LITTLE KIDS ROCK, INC.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2011

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Little Kids Rock, Inc.
Cedar Grove, New Jersey

I have audited the accompanying statement of financial position of Little Kids Rock, Inc. (a nonprofit organization) as of December 31, 2011, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted 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, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of program services, supporting services and fund raising expenses on page 8 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Joseph Messina

April 10, 2012

LITTLE KIDS ROCK, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2011

ASSETS

Cash and cash equivalents	$ 1,043,561
Prepaid expenses	5,426
Deposit	-
Property and equipment, net	11,046
	$ 1,060,033

LIABILITIES AND NET ASSETS

Accounts payable	25,661
	25,661
Net assets:	
Unrestricted:	865,596
Temporarily restricted	168,776
Permanently restricted	-
	1,034,372
	$ 1,060,033

The accompanying notes are an integral part of the financial statements

LITTLE KIDS ROCK, INC.
STATEMENTS OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Combined Total Year ended December 31, 2011
Revenues and other support:				
Grants	$ 226,080	$ 437,700	$ -	$ 663,780
Contributions	1,007,008	-	-	1,007,008
Interest	991	-	-	991
Other	118,548	-	-	118,548
Net assets released from restrictions:				
Satisfaction of program restrictions	734,238	(734,238)	-	-
	2,086,865	(296,538)	-	1,790,327
Operating expenses:				
Program services	1,204,950	-	-	1,204,950
Supporting services	113,986	-	-	113,986
Fund raising	149,462	-	-	149,462
	1,468,398	-	-	1,468,398
Net changes in net assets	618,467	(296,538)	-	321,929
Net assets at the beginning of the year	247,129	465,314	-	712,443
Net assets at end of the year	$ 865,596	$ 168,776	$ -	$ 1,034,372

The accompanying notes are an integral part of the financial statements

LITTLE KIDS ROCK, INC.
STATEMENTS OF CASH FLOWS
December 31, 2011

Cash flows from operating activities:	
Changes in net assets	$ 321,929
Adjustments to reconcile changes in net assets to net cash provided by operating activities:	
Depreciation	4,144
Changes in operating assets and liabilities:	
Decrease in prepaid expense	5,988
Decrease in deposit	104,102
Increase in accounts payable	4,005
Total adjustments to net income	118,239
Net cash provided by operating activities	440,168
Cash flows from investing activities:	
Purchase of property and equipment	-
Net cash provided by (used by) investing activities	-
Net increase in cash and cash equivalents	440,168
Cash and cash equivalents - beginning of year	603,393
Cash and cash equivalents - end of year	$ 1,043,561

The accompanying notes are an integral part of the financial statements

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, 2011
Furniture & fixtures	$42,192
Less: accumulated depreciation	(31,146)
	$ 11,046

3. Commitments and contingencies

The Organization leases office space in Cedar Grove, New Jersey. The terms of the lease call for lease payments of $2,333 per month for the period July 1, 2011 to June 30, 2012. The Organization has the option to extend the lease for one year or an additional two years following the expiration date of the lease.

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 31,2011
Various City programs	$168,776
	$168,776

6. Concentration risks

Financial instruments, which potentially expose the Organization to concentrations of credit risk, consist primarily of cash and cash equivalents.

The Organization maintains its cash and cash equivalents in accounts, which at times exceeds federally insured limits. The Company limits its credit risk by selecting financial institutions considered to be highly creditworthy.

7. Subsequent events

Management evaluated events and transactions that occurred after the balance sheet date for potential recognition and disclosure through June 16, 2011. There was nothing to disclose.

8. Recently issued accounting pronouncements

The Organization has reviewed all recently issued, but not yet effective, accounting pronouncements. The Organization does not anticipate that these accounting pronouncements will have any future material effect on the financial statements.

ADDITIONAL INFORMATION

LITTLE KIDS ROCK, INC.
ADDITIONAL INFORMATION
SCHEDULE OF PROGRAM AND SUPPORTING SERVICES
YEAR ENDED DECEMBER 31, 2011

Program services:	
Salaries	$ 464,135
Payroll taxes	52,842
Travel	21,177
Telephone	10,026
Rent	11,664
Instruments and development	472,608
Insurance	1,326
Professional	21,126
Postage	17,520
Employee benefits	39,457
Professional development	91,611
Consulting	-
Utilities	1,458
	$ 1,204,950
Supporting services:	
Salaries	$ 40,612
Payroll taxes	4,624
Telephone	2,506
Rent	17,497
Administrative	28,270
Insurance	1,988
Professional	3,728
Postage	1,031
Employee benefits	3,452
Maintenance	3,948
Depreciation	4,144
Utilities	2,186
	$ 113,986
Fund raising:	
Salaries	$ 75,422
Payroll taxes	8,587
Administrative	52,501
Postage	2,061
Employee benefits	6,412
Entertainment	4,480
	$ 149,462
	$ 1,468,398