-	3,446,055	3,446,055
<u>Total Public Support</u>	<u>493,272</u>	<u>3,542,598</u>	<u>4,035,870</u>
Net Assets Released from Restrictions	1,345,473	(1,345,473)	-
<u>TOTAL PUBLIC SUPPORT</u>	<u>1,838,745</u>	<u>2,197,125</u>	<u>4,035,870</u>
<u>EXPENSES</u>			
<u>Program Services</u>			
My Stuff Bags	1,699,213	-	1,699,213
<u>Support Services</u>			
Management and General	82,420	-	82,420
Fundraising	89,791	-	89,791
<u>Total Support Services</u>	<u>172,211</u>	<u>-</u>	<u>172,211</u>
<u>TOTAL EXPENSES</u>	<u>1,871,424</u>	<u>-</u>	<u>1,871,424</u>
<u>CHANGE IN NET ASSETS</u>	(32,679)	2,197,125	2,164,446
<u>NET ASSETS, BEGINNING OF YEAR</u>	(14,589)	2,028,129	2,013,540
<u>NET ASSETS, END OF YEAR</u>	<u>\$ (47,268)</u>	<u>\$ 4,225,254</u>	<u>\$ 4,177,986</u>

(Attached notes are an integral part of this statement)

January 1, 2010 to December 31, 2010		
Unrestricted	Temporarily Restricted	Total
\$ 485,108	\$ 130,653	\$ 615,761
-	1,569,055	1,569,055
485,108	1,699,708	2,184,816
2,021,784	(2,021,784)	-
2,506,892	(322,076)	2,184,816
2,419,364	-	2,419,364
\$ 85,998	-	85,998
135,203	-	135,203
221,201	-	221,201
2,640,565	-	2,640,565
(133,673)	(322,076)	(455,749)
119,084	2,350,205	2,469,289
\$ (14,589)	\$ 2,028,129	\$ 2,013,540

MY STUFF BAGS FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
2011 WITH COMPARATIVE TOTALS FOR 2010

	Program Services	Support Services		2011 Total	2010 Total
	My Stuff Bags Program	Management and General	Fundraising		
Facility Related Expenses	\$ 74,990	\$ 10,208	\$ 10,208	\$ 95,406	\$ 106,628
Depreciation	-	1,200	-	1,200	746
Direct Response Expenses	-	-	14,017	14,017	23,566
My Stuff Bags	1,314,119	-	-	1,314,119	1,987,408
Insurance	25,927	3,530	3,530	32,987	44,130
Miscellaneous	14,260	1,941	1,941	18,142	13,769
Office Supplies	5,520	869	1,055	7,444	10,891
Postage and Shipping	58,727	1,953	-	60,680	50,135
Printing	2,859	450	546	3,855	3,715
Professional Fees	-	35,680	-	35,680	34,310
Promotion and Marketing	1,915	-	21,157	23,072	39,871
Salaries	170,624	20,306	25,796	216,726	274,243
Taxes and Licenses	14,922	1,588	3,119	19,629	23,783
Telephone	5,427	577	1,134	7,138	8,291
Travel and Entertainment	499	-	3,170	3,669	4,329
Utilities	6,142	836	836	7,814	8,235
Interest Expense	3,282	3,282	3,282	9,846	6,515
<u>TOTAL EXPENSES</u>	<u>\$ 1,699,213</u>	<u>\$ 82,420</u>	<u>\$ 89,791</u>	<u>\$ 1,871,424</u>	<u>\$ 2,640,565</u>

MY STUFF BAGS FOUNDATION
STATEMENTS OF CASH FLOWS

	<u>January 1, 2011 to December 31, 2011</u>	<u>January 1, 2010 to December 31, 2010</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change in Net Assets	\$ 2,164,446	\$ (455,749)
Adjustments to Reconcile Change in Net Assets to Net Cash (Used) by Operating Activities:		
Depreciation	1,200	746
(Increase) Decrease in Operating Assets:		
Property Held for Donation	(2,197,150)	327,076
Prepaid Expenses	101	6,251
Grant Receivable	25	(5,000)
Deposits	-	(224)
Increase (Decrease) in Operating Liabilities:		
Accounts Payable	13,634	2,032
Accrued Vacation and Payroll	6,017	(341)
	<u> </u>	<u> </u>
<u>NET CASH (USED) BY OPERATING ACTIVITIES</u>	<u>(11,727)</u>	<u>(125,209)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Proceeds from Note Payable	-	88,000
Principal Payments on Note Payable	(5,958)	-
Principal Payments on Line of Credit	-	(88,000)
	<u> </u>	<u> </u>
<u>NET CASH (USED) BY FINANCING ACTIVITIES</u>	<u>(5,958)</u>	<u>-</u>
<u>NET (DECREASE) IN CASH AND CASH EQUIVALENTS</u>	(17,685)	(125,209)
<u>CASH AND CASH EQUIVALENTS, JANUARY 1</u>	<u>126,611</u>	<u>251,820</u>
<u>CASH AND CASH EQUIVALENTS, DECEMBER 31</u>	<u>\$ 108,926</u>	<u>\$ 126,611</u>
 <u>SUPPLEMENTAL DISCLOSURES</u>		
Cash Paid During the Year for Interest	<u>\$ 9,846</u>	<u>\$ 6,515</u>

MY STUFF BAGS FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Nature of Activities

My Stuff Bags Foundation (the "Foundation") was formed in 1998 to serve the needs of children in the United States. 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. Property and Equipment

Property and equipment purchases over \$1,000 are capitalized and 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. Restricted contributions of cash whose restrictions are met in the same reporting period are shown as unrestricted.

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.

The Foundation has adopted guidance on accounting for uncertainty in income taxes issued by the Financial Accounting Standards Board. Management believes that the Foundation has taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance. As of December 31, 2011, information returns for years after 2007 (2006 for state returns) are subject to examination by authorities.

MY STUFF BAGS FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. 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.

The financial statements include prior-year expenses by their natural classifications 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, 2010, from which the summarized information was derived.

H. 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.

I. Property Held for Donation

The Foundation receives donated property from third parties, which is recorded as contributions at estimated fair value when received and as program expense when used in My Stuff Bags. Some 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, their value is estimated based on amounts paid for similar items or prices observed for similar items.

Donated property held in inventory at year end is reported at estimated fair value based upon the prices that would be received to sell individual items in orderly market transactions without considering discounts for volume. Management evaluates the reasonableness of its inventory valuation annually. If the Foundation were required to liquidate its assets, the amount received for property held for donation would result in proceeds less than the values reported as of December 31, 2011 and 2010. Inventory expected to be used in My Stuff Bags within one year of the date of Foundation's statement of financial position is classified as current inventory.

J. Contributions and Contributions Receivable

Contributions are recognized when the donor makes an unconditional promise to give. All contributions are available for unrestricted use unless specifically restricted by the donor. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Contributions receivable are recorded at their net realizable value. Contributions receivable as of December 31, 2011 are expected to be collected within one year.

MY STUFF BAGS FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010

NOTE 2 - PROPERTY AND EQUIPMENT

Property and equipment at December 31 consisted of the following:

	2011	2010
Office Equipment	\$ 7,104	\$ 7,104
Computer Equipment	13,456	13,456
Furniture and Fixtures	24,682	24,682
Leasehold Improvements	28,569	28,569
	73,811	73,811
Less: Accumulated Depreciation	70,410	69,210
	\$ 3,401	\$ 4,601

NOTE 3 - LEASE OBLIGATIONS

The Foundation leases office and warehouse space in Westlake Village under a five year lease for \$7,245 per month, with annual increases, through February 28, 2013. The Foundation has negotiated a reduction in its rent to \$7,000 per month from January 2011 through June of 2012. Rent under the lease totaled \$84,000 and \$96,272 for the years ended December 31, 2011 and 2010, respectively. Future minimum payments are as follows:

Year Ending December 31,	
2012	\$ 90,924
2013	16,308
	\$ 107,232

NOTE 4 - NET ASSETS

Temporarily restricted net assets totaling \$4,225,254 and \$2,028,129 as of December 31, 2011 and 2010, respectively, consist of property held for donation and contributions receivable at years end. There were no permanently restricted net assets as of December 31, 2011 or 2010.

NOTE 5 - NOTE PAYABLE

On September 30, 2010, the Foundation converted its line of credit to a note payable to First Private Bank. The note calls for three consecutive monthly interest only payments, beginning October 20, 2010; fifty-nine consecutive monthly principal and interest payments of \$1,073, beginning January 20, 2011; and one principal and interest payment of \$53,848 due on December 20, 2015. The note bears an interest rate of 8% and is secured by the assets of the Foundation. Future minimum payments are as follows:

Year Ending December 31,	
2012	\$ 6,442
2013	7,002
2014	7,592
2015	61,006
	\$ 82,042

MY STUFF BAGS FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010

NOTE 6 - RECLASSIFICATIONS

Certain amounts reported in the Foundation's 2010 financial statements have been reclassified to conform to the 2011 presentation.

NOTE 7 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 29, 2012, the date financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.