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

FINANCIAL STATEMENTS

DECEMBER 31, 2001
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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, 2001, and the related statements of activities and cash flows for the period February 26, 2001 (the date of inception) through December 31, 2001. 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, 2001, and the results of its operations and its cash flows for the period ended December 31, 2001 in conformity with generally accepted accounting principles in the United States of America.

Ellenbogen Rubenstein Eisdorfer & Co. LLP

July 15, 2002
THE BABY BUGGY, INC.
(A NOT-FOR-PROFIT ORGANIZATION)

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2001

ASSETS

Current assets:
- Cash $111,108
- Contributions receivable 26,900
- Prepaid insurance 5,275
  Total current assets 143,283

Furniture and fixtures net of accumulated depreciation of $721 9,373

Website development costs, net of accumulated amortization of $500 9,500

  Total Assets $162,156

LIABILITIES AND NET ASSETS

Liabilities:
- Accounts payable and accrued expenses $38,990

  Total liabilities 38,990

Unrestricted net assets 123,166

  Total Liabilities and Net Assets $162,156

The accompanying notes are an integral part of the financial statements.
# Statement of Activities and Changes in Net Assets

**The Baby Buggy, Inc.**  
(A Not-For-Profit Organization)

**Statement of Activities and Changes in Net Assets**

**For the Period February 26, 2001 (the Date of Inception) Through December 31, 2001**

<table>
<thead>
<tr>
<th>Revenue Source</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contributions - cash</td>
<td>$204,880</td>
</tr>
<tr>
<td>Contributions - in-kind</td>
<td>74,334</td>
</tr>
<tr>
<td>Interest</td>
<td>25</td>
</tr>
<tr>
<td><strong>Total Revenues</strong></td>
<td><strong>279,239</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Expense</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Program</td>
<td>109,630</td>
</tr>
<tr>
<td>General and administrative</td>
<td>43,292</td>
</tr>
<tr>
<td>Fundraising</td>
<td>23,245</td>
</tr>
<tr>
<td><strong>Total Expenses</strong></td>
<td><strong>176,167</strong></td>
</tr>
</tbody>
</table>

Change in unrestricted net assets from operations 103,072

Non-operating revenues -

Donated capital assets 20,094

Change in unrestricted net assets 123,166

Unrestricted net assets, beginning of period 0

Unrestricted net assets, end of period $123,166

The accompanying notes are an integral part of the financial statements.
THE BABY BUGGY, INC.
(A NOT-FOR-PROFIT ORGANIZATION)

STATEMENT OF CASH FLOWS

FOR THE PERIOD FEBRUARY 26, 2001 (THE DATE OF INCEPTION)
THROUGH DECEMBER 31, 2001

Cash Flows From Operating Activities:
Change in unrestricted operating net assets $ 103,072
Adjustment to reconcile change in unrestricted operating net assets to net cash used in operating activities:
Depreciation and amortization 1,221
Changes in operating assets and liabilities:
Increase in contributions receivable (26,900)
Increase in prepaid insurance (5,275)
Increase in accounts payable and accrued expenses 38,990

Net cash provided by operating activities 111,108

Net increase in cash 111,108

Cash, beginning of period

Cash, end of period $ 111,108

Supplemental Disclosures:

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

Donated capital assets $20,094

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

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, 2001 is $721.

Website development costs of $10,000 have been capitalized and amortized over 10 years. Amortization expense for the period ended December 31, 2001 is $500.
THE BABY BUGGY, INC.
(A NOT-FOR-PROFIT ORGANIZATION)

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2001

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, 2001 these contributions totaled $94,428.

Note 3 - Concentrations

Revenue

One individual donated approximately 36% 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.
SUPPLEMENTAL SCHEDULE
THE BABY BUGGY, INC.
(A NOT-FOR-PROFIT ORGANIZATION)

SUPPLEMENTARY INFORMATION

FOR THE PERIOD FEBRUARY 26, 2001 (THE DATE OF INCEPTION)
THROUGH DECEMBER 31, 2001

Schedule of Functional Expenses:

<table>
<thead>
<tr>
<th></th>
<th>Program Expenses</th>
<th>General and Administrative</th>
<th>Fundraising</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries</td>
<td>$ 11,458</td>
<td>$ -</td>
<td>$ -</td>
<td>$ 11,458</td>
</tr>
<tr>
<td>Payroll taxes and fringe benefits</td>
<td>1,530</td>
<td>-</td>
<td>-</td>
<td>1,530</td>
</tr>
<tr>
<td>Program supplies - in-kind</td>
<td>62,176</td>
<td>-</td>
<td>-</td>
<td>62,176</td>
</tr>
<tr>
<td>Consulting fees</td>
<td>16,146</td>
<td>-</td>
<td>-</td>
<td>16,146</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>1,221</td>
<td>-</td>
<td>-</td>
<td>1,221</td>
</tr>
<tr>
<td>Insurance</td>
<td>-</td>
<td>1,227</td>
<td>-</td>
<td>1,227</td>
</tr>
<tr>
<td>Maintenance and repair</td>
<td>6,395</td>
<td>-</td>
<td>-</td>
<td>6,395</td>
</tr>
<tr>
<td>Marketing</td>
<td>-</td>
<td>-</td>
<td>879</td>
<td>879</td>
</tr>
<tr>
<td>Office expense</td>
<td>900</td>
<td>-</td>
<td>-</td>
<td>900</td>
</tr>
<tr>
<td>Postage and delivery</td>
<td>-</td>
<td>1,486</td>
<td>-</td>
<td>1,486</td>
</tr>
<tr>
<td>Professional fees</td>
<td>52</td>
<td>38,079</td>
<td>-</td>
<td>38,131</td>
</tr>
<tr>
<td>Public relations</td>
<td>-</td>
<td>-</td>
<td>22,366</td>
<td>22,366</td>
</tr>
<tr>
<td>Rent - in-kind</td>
<td>9,658</td>
<td>2,500</td>
<td>-</td>
<td>12,158</td>
</tr>
<tr>
<td>Telephone</td>
<td>94</td>
<td>-</td>
<td>-</td>
<td>94</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$ 109,630</strong></td>
<td><strong>$ 43,292</strong></td>
<td><strong>$ 23,245</strong></td>
<td><strong>$ 176,167</strong></td>
</tr>
</tbody>
</table>

See Accountant's Report.