

THE BABY BUGGY, INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2008
(With Comparative Totals for December 31, 2007)

THE BABY BUGGY, INC.

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statement of financial position of The Baby Buggy, Inc. (the "Organization") as of December 31, 2008, and the related statements of activities, functional expenses 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. The prior year summarized comparative information has been derived from The Baby Buggy, Inc.'s 2007 financial statements and, in our report dated July 10, 2008, we expressed an unqualified opinion on those financial statements.

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, 2008, and the changes in its net assets and its cash flows for the year then ended, in conformity with generally accepted accounting principles in the United States of America.

ERE LLP

New York, NY
April 28, 2009

THE BABY BUGGY, INC.

STATEMENT OF FINANCIAL POSITION

December 31,	2008	2007
Assets:		
Cash and cash equivalents	\$ 642,051	\$ 266,176
Investments	2,143,917	2,541,150
Contributions receivable	424,765	380,492
Inventory	600,085	214,032
Prepaid expenses	23,042	12,936
Property and equipment, net	7,227	8,800
Website development costs, net	-	4,233
Other assets	9,735	5,107
Total Assets	\$ 3,850,822	\$ 3,432,926
Liabilities and Net Assets:		
Liabilities:		
Accounts payable and accrued expenses	\$ 81,385	\$ 92,024
Net Assets:		
Unrestricted -		
Board designated	65,345	65,345
General	2,946,234	2,342,694
Total unrestricted	3,011,579	2,408,039
Temporarily restricted	757,858	932,863
Total net assets	3,769,437	3,340,902
Total Liabilities and Net Assets	\$ 3,850,822	\$ 3,432,926

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

THE BABY BUGGY, INC.

STATEMENT OF ACTIVITIES

For the year ended December 31, 2008 (With comparative totals for 2007)

	Unrestricted	Temporarily Restricted	2008 Total	2007 Total
Revenues:				
Contributions - cash	\$ 504,865	\$ 168,636	\$ 673,501	\$ 646,224
Contributions - in-kind	3,974,042		3,974,042	2,821,321
Special events income, net of expenses of \$675,101 in 2008 and \$21,857 in 2007	1,198,859		1,198,859	654,247
Investment income	109,548	-	109,548	168,332
Net assets released from restrictions	343,641	(343,641)	-	-
Total revenues	6,130,955	(175,005)	5,955,950	4,290,124
Expenses:				
Program	4,774,392	-	4,774,392	3,696,611
General and administrative	449,911	-	449,911	317,688
Fundraising	303,111	-	303,111	169,043
Total expenses	5,527,415	-	5,527,415	4,183,342
Change in net assets	603,540	(175,005)	428,535	106,782
Net assets, beginning of year	2,408,039	932,863	3,340,902	3,234,120
Net assets, end of year	\$ 3,011,579	\$ 757,858	\$ 3,769,437	\$ 3,340,902

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

THE BABY BUGGY, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended December 31, 2008 (With comparative totals for 2007)

	Programs													Total Program	General and Administrative	Fundraising	2008 Total	2007 Total
	Crisis			Foster			Domestic			Court	Parenting	Education						
	Health	Intervention	Homeless	Cars	Violence	Homeless	Cars	Violence	Homeless				Cars					
Payroll	\$ 69,475	\$ 122,816	\$ 94,810	\$ 4,222	\$ 38,596	\$ 32,296	\$ 4,222	\$ 95,234	\$ 461,872	\$ 82,361	\$ 156,578	\$ 700,611	\$ 602,023					
Payroll taxes and fringe benefits	15,709	27,770	21,437	955	8,727	7,302	955	21,533	104,388	18,623	35,404	156,414	97,651					
Program supplies-in-kind	519,064	899,710	726,889	34,604	276,834	242,230	34,604	726,889	3,460,424	-	-	3,460,424	2,480,076					
Program supplies	63,036	109,263	86,251	4,202	33,619	29,417	4,202	86,251	420,242	-	-	420,242	426,954					
Depreciation and amortization	995	1,759	1,358	-	-	-	-	-	-	8,387	-	8,387	14,942					
Maintenance and repair	17,985	31,793	24,543	1,083	9,991	8,360	1,083	24,653	6,614	21,321	40,533	10,037	11,875					
Rent	1,506	2,663	2,056	92	837	700	92	2,065	119,512	1,786	3,395	15,190	11,915					
Telephone	1,403	2,480	1,914	85	779	652	85	1,923	9,321	1,683	3,161	14,145	14,350					
Insurance	6,388	11,283	8,718	388	3,549	2,970	388	8,757	42,451	7,573	14,397	64,422	19,666					
Postage and delivery	17,080	30,194	23,309	1,038	9,489	7,940	1,038	23,413	113,501	20,248	38,494	173,244	134,142					
Professional fees	-	-	-	-	-	-	-	-	-	266,517	-	266,517	131,520					
Printing	1,896	3,352	2,586	115	1,053	882	115	2,599	12,602	2,248	4,274	19,123	23,394					
Bank fees and related charges	2,055	3,633	2,804	125	1,142	955	125	2,817	13,656	2,436	4,631	20,724	16,364					
Miscellaneous	-	-	-	-	-	-	-	-	-	15,568	-	15,568	8,971					
Moving expense	-	-	-	-	-	-	-	-	-	-	-	-	-					
Loss on disposal of fixed assets	-	-	-	-	-	-	-	-	-	-	-	-	-					
Total Expenses	\$ 716,593	\$ 1,246,726	\$ 999,477	\$ 46,981	\$ 385,169	\$ 334,166	\$ 46,981	\$ 999,299	\$ 4,774,392	\$ 449,911	\$ 303,111	\$ 5,527,415						
Total Expenses 2007	\$ 665,902	\$ 369,661	\$ 997,672	\$ 296,143	\$ 407,452	\$ 296,143	\$ 258,350	\$ 405,388	\$ 3,899,611	\$ 317,688	\$ 189,043	\$ 4,183,342						

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

THE BABY BUGGY, INC.

STATEMENT OF CASH FLOWS

For the year ended December 31,	2008	2007
Cash flows from operating activities:		
Changes in net assets	\$ 428,535	\$ 106,782
Adjustments to reconcile change in net assets to net cash used in provided operating activities:		
Depreciation and amortization	8,387	14,942
Unrealized loss/(gain) on investment	39,542	(59,251)
Realized (gain)/loss on investment	(41,138)	176
Realized loss from disposal of fixed assets	-	5,896
Donated rent received	-	(276,075)
Donated rent expensed	52,325	84,033
Donated goods - contributions	(3,846,477)	(2,467,049)
Goods utilized in program expenses	3,460,424	2,480,076
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Contributions receivable	(96,598)	(115,250)
Prepaid expenses	(10,106)	3,234
Other assets	(4,628)	(4,707)
Increase (decrease) in:		
Accounts payable and accrued expenses	(10,639)	21,802
Net cash used in operating activities	(20,373)	(205,391)
Cash flows from investing activities:		
Capital expenditures	(2,581)	(4,204)
Proceeds from sale of investments	2,516,635	290,000
Purchases of investments	(2,111,126)	(186,557)
Accrued interest on investment	(6,680)	(28,427)
Net cash provided by investing activities	396,248	70,812
Net increase (decrease) in cash and cash equivalents	375,875	(134,579)
Cash and cash equivalents, beginning of year	266,176	400,755
Cash and cash equivalents, end of year	\$ 642,051	\$ 266,176
Non-Cash Investing and Financing Activities:		
Unrealized loss/(gain) on investment	\$ 39,542	\$ (59,251)
In-kind contributions	\$ 3,974,042	\$ 2,821,321

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

THE BABY BUGGY, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2008

1. NATURE OF ORGANIZATION:

The Baby Buggy, Inc. (the "Organization"), was incorporated February 26, 2001 to help provide essential clothing, products and gear for infants and young children in need. The Organization was granted tax-exempt status under Section 501(c) (3) of the Internal Revenue Code and is not classified as a private foundation. The Organization generates most of its revenue from contributions and serves families through the following programs:

Health – Programs offered through or in affiliation with the maternal health, social work, and labor/delivery departments in hospitals.

Crisis Intervention – Organizations that provide services for at-risk children and families who are living in poverty and faced with challenging circumstances. These programs offer case management, counseling, advocacy, and parenting workshops, as well as crisis intervention when necessary.

Homeless – Programs serving individuals dealing with homelessness by providing them with shelter, transitional housing and related services, crisis intervention, counseling, case management, and life skills workshops.

Foster Care - Organizations that provide services designed to assist families in crisis by improving parenting and family functions while keeping children safe. They help families cope with stress and obtain needed services by referring to other social service programs, public assistance programs and offering counseling.

Domestic Violence - Organizations that offer women dealing with domestic violence with shelter, support, crisis intervention, case management, and counseling, as well as life skills, parenting and job readiness workshops.

Court Programs - Safe Horizon programs in the family and criminal courts, court child centers, and Community Programs; these programs offer case management, crisis intervention, mediation, as well as assistance with navigating the family and criminal court systems.

Parenting - Organizations that provide range of support services necessary to raise happy and healthy family and obtain self-reliance to adults living in challenging situations. These services include: parenting guidance, assistance in obtaining education certificates and diploma, vocational training, legal aid, facilitate access to public assistance programs, counseling and health education.

Education - Educational institutions offering programming and services to families living in poverty, which address the needs of the entire family.

2. SIGNIFICANT ACCOUNTING POLICIES:

Financial Statement Presentation

The Organization's 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

THE BABY BUGGY, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2008

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.

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.

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

Cash and Cash Equivalents

The Organization considers all highly liquid instruments purchased with original maturities of three months or less from the date of acquisition as cash and cash equivalents.

Investments

Investments are recorded at fair value based upon quoted market prices. Income earned and changes in fair value as determined by quoted market prices are recorded as unrestricted net assets.

Contributions Receivable

Contributions receivable represent unconditional promises to give by donors. The Organization considers all gifts of long-lived assets to be temporarily restricted. The Organization has determined that no allowance for uncollectible accounts for pledges receivable is necessary as of December 31, 2008. Such estimate is based on management's assessments of the creditworthiness of its donors, the aged basis of its receivables, as well as current economic conditions and historical information.

Inventory

Inventory consists of both the undistributed portion of donated goods recorded at the value placed by the donors on the date of donation and the purchase price of goods acquired by the Organization.

Property and Equipment

Property and equipment are stated at cost and are being depreciated on the straight-line method over the estimated useful lives of the assets. The organization has established a \$1,000 threshold above which assets are capitalized. Leasehold improvements are amortized over the shorter of the life of the asset or the life of the lease.

THE BABY BUGGY, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2008

Website Development

Website development costs of \$41,350 for the years ended December 31, 2008 and 2007 have been capitalized and amortized over their estimated useful lives.

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. If no value is provided by donor, an estimated value is determined by the Organization.

Donated services are recognized as revenue if the services received create or enhance non-financial assets, require specified skills provided by individuals possessing those skills and typically need to be purchased if not provided by donation. Accordingly, the Organization does not record the value of volunteer hours since they do not meet the criteria for recognition under the accounting principles generally accepted in the United States of America.

Special Events

The Organization conducts special events in which a portion of gross proceeds paid by the participant represents payment for the direct cost of the benefits received by the participant at the event. Unless a verifiable, objective means exists to demonstrate otherwise, the fair value of meals and entertainment provided at special events is measured at the actual cost to the Organization. The direct costs of the special events which ultimately benefit the donor rather than the Organization are recorded as exchange transaction revenue and exchange transaction expense. All proceeds received in excess of the direct costs are recorded as special events support in the accompanying statement of activities. In the years ended December 31, 2008 and 2007, the Organization reported special events income of \$1,198,859 and \$654,247, respectively, with exchange transaction revenue and exchange transaction expense of \$675,101 and \$21,857, respectively. In addition, \$194,000 of special events expenses were donated. The direct costs of special events include expenses for the benefit of the donor. For example, meals and facilities rental are considered direct costs of special events.

Functional Allocation of Expenses

Expenses that can be directly identified with the program or supporting service to which they relate are charged accordingly. Other expenses by function have been allocated among program and supporting service classifications using bases determined by management to be reasonable.

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.

THE BABY BUGGY, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2008

Comparative Information

The 2008 financial statements include certain prior-year summarized comparative information in total, but not in detail for the statements of activities and functional expenses. As a result, the fiscal 2007 comparative 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 fiscal 2007 information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2007, from which the summarized information was derived.

Implementation of New Accounting Pronouncements

Management has elected to defer the application of FAS FIN 48, *Accounting for Uncertain Tax Positions in accordance with FSP FIN 48-3*. FSP FIN 48-3 defers the effective date for FIN 48 for certain private companies until fiscal years beginning after December 15, 2008. The Company will continue to follow FAS 5, *Accounting for Contingencies*, until it adopts FIN 48.

On January 1, 2008, the Organization adopted SFAS No. 157, *Fair Value Measurements*, which was issued by the Financial Accounting Standards Board in September 2006. For financial statement elements currently required to be measured at fair value, SFAS No. 157 redefines fair value, establishes a framework for measuring fair value under U.S. GAAP and enhances disclosures about fair value measurements. The new definition of fair value focuses on the price that would be received to sell the asset or paid to transfer the liability regardless of whether an observable liquid market price existed (an exit price). An exit price valuation will include margins for risk even if they are not observable. As the Organization is released from risk, the margins for risk will also be released through net realized capital gains (losses) in net income. SFAS No. 157 provides guidance on how to measure fair value, when required, under existing accounting standards. SFAS No. 157 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels ("Level 1, 2, and 3").

The Organization applied the provisions of SFAS No.157 prospectively to financial assets and financial liabilities that are required to be measured at fair value under existing U.S. GAAP. The adoption of SAS No. 157 did not have an effect on the Organization's financial statements.

3. CONTRIBUTIONS RECEIVABLE:

Contributions receivable consists of the following as of December 31, 2008 and 2007:

	2008	2007
Amounts due in less than one year	\$ 265,743	\$ 167,575
Amounts due within one to five years	159,022	212,917
Total	\$ 424,765	\$ 380,492

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NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2008

4. INVESTMENTS:

The following disclosure applies the SFAS 157 fair value hierarchy and disclosure requirements to the Company's financial instruments that are carried at fair value. SFAS 157 establishes a fair value hierarchy that prioritizes the inputs in the valuation techniques used to measure fair value into three broad Levels (Level 1, 2, and 3).

Level 1: Observable inputs that reflect quoted prices for identical assets or liabilities in active markets that the Company has the ability to access at the measurement date. Level 1 securities include highly liquid U.S. Treasury securities, and exchange traded equity and derivative securities.

Level 2: Observable inputs, other than quoted prices included in Level 1, for the asset or liability or prices for similar assets and liabilities. Most debt securities and some preferred stocks are model priced by vendors using observable inputs and are classified within Level 2. Also included in the Level 2 category are derivative instruments that are priced using models with observable market inputs, including interest rate, foreign currency and certain credit swap contracts.

Level 3: Valuations that are derived from techniques in which one or more of the significant inputs are unobservable (including assumptions about risk). Level 3 securities include less liquid securities such as highly structured and/or lower quality asset-backed securities ("ABS") and commercial mortgage-backed securities ("CMBS"), including ABS backed by sub-prime loans, and private placement debt and equity securities. Embedded derivatives and complex derivatives securities, including equity derivatives, longer dated interest rate swaps and certain complex credit derivatives are also included in Level 3. Because Level 3 fair values, by their nature, contain unobservable market inputs as there is no observable market for these assets and liabilities, considerable judgment is used to determine the SFAS 157 Level 3 fair values. Level 3 fair values represent the Company's best estimate of an amount that could be realized in a current market exchange absent actual market exchanges.

	2008	2007
	Other Significant Observable Inputs (Level II)	Other Significant Observable Inputs (Level II)
Certificates of Deposit	\$2,137,237	\$ 410,443
Municipal Bonds		2,102,280
Accrued Interest	6,680	28,427
Total Assets Accounted for At Fair Value on a Recurring Basis	\$2,143,917	\$2,541,150

The Organization's securities consist of certificates of deposit and municipal bonds. The Organization uses the Level 2 fair value hierarchy in the valuation of these investments. The adoption of SFAS No. 157 did not have an impact on the Organization's financial statements. The investments are all classified as unrestricted net assets.

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The components of total investment activity as of December 31, 2008 and 2007 were as follows:

December 31,	2008
Investments in marketable securities	
-beginning of year	\$ 2,541,150
Accrued interest	6,680
Purchase to investment accounts	2,111,126
Sales from investment accounts	(2,516,635)
Realized gain on sale of investment	41,138
Net change in unrealized gains on investments reported at fair value	(39,542)
Investments in marketable securities	
-end of year	\$ 2,143,917

5. PROPERTY AND EQUIPMENT:

Property and equipment consist of the following as of December 31:

		2008		2007	Estimate Useful Life
Property and equipment	\$	16,665	\$	14,084	5 years
Less: accumulated depreciation		(9,438)		(5,284)	
	\$	7,227	\$	8,800	
<hr/>					
Website development	\$	41,350	\$	41,350	
Less: accumulated amortization		(41,350)		(37,117)	
	\$	-	\$	4,233	

Depreciation expense was \$4,154 and \$8,442 for the years ended December 31, 2008 and 2007, respectively. Amortization expense was \$4,233 and \$6,500 for the years ended December 31, 2008 and 2007, respectively.

6. INVENTORY:

Inventory consists of the following as of December 31:

		2008		2007
Baby clothing	\$	340,072	\$	110,198
Baby bottles		1,424		830
Other baby gear		258,589		103,004
Total	\$	600,085	\$	214,032

7. IN-KIND DONATIONS:

The Organization operates principally from corporate and individual donations. In lieu of cash contributions, some people donate goods, which are recorded on the date of donation. For the years ended December 31, 2008 and 2007, these contributions totaled \$3,974,042 and \$2,821,321, respectively.

THE BABY BUGGY, INC.

**NOTES TO FINANCIAL STATEMENTS
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- 8. COMMITMENTS AND CONTINGENCIES:** The Organization signed a five-year non-cancelable operating lease for office space in 2007, which expires October 14, 2012. At December 31, 2008, future minimum lease payments were as follows:

<u>Year ended December 31,</u>	
2009	\$ 114,526
2010	117,962
2011	121,501
2012	98,459
	<u>\$ 452,448</u>

Included in rent expense of \$181,366 and \$170,564 for the years ended December 31, 2008 and 2007, respectively, is donated rent of \$52,325 and \$84,033, respectively, and are charged to in-kind rent expense.

- 9. CONCENTRATIONS:**
- A. During the fiscal year ended December 31, 2008, the Organization received approximately 26% and 16% of its in-kind revenue from the Children's Place and Haddad Apparel respectively.
- B. Financial instruments that potentially subject the Organization to a concentration of credit risk is an account at a major financial institutions that exceeded the Federal Deposit Insurance Corporation (FDIC) limits (\$100,000) by approximately \$573,000 as of December 31, 2008. As of October 3, 2008, the FDIC deposit insurance has temporarily increased the limit to \$250,000 through December 31, 2009.

- 10. TEMPORARILY RESTRICTED NET ASSETS:** Temporarily restricted net assets are purpose restricted and consist of the following at December 31, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Infant Gear	\$ 237,360	\$ 410,575
Crib Drive	190,582	235,046
Nurse Family Partnership	30,000	-
Food Initiative	50,000	-
Family Resource Center	36,999	-
Domestic Violence	-	22,000
Rent	212,917	265,242
	<u>\$ 757,858</u>	<u>\$ 932,863</u>

Net assets were released from restrictions by satisfying the restricted purposes for the fiscal year ended December 31, 2008 as follows:

Infant Gear	\$ 173,214
Family Resource Center	14,693
Crib Drive	81,409
Domestic Violence	22,000
Rent	52,325
	<u>\$ 343,641</u>