THE BABY BUGGY, INC.
(A NOT-FOR-PROFIT ORGANIZATION)

FINANCIAL STATEMENTS

DECEMBER 31, 2002

THE BABY BUGGY, INC.
(A NOT-FOR-PROFIT ORGANIZATION)

DECEMBER 31, 2002

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THE BABY BUGGY, INC.
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STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2002

ASSETS

Current assets:		
Cash	$	514,350
Investments		498,862
Accounts Receivable		5,532
Prepaid insurance		6,693
		1,025,437
Furniture and fixtures net of accumulated depreciation of $2163		7,931
Machinery and equipment net of accumulated depreciation of $75		1,424
Website development costs, net of accumulated amortization of $2500		17,500
Total Assets	$	1,052,292

LIABILITIES AND NET ASSETS

Liabilities:		
Accounts payable and accrued expenses	$	10,855
Equity:		
Fund Balance		1,041,437
Total Liabilities and Net Assets	$	1,052,292

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The Baby Buggy, Inc.
New York, New York

We have audited the accompanying statement of financial position of The Baby Buggy, Inc. (a not-for-profit organization) as of December 31, 2002, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards 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 The Baby Buggy, Inc. as of December 31, 2002, and the results of its operations and its cash flows for the year ended December 31, 2002 in conformity with generally accepted accounting principles in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule of functional expenses is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Ellenbogen Rubenstein Eisdorfer & Co LLP

April 1, 2003

THE BABY BUGGY, INC.
(A NOT-FOR-PROFIT ORGANIZATION)

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2002

Revenues:		
Contributions - cash	$	189,921
Contributions - in-kind		282,180
Special event income net of expenses of $ 147,265		937,594
Investment income		2,933
		1,412,628
Expenses:		
Program		390,616
General and administrative		109,123
Fundraising		4,618
		504,357
Change in unrestricted net assets from operations		908,271
Non-operating revenues -		
Donated capital assets		10,000
Change in unrestricted net assets		918,271
Unrestricted net assets, beginning of year		123,166
Unrestricted net assets, end of year	$	1,041,437

The accompanying notes are an integral part of the financial statements.

THE BABY BUGGY, INC.
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STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2002

Cash Flows From Operating Activities:	
Change in unrestricted operating net assets	$ 918,271
Adjustment to reconcile change in unrestricted operating net assets to net cash used in operating activities:	
Depreciation and amortization	3,517
Change in fair market value of investments	1,138
Changes in operating assets and liabilities:	
Decrease in contributions receivable	26,900
Increase in accounts receivable	(5,532)
Increase in prepaid insurance	(1,418)
Decrease in accounts payable and accrued expenses	(28,135)
Net cash provided by operating activities	914,741
Cash Flows from Investing Activities:	
Investments in securities	(500,000)
Purchase of machinery and equipment	(1,499)
Website development costs incurred	(10,000)
Net cash used for investing activities	(511,499)
Net increase in cash	403,242
Cash, beginning of year	111,108
Cash, end of year	$ 514,350

Supplemental Disclosures of Cash Flow Information:

Cash Paid During the Year for:	
Interest	0
Income taxes	0

Supplemental Disclosures of Non Cash Investing and Financing Activities:

Donated capital assets	$ 10,000

The accompanying notes are an integral part of the financial statements.

THE BABY BUGGY, INC.
(A NOT-FOR-PROFIT ORGANIZATION)

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2002

Note 1 - Organization and Significant Accounting Policies:

Organization

The Baby Buggy, Inc. (a not-for-profit organization), "the Organization", was incorporated February 26, 2001 to aid needy and disadvantaged families through the donation of gently used baby clothing and equipment.

Tax Status

The Organization was granted temporary tax exempt status under Section 501(c)(3) of the Internal Revenue Code and is not classified as a private foundation.

Because the Organization is newly created, the final determination will not be made until December 31, 2005.

Financial Statement Presentation:

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

The classification of an organization's net assets and its support, revenues and expenses is based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of the three classes of net assets – permanently restricted, temporarily restricted, and unrestricted – be displayed in a statement of financial position and that the amounts of change in each of those classes of net assets be displayed in a statement of activities.

These three classes are defined as follows:

Permanently Restricted – Net assets resulting from contributions and other inflows of assets whose use by the organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the organization.

Note 1 - Organization and Significant Accounting Policies: (Continued)

Financial Statement Presentation: (Continued)

Temporarily Restricted – Net assets resulting from contributions and other inflows of assets whose use by the organization is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the organization pursuant to those stipulations. When such stipulations end or are fulfilled, such temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets. However, if a restriction is fulfilled in the same time period in which the contribution is received, the organization reports the support as unrestricted.

Unrestricted – The part of net assets that is neither permanently nor temporarily restricted by donor-imposed stipulations.

Contributions

Contributions are recorded as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

In-Kind Contributions

In-kind contributions consist of goods donated by corporations and individuals. The value placed by the corporations and individuals are used for valuing the contribution received. No items are considered inventory at the end of the year.

Cash and Cash Equivalents

The Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Depreciation and Amortization

Furniture and fixtures with a total cost of $10,094 are being depreciated using the straight-line method over seven years. Depreciation expense for the period ended December 31, 2002 is $1,517.

Website development costs of $20,000 have been capitalized and amortized over 10 years. Amortization expense for the period ended December 31, 2002 is $2,000

THE BABY BUGGY, INC.
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NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2002

Note 1 - Organization and Significant Accounting Policies: (Continued)

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 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. Actual results could differ from those estimates.

Note 2 – Non-monetary Transactions:

The Organization operates principally from corporate and individual donations. In lieu of cash contributions, some people donate goods and services. For the period ended December 31, 2002 these contributions totaled $292,180.

Note 3 - Concentrations

Revenue

Special event income net of expenses of $147,265 accounted for approximately 66% of total revenue.

Concentration of credit risk

The Organization maintains a bank account at a major financial institution. Amounts in excess of $100,000 are not insured by the Federal Deposit Insurance Corporation.

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NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2002

Note 4 – Commitments and Contingencies:

The Company leases premises under a non-cancelable operating lease for office space, which expires December 31, 2005. At December 31, 2002, future minimum lease payments were as follows:

Year Ending December 31,	
2003	$ 36,000
2004	48,000
2005	60,000
	$144,000

Rent of $124,899 was donated and charged to in-kind contributions for the year ended December 31, 2002.

Note 5 – Investments on Marketable Securities:

Investments in marketable securities at December 31, 2002 consisted of:

	Fair or Market Value	Cost
Certificates of Deposit	$ 253,214	$ 253,435
Money Market Funds	6,183	5,985
US Government Securities	239,465	240,580
	$ 498,862	$ 500,000

SUPPLEMENTAL SCHEDULE

THE BABY BUGGY, INC.
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SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED
DECEMBER 31, 2002

Schedule of Functional Expenses:

	Program Expenses	General and Adminsitrative	Fundraising	Total
Salaries	$ 71,850	$ 9,150	$ 2,600	$ 83,600
Payroll taxes and fringe benefits	14,766	2,162	531	17,459
Program supplies - in-kind	157,281	-	-	157,281
Depreciation and amortization	1,517	2,000	-	3,517
Insurance	5,792	738	210	6,740
Maintenance and repair	9,405	-	-	9,405
Brochure and mailings	-	-	874	874
Office expense	4,939	2,781	262	7,982
Postage and delivery	3,947	256	-	4,203
Professional fees	-	55,139	-	55,139
Public relations	-	27,403	-	27,403
Rent - in-kind	115,899	9,000	-	124,899
Telephone	3,882	494	141	4,517
Utilities	1,338	-	-	1,338
	$ 390,616	$ 109,123	$ 4,618	$ 504,357