LITTLE KIDS ROCK, INC.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2007

CONTENTS

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, 2007 and the related statements of activities, net assets and cash flows for the years 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, 2007, and the changes in its net assets and its cash flows for the years 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.

Joseph Messina

May 28, 2008

LITTLE KIDS ROCK, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2007

ASSETS

Cash	$458,724
Prepaid expenses	6,845
Property and equipment, net	16,109
	$481,678

LIABILITIES AND NET ASSETS

Liabilities:	
Accounts payable	25,716
	25,716
Net assets:	
Unrestricted	203,384
Temporarily restricted	252,578
Permanently restricted	--
	455,962
	$481,678

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

LITTLE KIDS ROCK, INC.
STATEMENTS OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2007

	Unrestricted	Temporarily Restricted	Permanently Restricted	Combined Total Year ended December 31, 2007
Revenues and other support:				
Grants	$ 36,843	$241,000	$ -	$277,843
Contributions	320,551	-	-	320,551
Special events	28,519	211,149	-	239,668
Interest	15,423	-	-	15,423
Net assets released from restrictions:				
Satisfaction of program restrictions	414,146	(414,146)	-	-
	815,482	38,003	-	853,485
Expenses:				
Program services	770,168	-	-	770,168
Supporting services	103,801	-	-	103,801
	873,969	-	-	873,969
Changes in net assets	(58,487)	38,003	-	(20,484)
Net assets at the beginning of the year	261,871	214,575	-	476,446
Net assets at end of the year	$ 203,384	$252,578	$ -	$455,962

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

LITTLE KIDS ROCK, INC.
STATEMENT OF CASH FLOWS
Year ended December 31, 2007

Cash flows from operating activities:	
Changes in net assets	$(20,484)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:	
Depreciation	4,709
Changes in operating assets and liabilities:	
Decrease in inventory	18,028
Increase in prepaid expenses	(5,472)
Increase in accounts payable	19,256
Total adjustments to net income	36,521
Net cash provided by operating activities	16,037
Cash flows from investing activities:	
Purchase of property and equipment	(9,049)
Net cash used by investing activities	(9,049)
Net increase in cash and cash equivalents	6,988
Cash and cash equivalents - beginning of year	451,736
Cash and cash equivalents - end of year	$458,724

The accompanying notes are an integral part of the financial statements

LITTLE KIDS ROCK, INC.
NOTES TO FINANCIAL STATEMENTS

December 31, 2007

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, 2007
Furniture & fixtures	$28,069
Less: accumulated depreciation	(11,960)
	$ 16,109

3. Commitments and contingencies

The Organization leases office space in Montclair, New Jersey. Beginning July 1, 2007, the Organization entered into a lease agreement at a new location which terminates in June of 2008. The terms of the lease called for lease payments of $925 for the first twelve months. For the period ending June 30, 2008, the Organization increased their office space and lease payments will be $1,620 per month.

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 purposes:

	December 31,2007
Video Music Lessons	$ 4,000
Content development	4,942
West Contra Costa Expansion	25,000
Houston Expansion	60,000
Piano Curriculum development	34,135
Amplifiers for Shreveport	2,100
Dallas and Tampa start up	122,401
	$252,578

ADDITIONAL INFORMATION

LITTLE KIDS ROCK, INC.
ADDITIONAL INFORMATION
SCHEDULE OF PROGRAM AND SUPPORTING SERVICES
Year ended December 31, 2007

Program services:	
Salaries	$199,894
Payroll taxes	19,306
Travel	13,090
Telephone	3,942
Rent	4,434
Supplies	464,902
Insurance	1,051
Professional	3,464
Postage	5,015
Employee benefits	17,150
Fund raising	12,677
Consulting	24,734
Utilities	509
	$770,168

Supporting services:	
Salaries	$ 49,974
Payroll taxes	4,827
Travel	3,273
Telephone	985
Rent	6,651
Supplies	12,825
Insurance	1,576
Professional	611
Postage	885
Employee benefits	4,288
Entertainment	1,550
Maintenance	3,429
Consulting	5,066
Dues & subscriptions	2,389
Depreciation	4,709
Utilities	763
	$103,801