

MY STUFF BAGS FOUNDATION

FINANCIAL STATEMENTS

DECEMBER 31, 2010 AND 2009

MY STUFF BAGS FOUNDATION

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Independent Auditors' Report

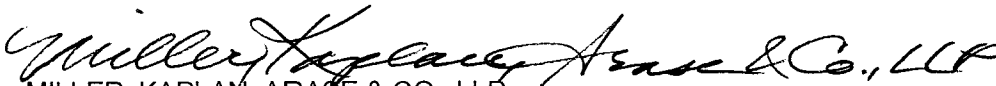
Board of Directors
My Stuff Bags Foundation
5347 Sterling Center Drive
Westlake Village, California 91361-4613

Members of the Board:

We have audited the accompanying statement of financial position of My Stuff Bags Foundation as of December 31, 2010, 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 2009 financial statements and, in our report dated March 31, 2010, 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, 2010, 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 & CO., LLP

April 8, 2011

MY STUFF BAGS FOUNDATION
STATEMENTS OF FINANCIAL POSITION

<u>ASSETS</u>	<u>December 31, 2010</u>	<u>December 31, 2009</u>
<u>CURRENT ASSETS</u>		
Cash and Cash Equivalents	\$ 126,611	\$ 251,820
Property Held for Donation	2,023,129	2,350,205
Prepaid Expenses	2,035	8,286
Contributions Receivable	<u>5,000</u>	<u>-</u>
<u>TOTAL CURRENT ASSETS</u>	2,156,775	2,610,311
Property and Equipment, Net of Accumulated Depreciation	4,601	5,347
Deposits	<u>7,494</u>	<u>7,270</u>
<u>TOTAL ASSETS</u>	<u>\$ 2,168,870</u>	<u>\$ 2,622,928</u>
 <u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Accounts Payable	\$ 50,799	\$ 48,767
Accrued Vacation and Payroll	16,531	16,872
Line of Credit	-	88,000
Note Payable, current portion	<u>5,603</u>	<u>-</u>
<u>TOTAL CURRENT LIABILITIES</u>	72,933	153,639
<u>LONG-TERM LIABILITIES</u>		
Note Payable, less current portion	<u>82,397</u>	<u>-</u>
<u>TOTAL LIABILITIES</u>	<u>155,330</u>	<u>153,639</u>
<u>NET ASSETS</u>		
Unrestricted	(14,589)	119,084
Temporarily Restricted	<u>2,028,129</u>	<u>2,350,205</u>
<u>TOTAL NET ASSETS</u>	<u>2,013,540</u>	<u>2,469,289</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$ 2,168,870</u>	<u>\$ 2,622,928</u>

January 1, 2009 to December 31, 2009		
<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
\$ 687,974	\$ 38,500	\$ 726,474
-	1,634,879	1,634,879
<u>687,974</u>	<u>1,673,379</u>	<u>2,361,353</u>
<u>2,163,149</u>	<u>(2,163,149)</u>	<u>-</u>
<u>2,851,123</u>	<u>(489,770)</u>	<u>2,361,353</u>
<u>2,696,835</u>	<u>-</u>	<u>2,696,835</u>
91,095	-	91,095
153,666	-	153,666
<u>244,761</u>	<u>-</u>	<u>244,761</u>
<u>2,941,596</u>	<u>-</u>	<u>2,941,596</u>
(90,473)	(489,770)	(580,243)
<u>209,557</u>	<u>2,839,975</u>	<u>3,049,532</u>
<u>\$ 119,084</u>	<u>\$ 2,350,205</u>	<u>\$ 2,469,289</u>

MY STUFF BAGS FOUNDATION
STATEMENTS OF FUNCTIONAL EXPENSES
2010 WITH COMPARATIVE TOTALS FOR 2009

	Program Services	Support Services		2010 Total	2009 Total
	My Stuff Bags Program	Management and General	Fundraising		
Facility Related Expenses	\$ 83,810	\$ 11,409	\$ 11,409	\$ 106,628	\$ 97,094
Depreciation	-	746	-	746	8,080
Direct Response Expenses	-	-	23,566	23,566	29,536
My Stuff Bags	1,987,408	-	-	1,987,408	2,257,489
Insurance	34,686	4,722	4,722	44,130	43,038
Miscellaneous	10,823	1,473	1,473	13,769	15,398
Office Supplies	8,077	1,271	1,543	10,891	13,772
Postage and Shipping	48,072	2,063	-	50,135	59,803
Printing	2,753	435	527	3,715	5,343
Professional Fees	-	34,310	-	34,310	37,581
Promotion and Marketing	-	-	39,871	39,871	47,526
Salaries	208,480	22,186	43,577	274,243	269,377
Taxes and Licenses	18,080	1,924	3,779	23,783	21,616
Telephone	6,303	671	1,317	8,291	8,786
Travel and Entertainment	2,228	1,735	366	4,329	14,227
Utilities	6,473	881	881	8,235	8,091
Interest Expense	2,171	2,172	2,172	6,515	4,839
<u>TOTAL EXPENSES</u>	<u>\$ 2,419,364</u>	<u>\$ 85,998</u>	<u>\$ 135,203</u>	<u>\$ 2,640,565</u>	<u>\$ 2,941,596</u>

MY STUFF BAGS FOUNDATION
STATEMENTS OF CASH FLOWS

	<u>January 1, 2010 to December 31, 2010</u>	<u>January 1, 2009 to December 31, 2009</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change in Net Assets	\$ (455,749)	\$ (580,243)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	746	8,080
(Increase) Decrease in Operating Assets:		
Property Held for Donation	327,076	489,770
Prepaid Expenses	6,251	182
Grant Receivable	(5,000)	200,000
Deposits	(224)	(217)
Increase (Decrease) in Operating Liabilities:		
Accounts Payable	2,032	(10,789)
Accrued Vacation and Payroll	(341)	3,196
	<u>(125,209)</u>	<u>109,979</u>
<u>NET CASH PROVIDED BY OPERATING ACTIVITIES</u>		
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Acquisition of Property and Equipment	<u>-</u>	<u>(1,176)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Proceeds from Note Payable	88,000	-
Principal Payments on Officer Loans	-	(28,000)
Principal Payments on Line of Credit	<u>(88,000)</u>	<u>(2,000)</u>
	<u>-</u>	<u>(30,000)</u>
<u>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>	(125,209)	78,803
<u>CASH AND CASH EQUIVALENTS, JANUARY 1</u>	<u>251,820</u>	<u>173,017</u>
<u>CASH AND CASH EQUIVALENTS, DECEMBER 31</u>	<u>\$ 126,611</u>	<u>\$ 251,820</u>
<u>SUPPLEMENTAL DISCLOSURES</u>		
Cash Paid During the Year for Interest	<u>\$ 6,515</u>	<u>\$ 4,839</u>

MY STUFF BAGS FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

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.

G. Property Held for Donation

The Foundation values property held for donation at cost if purchased. As discussed below, the value of contributed 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, 2010 AND 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Functional Allocation of Expenses (Continued)

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, 2009, from which the summarized information was derived.

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, which are reported as contributions when received and program expense when used in My Stuff Bags. 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, their value is estimated based on amounts paid for similar items or prices observed for similar items. If the Foundation were required to liquidate its assets, the amount received for property held for donation might result in proceeds less than the values reported as of December 31, 2010 and 2009.

K. 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, 2010 are expected to be collected within one year.

NOTE 2 - PROPERTY AND EQUIPMENT

Property and equipment at December 31 consisted of the following:

	<u>2010</u>	<u>2009</u>
Office Equipment	\$ 7,104	\$ 7,104
Computer Equipment	13,456	13,456
Furniture and Fixtures	24,682	24,682
Leasehold Improvements	<u>28,569</u>	<u>28,569</u>
	73,811	73,811
Less: Accumulated Depreciation	<u>69,210</u>	<u>68,464</u>
	<u>\$ 4,601</u>	<u>\$ 5,347</u>

MY STUFF BAGS FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

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 through June of 2011. Rent under the lease totaled \$96,272 and \$86,250 for the years ended December 31, 2010 and 2009, respectively. Future minimum payments are as follows:

<u>Year Ending</u> <u>December 31,</u>	
2011	\$ 89,502
2012	97,374
2013	<u>16,308</u>
	<u>\$ 203,184</u>

NOTE 4 - NET ASSETS

Temporarily restricted net assets totaling \$2,028,129 and \$2,350,205 as of December 31, 2010 and 2009, respectively, are available for the My Stuff Bags program. There were no permanently restricted net assets as of December 31, 2010 or 2009.

NOTE 5 - LOAN AND LINE OF CREDIT

The Foundation had a \$100,000 line of credit with First Private Bank and Trust as of December 31, 2009, of which \$12,000 was unused. On September 30, 2010, this line of credit was converted to a loan. The loan 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 loan bears an interest rate of 8% and is secured by the assets of the Foundation. Future minimum payments are as follows:

<u>Year Ending</u> <u>December 31,</u>	
2011	\$ 5,603
2012	6,797
2013	7,002
2014	7,592
2015	<u>61,006</u>
	<u>\$ 88,000</u>

NOTE 6 - RELATED-PARTY TRANSACTIONS

The president of the Foundation made two loans, totaling \$30,000, to the Foundation in 2008. Both loans bore interest at 3%. In 2009, the Foundation repaid \$28,000, the remaining principal, and \$450 in interest to the president of the Foundation. Interest of \$341 was forgiven and was not recorded in the financial statements.

The Foundation's president, her spouse and two brothers are voting members of the board of directors. Another married couple also serve on the board.

MY STUFF BAGS FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

NOTE 7 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 8, 2011, the date on which financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.