

LITTLE KIDS ROCK, INC.
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

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JOSEPH J. MESSINA

CERTIFIED PUBLIC ACCOUNTANT
73 PARK AVENUE
BLOOMFIELD, NEW JERSEY 07003
(973) 743-5658 FAX (973) 743-0839

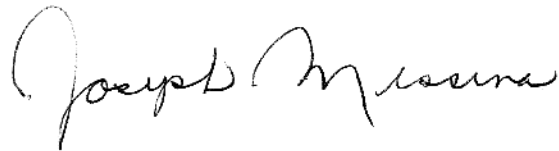
Board of Directors
Little Kids Rock, Inc.
Montclair, New Jersey

I have audited the accompanying balance sheet of Little Kids Rock, Inc. at December 31, 2008 and the related statements of activities, net assets and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards in the United States of America. Those standards require that I 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Little Kids Rock, 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.

The additional information contained on page 8, although not considered necessary for a fair presentation of financial position, is presented for analysis purposes. Such information has been subjected to audit procedures applied in the audit of the basic financial statements. Such additional information is presented fairly in all material respects in relation to the financial statements taken as a whole.



April 10, 2009

LITTLE KIDS ROCK, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2008

ASSETS

| | <u>2008</u> |
|-----------------------------|-------------------|
| Cash and cash equivalents | \$ 235,524 |
| Prepaid expenses | 8,353 |
| Property and equipment, net | <u>13,167</u> |
| | <u>\$ 257,044</u> |

LIABILITIES AND NET ASSETS

| | |
|------------------------|-------------------|
| Accounts payable | <u>5,660</u> |
| | <u>5,660</u> |
| Net assets: | |
| Unrestricted: | |
| Unrestricted: | 201,384 |
| Temporarily restricted | 50,000 |
| Permanently restricted | - |
| | <u>251,384</u> |
| | <u>\$ 257,044</u> |

The accompanying notes are an integral
part of the financial statements

LITTLE KIDS ROCK, INC.
STATEMENTS OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2008

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Combined Total Year ended December 31, 2008 |
|---|-------------------|---------------------------|---------------------------|---|
| Revenues and other support: | | | | |
| Grants | \$ 207,749 | \$ 285,578 | \$ - | \$ 493,327 |
| Contributions | 184,725 | 60,000 | - | 244,725 |
| Interest | 5,350 | - | - | 5,350 |
| Other | 3,255 | 5,018 | - | 8,273 |
| Net assets released from restrictions: | | | | |
| Satisfaction of program restrictions | 553,174 | (553,174) | - | - |
| | <u>954,253</u> | <u>(202,578)</u> | <u>-</u> | <u>751,675</u> |
| Operating expenses: | | | | |
| Program services | 845,362 | - | - | 845,362 |
| Supporting services | 54,364 | - | - | 54,364 |
| Fund raising | 56,527 | - | - | 56,527 |
| | <u>956,253</u> | <u>-</u> | <u>-</u> | <u>956,253</u> |
| Net changes in net assets | (2,000) | (202,578) | - | (204,578) |
| Net assets at the beginning of the year | 203,384 | 252,578 | - | 455,962 |
| Net assets at end of the year | <u>\$ 201,384</u> | <u>\$ 50,000</u> | <u>\$ -</u> | <u>\$ 251,384</u> |

The accompanying notes are an integral
part of the financial statements

LITTLE KIDS ROCK, INC.
STATEMENTS OF CASH FLOWS
December 31, 2008

Cash flows from operating activities:

| | |
|--|------------------|
| Changes in net assets | \$ (204,578) |
| Adjustments to reconcile changes in net assets to net cash provided by operating activities: | |
| Depreciation | 6,282 |
| Changes in operating assets and liabilities: | |
| Decrease(increase) in prepaid expense | (1,508) |
| Increase(decrease) in accounts payable | <u>(20,056)</u> |
| Total adjustments to net income | <u>(15,282)</u> |
| Net cash provided by operating activities | <u>(219,860)</u> |

Cash flows from investing activities:

| | |
|--|----------------|
| Purchase of property and equipment | <u>(3,340)</u> |
| Net cash provided by (used by) investing activities | <u>(3,340)</u> |

| | |
|---|-------------------|
| Net increase (decrease) in cash and cash equivalents | (223,200) |
| Cash and cash equivalents - beginning of year | <u>458,724</u> |
| Cash and cash equivalents - end of year | <u>\$ 235,524</u> |

The accompanying notes are an integral
part of the financial statements

LITTLE KIDS ROCK, INC.
NOTES TO FINANCIAL STATEMENTS

December 31, 2008

Little Kids Rock, Inc.(the Organization) is a not for profit tax exempt arts education organization whose mission is to provide free instruments and music education to public schools, without regard to cultural ethnicity or economic background.

1. Summary of accounting policies

Basis of accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

Basis of presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

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.

1. Summary of accounting policies (continued)

Plant assets and depreciation

Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of the donation. Depreciation is computed on the straight-line method using the estimated useful lives of the assets, as follows:

| | |
|----------------------|---------|
| Furniture & fixtures | 5 years |
|----------------------|---------|

Revenue recognition

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

All donor restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a 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 statement of activities as net assets released from restrictions.

Inventory

Inventory is stated at the lower of cost (determined on a first-in, first-out basis) or market, and consists principally of materials that have been purchased for resale.

Income taxes

The Organization is exempt from federal and state income taxes under section 501(C)(3) of the Internal Revenue Code.

Cash and cash equivalents

The Organization considers all highly liquid investments purchased with an original maturity date of three months or less to be cash equivalents.

2. Property and equipment

Property and equipment, are stated at cost, and consisted of the following:

| | |
|--------------------------------|---------------------|
| | December 31, |
| | 2008 |
| Furniture & fixtures | \$31,409 |
| Less: accumulated depreciation | <u>(18,242)</u> |
| | <u>\$ 13,167</u> |

3. Commitments and contingencies

The Organization leases office space in Montclair, New Jersey. The terms of the lease call for lease payments of \$1,620 per month for the period July 1, 2008 to June 30, 2009. The lease expires June 30, 2009.

4. Functional allocation of expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the schedule of program and supporting services.

5. Net assets

Temporarily restricted net assets are available for the following programs:

December 31, 2008

| | |
|------------|------------------|
| Pasadena | \$ 40,000 |
| Ravenswood | <u>10,000</u> |
| | <u>\$ 50,000</u> |

ADDITIONAL INFORMATION

LITTLE KIDS ROCK, INC.
 ADDITIONAL INFORMATION
 SCHEDULE OF PROGRAM AND SUPPORTING SERVICES
 YEAR ENDED DECEMBER 31, 2008

Program services:

| | |
|-----------------------------|-------------------|
| Salaries | \$ 225,234 |
| Payroll taxes | 22,564 |
| Travel | 24,761 |
| Telephone | 3,869 |
| Rent | 8,605 |
| Instruments and development | 437,711 |
| Insurance | 1,086 |
| Professional | 3,600 |
| Postage | 9,233 |
| Employee benefits | 14,818 |
| Professional development | 39,612 |
| Consulting | 53,493 |
| Utilities | 776 |
| | <u>\$ 845,362</u> |

Supporting services:

| | |
|-------------------|------------------|
| Salaries | \$ 19,708 |
| Payroll taxes | 1,974 |
| Telephone | 967 |
| Rent | 12,908 |
| Administrative | 6,732 |
| Insurance | 1,629 |
| Professional | 635 |
| Postage | 570 |
| Employee benefits | 1,297 |
| Maintenance | 499 |
| Depreciation | 6,282 |
| Utilities | 1,163 |
| | <u>\$ 54,364</u> |

Fund raising:

| | |
|-------------------|-------------------|
| Salaries | \$ 36,601 |
| Payroll taxes | 3,667 |
| Administrative | 12,503 |
| Postage | 1,059 |
| Employee benefits | 2,408 |
| Entertainment | 289 |
| | <u>\$ 56,527</u> |
| | <u>\$ 956,253</u> |