

LITTLE KIDS ROCK, INC.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2009

## CONTENTS

	<b>Page</b>
<b>Independent Auditor's Report</b>	1
<b>Financial statements:</b>	
Statement of financial position	2
Statement of activities and net assets	3
Statement of cash flows	4
Notes to financial statements	5
<b>Additional information:</b>	
Schedule of program services, supporting services and fund raising	8

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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, 2009 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, 2009, 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 1, 2010

LITTLE KIDS ROCK, INC.  
STATEMENTS OF FINANCIAL POSITION  
December 31, 2009

ASSETS

	<u>2009</u>
Cash and cash equivalents	\$ 798,754
Prepaid expenses	9,043
Property and equipment, net	<u>19,418</u>
	<u>\$ 827,215</u>

LIABILITIES AND NET ASSETS

Accounts payable	<u>22,734</u>
	<u>22,734</u>
Net assets:	
Unrestricted:	328,267
Temporarily restricted	476,214
Permanently restricted	<u>-</u>
	<u>804,481</u>
	<u>\$ 827,215</u>

The accompanying notes are an integral  
part of the financial statements

LITTLE KIDS ROCK, INC.  
STATEMENTS OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2009

	Unrestricted	Temporarily Restricted	Permanently Restricted	Combined Total Year ended December 31, 2009
<b>Revenues and other support:</b>				
Grants	\$ 94,815	\$ 1,012,256	-	\$ 1,107,071
Contributions	370,137	-	-	370,137
Interest	1,957	-	-	1,957
Other	78,878	-	-	78,878
Net assets released from restrictions:				
Satisfaction of program restrictions	586,042	(586,042)	-	-
	<u>1,131,829</u>	<u>426,214</u>	<u>-</u>	<u>1,558,043</u>
<b>Operating expenses:</b>				
Program services	859,326	-	-	859,326
Supporting services	63,842	-	-	63,842
Fund raising	81,779	-	-	81,779
	<u>1,004,946</u>	<u>-</u>	<u>-</u>	<u>1,004,946</u>
Net changes in net assets	126,883	426,214	-	553,097
Net assets at the beginning of the year	201,384	50,000	-	251,384
Net assets at end of the year	<u>\$ 328,267</u>	<u>\$ 476,214</u>	<u>-</u>	<u>\$ 804,481</u>

The accompanying notes are an integral  
part of the financial statements

**LITTLE KIDS ROCK, INC.**  
**STATEMENTS OF CASH FLOWS**  
**December 31, 2009**

<b>Cash flows from operating activities:</b>	
Changes in net assets	\$ <u>553,097</u>
Adjustments to reconcile changes in net assets to net cash provided by operating activities:	
Depreciation	4,532
Changes in operating assets and liabilities:	
Decrease(increase) in prepaid expense	(690)
Increase(decrease) in accounts payable	<u>17,074</u>
Total adjustments to net income	<u>20,916</u>
Net cash provided by operating activities	<u>574,013</u>
 <b>Cash flows from investing activities:</b>	
Purchase of property and equipment	<u>(10,783)</u>
Net cash provided by (used by) investing activities	<u>(10,783)</u>
 Net increase (decrease) in cash and cash equivalents	563,230
Cash and cash equivalents - beginning of year	<u>235,524</u>
Cash and cash equivalents - end of year	<u>\$ 798,754</u>

The accompanying notes are an integral  
part of the financial statements

**LITTLE KIDS ROCK, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

December 31, 2009

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
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**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:

	<b>December 31,</b>
	<b>2009</b>
Furniture & fixtures	\$42,192
Less: accumulated depreciation	<u>(22,774)</u>
	<u>\$ 19,418</u>

### 3. Commitments and contingencies

The Organization leases office space in Montclair, New Jersey. The terms of the lease call for lease payments of \$1,650 per month for the period July 1, 2009 to June 30, 2010. The lease expires June 30, 2010.

### 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 programs in the following areas:

	December 31, 2009
Atlanta	\$ 5,791
Bay Area	20,049
Pasadena	20,457
Other	2,306
Dr. Phil	427,611
	<u>\$476,214</u>

ADDITIONAL INFORMATION

LITTLE KIDS ROCK, INC.  
 ADDITIONAL INFORMATION  
 SCHEDULE OF PROGRAM AND SUPPORTING SERVICES  
 YEAR ENDED DECEMBER 31, 2009

**Program services:**

Salaries	\$ 262,478
Payroll taxes	28,144
Travel	23,933
Telephone	8,650
Rent	8,737
Instruments and development	406,504
Insurance	1,073
Professional	5,123
Postage	13,766
Employee benefits	28,217
Professional development	7,481
Consulting	64,374
Utilities	846
	<u>\$ 859,326</u>

**Supporting services:**

Salaries	\$ 22,967
Payroll taxes	2,463
Telephone	2,162
Rent	13,106
Administrative	11,276
Insurance	1,610
Professional	904
Postage	810
Employee benefits	2,469
Maintenance	275
Depreciation	4,532
Utilities	1,268
	<u>\$ 63,842</u>

**Fund raising:**

Salaries	\$ 42,653
Payroll taxes	4,573
Administrative	20,942
Postage	1,620
Employee benefits	4,585
Entertainment	7,406
	<u>\$ 81,779</u>
	<u>\$ 1,004,946</u>