

LITTLE KIDS ROCK, INC.
(A NOT-FOR-PROFIT ORGANIZATION)

Independent Auditors' Report and
Financial Statements for the
Year Ended June 30, 2021
(With Comparative Totals for the
Year Ended June 30, 2020)

LITTLE KIDS ROCK, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Little Kids Rock, Inc.

Opinion

We have audited the accompanying financial statements of Little Kids Rock, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Little Kids Rock, Inc. as of June 30, 2021, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Little Kids Rock, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Little Kids Rock's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Little Kids Rock's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Little Kids Rock's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited Little Kids Rock, Inc.'s 2020 financial statements and our report dated January 15, 2021, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in black ink that reads "Pullari Caruso LLC". The signature is written in a cursive, slightly slanted style.

Fairfield, New Jersey
December 10, 2021

LITTLE KIDS ROCK, INC.

STATEMENTS OF FINANCIAL POSITION JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 4,367,240	\$ 3,414,600
Accounts receivable	4,394	4,525
Unconditional promises to give	1,841,908	1,397,386
Inventory	228,117	272,025
Prepaid expenses	179,375	140,540
Total current assets	<u>6,621,034</u>	<u>5,229,076</u>
 SECURITY DEPOSITS	 -	 13,751
 LONG-TERM UNCONDITIONAL PROMISES TO GIVE, NET	 <u>19,034</u>	 <u>251,907</u>
 TOTAL ASSETS	 <u>\$ 6,640,068</u>	 <u>\$ 5,494,734</u>
 LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	\$ 39,623	\$ 33,659
Accrued expenses	52,339	35,121
Deferred revenue	103,791	453,304
Total current liabilities	<u>195,753</u>	<u>522,084</u>
 PAYCHECK PROTECTION PROGRAM LOAN	 <u>579,707</u>	 <u>579,707</u>
 TOTAL LIABILITIES	 <u>775,460</u>	 <u>1,101,791</u>
 NET ASSETS:		
Without donor restrictions	3,784,209	2,406,787
With donor restrictions	2,080,399	1,986,156
Total net assets	<u>5,864,608</u>	<u>4,392,943</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 6,640,068</u>	 <u>\$ 5,494,734</u>

LITTLE KIDS ROCK, INC.

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2021 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2020)

	Without Donor Restrictions	With Donor Restrictions	Total	
			2021	2020
PUBLIC SUPPORT AND REVENUES:				
Contributions	\$ 1,019,507	\$ 2,574,390	\$ 3,593,897	\$ 3,801,096
Special events	1,293,929	-	1,293,929	938,554
Non-cash contributions	1,195,216	-	1,195,216	3,417,502
Program service revenue	90,245	-	90,245	312,923
Net assets released from restrictions:				
Satisfaction of purpose restrictions	2,480,147	(2,480,147)	-	-
Total public support and revenues	6,079,044	94,243	6,173,287	8,470,075
EXPENSES:				
Program services:				
Music education	2,783,866	-	2,783,866	4,021,587
Musical instruments and curriculum resources	1,267,873	-	1,267,873	3,788,710
Total program services	4,051,739	-	4,051,739	7,810,297
Supporting services:				
Management and general	627,657	-	627,657	607,081
Fundraising	476,920	-	476,920	469,075
Cost of direct benefit to donors	123,895	-	123,895	452,071
Total supporting services	1,228,472	-	1,228,472	1,528,227
Total expenses	5,280,211	-	5,280,211	9,338,524
Changes in net assets before non-operating activities	798,833	94,243	893,076	(868,449)
NON-OPERATING ACTIVITIES:				
Paycheck Protection Program Forgiveness	579,707	-	579,707	-
Other income	5,025	-	5,025	2,966
Interest income	1,647	-	1,647	21,076
Bad debt expense	(7,790)	-	(7,790)	(36,075)
Total non-operating activities	578,589	-	578,589	(12,033)
CHANGE IN NET ASSETS	1,377,422	94,243	1,471,665	(880,482)
NET ASSETS, BEGINNING OF YEAR	2,406,787	1,986,156	4,392,943	5,273,425
NET ASSETS, END OF YEAR	\$ 3,784,209	\$ 2,080,399	\$ 5,864,608	\$ 4,392,943

LITTLE KIDS ROCK, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2020)**

	Program Services			Supporting Services			Total	
	Music Education	Musical Instruments and Curriculum Resources	Total Program Services	Management and General	Fundraising	Cost of Direct Benefit to Donors	2021	2020
Personnel costs:								
Salaries and wages	\$ 1,985,475	\$ -	\$ 1,985,475	\$ 421,049	\$ 356,300	\$ -	\$ 2,762,824	\$ 3,049,985
Fringe benefits	181,012	-	181,012	36,007	32,029	-	249,048	280,185
Payroll taxes	154,651	-	154,651	30,763	27,365	-	212,779	243,572
Total personnel costs	2,321,138	-	2,321,138	487,819	415,694	-	3,224,651	3,573,742
Musical instruments and curriculum resources	-	1,267,873	1,267,873	-	-	-	1,267,873	3,788,710
Information technology and communications	142,227	-	142,227	22,970	26,243	-	191,440	157,562
Professional fees	117,092	-	117,092	48,880	13,486	-	179,458	165,065
Program workshops and events	57,061	-	57,061	-	-	-	57,061	445,105
Occupancy	43,600	-	43,600	7,708	6,719	-	58,027	191,930
Training and Conferences	28,312	-	28,312	5,215	4,391	-	37,918	72,985
Office supplies and expenses	17,174	-	17,174	860	2,184	-	20,218	21,572
Travel, meals and entertainment	12,930	-	12,930	293	244	-	13,467	293,557
Insurance	10,100	-	10,100	1,879	1,561	-	13,540	21,812
Video and photography	8,025	-	8,025	1,446	5,680	-	15,151	17,144
Licenses, dues, and fees	4,547	-	4,547	48,979	245	-	53,771	44,152
Advertising and promotion	3,759	-	3,759	940	-	-	4,699	35,625
Company events and meetings	1,541	-	1,541	287	238	-	2,066	24,211
Donor cultivation events	-	-	-	-	120	-	120	18,859
Cost of direct benefit to donors	-	-	-	-	-	123,895	123,895	452,071
Other expenses	16,360	-	16,360	381	115	-	16,856	14,422
Total expenses	\$ 2,783,866	\$ 1,267,873	\$ 4,051,739	\$ 627,657	\$ 476,920	\$ 123,895	\$ 5,280,211	\$ 9,338,524

LITTLE KIDS ROCK, INC.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 1,471,665	\$ (880,482)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Forgiveness of the Paycheck Protection Program loan	(579,707)	-
Discount for unconditional promises to give	966	13,093
(Increase) decrease in operating assets:		
Accounts receivable	131	(4,525)
Unconditional promises to give, net	(212,615)	1,288,691
Inventory	43,908	(100,578)
Prepaid expenses	(38,835)	85,318
Security deposits	13,751	-
Increase (decrease) in operating liabilities:		
Accounts payable	5,964	(52,760)
Accrued expenses	17,218	(6,676)
Deferred revenue	(349,513)	203,830
Net cash provided by operating activities	<u>372,933</u>	<u>545,911</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from Paycheck Protection Program Loan (first round)	-	579,707
Proceeds from Paycheck Protection Program Loan (second round)	579,707	-
Net cash provided by financing activities	<u>579,707</u>	<u>579,707</u>
NET INCREASE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	952,640	1,125,618
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, BEGINNING OF YEAR	<u>3,414,600</u>	<u>2,288,982</u>
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, END OF YEAR	<u>\$ 4,367,240</u>	<u>\$ 3,414,600</u>

LITTLE KIDS ROCK, INC.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

1. NATURE OF ACTIVITIES

Little Kids Rock, Inc. (the "Organization") was incorporated in the State of California in 2001. The Organization is operated exclusively for charitable and educational purposes, with a particular focus on music education in elementary and secondary schools in the United States. Business and administrative functions of the Organization are located in the State of New Jersey. The following descriptions provide more detail regarding specific programs run by the Organization:

Mentorship: The Organization provides training and support for teachers and other types of mentors enrolled in the music education program in order to help facilitate and establish a safe, nurturing, supportive and fun environment for students.

Music Education: In accordance with its mission, the Organization provides music education to students, primarily from low income backgrounds, in order to foster musicianship, to develop confidence, responsibility, discipline and other lifelong values.

Musical Instruments and Curriculum Resources: The Organization obtains and provides musical instruments and other curriculum resources to students to use in their participation in music production, recording and performances.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting --- The financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Basis of Presentation --- The Organization presents its financial statements in accordance with guidance issued by the American Institute of Certified Public Accountants' Audit & Accounting Guide for *Not-for-Profit Entities* and the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC).

ASC paragraphs 958-205-45-2(a) through (d) establish standards for external financial reporting by not-for-profit organizations and require that resources be classified for accounting and reporting purposes into two net asset categories according to the existence or absence of donor-imposed restrictions: net assets with donor restrictions and net assets without donor restrictions.

ASC paragraphs 958-605-45-3 through 7, *Contributions Received*, require that unconditional promises to give be recorded as receivables and revenue and require the Organization to distinguish between contributions received for each net asset category in accordance with donor imposed restrictions.

Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed stipulations.

LITTLE KIDS ROCK, INC.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2021 AND 2020 (CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Basis of Presentation (cont.) ---

Net assets with donor restrictions - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Cash and cash equivalents --- The Organization considers all cash without donor imposed restrictions, short-term securities and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

Restricted cash --- Restricted cash is the portion of cash that will be used to cover expenditures that have been restricted by the donor.

Accounts receivable --- Accounts receivable are stated at the amounts management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to bad debt expense and a credit to the allowance for doubtful accounts based on their assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the allowance for doubtful accounts and a credit to accounts receivable.

Inventory --- Musical instruments and other curriculum resources are recorded as program service expenses when they are distributed to schools and other music education programs.

Instruments that are purchased by the Organization for distribution are recorded at the cost of such purchases. Such instruments are shipped directly to the schools when the order is fulfilled and, therefore, are not a component of inventory.

Instruments or other tangible items that are contributed to the Organization are valued at the market value of such in-kind donations when received, and are included in Inventory to the extent they have not yet been distributed. Curriculum resources, such as access to online lessons and streamed media, that are contributed to the Organization are perceived not to have any value to the Organization or donor until they are activated upon distribution and used for program services. Once activated, these items are recognized at market value.

Musical instruments purchased for ongoing use by the Organization in conducting teacher workshops or otherwise carrying out programmatic activities are recorded as inventory, and are stated at the lower of cost or net realizable value.

Inventory also includes costs associated with the development of a specialized percussion instrument for future distribution to schools and other music education programs.

LITTLE KIDS ROCK, INC.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2021 AND 2020 (CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Revenue and support recognition --- Contributions, including unconditional promises to give, are recorded as received. All contributions are available for use without restrictions unless specifically restricted by the donor. Conditional promises to give are reported when the conditions on which they depend are met by the Organization. Unconditional promises to give due in the next year are recorded at their net realizable value. Management assesses the time value of money based on material pledges to the Organization and the length of time to be received. Material unconditional promises to give due in subsequent years are reported on the Statement of Financial Position at the present value of their net realizable value, using interest rates consistent with investment rates applicable to the years in which the promises are to be received.

The Organization accounts for revenues from special events as an exchange transaction as each party to the transaction receives and sacrifices commensurate value.

The Organization accounts for program service arrangements as exchange transactions and recognizes revenues after the Organization has performed the services agreed with the other party.

Funds received in advance of their proper usage are accounted for as deferred revenue in the statement of financial position, so as to match revenues with expenses.

Fixed assets --- Fixed assets are recorded at cost and are depreciated using the straight-line method over the estimated useful lives of the assets, generally 2-5 years. Depreciation is provided based upon the actual number of months in use during the year the costs are capitalized. The Organization's policy is to capitalize fixed assets with a purchase price of \$5,000 or more and a useful life of one year or more. Expenditures for maintenance, repairs and renewals of minor items are charged to earnings as incurred. The cost of assets retired or otherwise disposed of and the related accumulated depreciation are eliminated from the accounts and any resulting gain or loss is reflected in the statement of activities. Major renewal and improvements are capitalized.

Non-cash contributions --- The Organization receives a variety of donated goods used in both program and fundraising events.

Individuals volunteer their time and perform a variety of tasks that assist the Organization, but the majority of these services do not meet the criteria for recognition under accounting principles generally accepted in the United States of America.

Income taxes --- The Organization is a not-for-profit organization described under Section 501(c)(3) of the Internal Revenue Code ("I.R.C.") and is therefore exempt from federal income taxes under Section 501(a) of the I.R.C. The Organization is also exempt under corresponding state statutes in all 50 states. Accordingly, no provision for Federal or State income taxes has been presented in the accompanying financial statements.

LITTLE KIDS ROCK, INC.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2021 AND 2020 (CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Income taxes (cont.) --- The Organization adheres to FASB ASC Topic 740, *Income Taxes*, which provides guidance and clarification on accounting for uncertainty in income taxes recognized in the Organization's financial statements. The guidance prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return, and also provides guidance on de-recognition, classification, interest and penalties, disclosure and transition. For the years ended June 30, 2021 and 2020, the Organization has no material uncertain tax positions to be accounted for in the financial statements.

The Organization files an informational return with the Internal Revenue Service and all 50 U.S. State jurisdictions. The Organization's Form 990, Return of Organization Exempt from Income Tax, is subject to examination by the IRS, generally for three years after they were filed. Each state has its own statutes governing the examination period. The Organization hires a third party to file registrations in all 50 states and as such, the third party maintains the compliance for these state filings.

Use of estimates --- The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Functional allocation of expenses --- Expenses are charged to each program based on direct expenditures incurred. Any program or supporting service expenditure not directly chargeable is allocated based on an indirect cost pool that is reasonable and consistently applied. Program expenses are those related to music education and musical instruments. Management and general relate to administrative expenses related to those programs. Fundraising includes direct and indirect costs of special events.

Allocated indirect expenditures include salaries and related payroll expenses, which are allocated on the basis of estimates of time and effort. The indirect labor hours cost pool serves as the basis for allocating supplies and other general office expenses. Rent, utilities and other facility and overhead costs are allocated based upon the number of employees directly allocated to each function.

Allocation of joint costs --- Costs incurred in connection with joint activities that include both fundraising and program components are assessed and attributed specifically to these components. As part of its mission, the Organization provides opportunities for students to participate in music performance and, as such, costs directly related to such performances at joint activities are considered program related expenses.

3. CONCENTRATIONS OF CREDIT RISK

Arising from cash deposits in excess of insured limits --- The Organization maintains its cash accounts in three financial institutions. During the year, cash balances may exceed federally insured limits of \$250,000. Management believes that the Organization has no significant risk of loss on these amounts due to the failure of the institutions.

LITTLE KIDS ROCK, INC.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2021 AND 2020 (CONTINUED)

4. PROMISES TO GIVE

Unconditional promises --- Total unconditional promises to give consist of the following at June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Promises without donor restriction	\$ 256,036	\$ 981,740
Promises with donor restriction:		
Program expansion:		
General	-	8,542
Central California	40,000	60,000
Chicago	120,000	235,000
Los Angeles County	75,000	-
Maine	25,000	-
Miami	294,047	-
New Jersey	-	50,000
Other Florida	37,095	350,883
Other West	-	9,950
Other Purpose/ Restriction	-	16,180
Program expansion	750,000	-
Digital initiatives	250,000	-
Modern Band Summit	77,500	15,000
Gross unconditional promises to give	1,924,678	1,727,295
Less: Discount for long-term pledges	966	13,093
Allowance for uncollectible pledges	62,770	64,909
Net unconditional promises to give	<u>\$ 1,860,942</u>	<u>\$ 1,649,293</u>
Amounts Due in:		
Less than one year	\$ 1,841,908	\$ 1,397,386
One to five years	19,034	251,907
Total	<u>\$ 1,860,942</u>	<u>\$ 1,649,293</u>

The pledges receivable have been recorded at their net present value using a discount rate of 3.5% for the years ended June 30, 2021 and 2020.

Conditional promises --- The Organization has received contributions from a donor that were restricted to program expansion in Miami but also contingent, in part, on the Organization receiving qualifying matching contributions from other donors. As of June 30, 2021, there were \$206,385 of such contributions, which amounts will be recognized in the future when matching contributions are received.

LITTLE KIDS ROCK, INC.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2021 AND 2020 (CONTINUED)

5. INVENTORY

Inventory consisted of the following at June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Musical instruments	\$ 116,575	\$ 174,396
Instrument development	111,542	97,629
Total	<u>\$ 228,117</u>	<u>\$ 272,025</u>

6. DEFERRED REVENUE

Deferred revenue consisted of the following at June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Sponsorships for future special events	\$ 42,500	\$ 383,493
Contributed technology licenses for future periods	38,880	58,320
Fees for future Modern Band Summits	10,846	11,491
Program service contracts	11,565	-
Total	<u>\$ 103,791</u>	<u>\$ 453,304</u>

7. COMMITMENTS

Due to the pandemic, all employees of the Organization have been working remotely since March 2020. Effective September 1, 2020, the Organization continued leasing their office space in Northern New Jersey on a month to month basis through December 31, 2020, at which time they vacated the space.

On April 1, 2019 the Organization had contracted to lease space in Chicago through March 31, 2022. The payment schedule and cancellation terms were amended on July 30, 2020. In December of 2021, the Organization exercised their lease cancellation clause which triggered a one-time payment of two months' rent of \$2,940 and retention by the lessor of the \$1,250 security deposit. The lease formally terminated on January 31, 2021.

There are no future long term commitments under the operating leases that were in effect at June 30, 2021. Management expects to have a physical presence again at some point in the future, once the safety concerns related to COVID-19 have been mitigated.

8. LINE OF CREDIT

The Organization established a \$1,250,000 line of credit with JPMorgan Chase Bank on November 5, 2021, which replaced the former line that was in effect, with similar terms as of June 30, 2021 and 2020. Balances on the line are due back in full on or before November 5, 2022, unless the note is extended or renewed by the bank. Interest on the unpaid principal balance is computed on the basis of actual days elapsed in a 360 day year at the "Adjusted SOFR Rate" (the "Note Rate") and at the rate of 3.00% per annum above the Note Rate. The line was taken for working capital purposes and is secured by all assets of the Organization. As of June 30, 2021 and 2020, there were no amounts outstanding at year-end.

LITTLE KIDS ROCK, INC.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2021 AND 2020 (CONTINUED)

9. PAYCHECK PROTECTION PROGRAM LOAN

On June 15, 2021 and April 6, 2020, the Organization obtained Paycheck Protection Program loans in the amount of \$579,707 and \$579,707, respectively, pursuant to the terms of the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) enacted March 27, 2020. Under the act, so long as the Organization incurs certain qualifying expenses, they may apply for and receive forgiveness on the loan by the Small Business Administration (“SBA”). Any loan balance remaining following forgiveness by the SBA will be fully amortized over the remaining term of the loan.

On June 14, 2021, the SBA granted full forgiveness of the Paycheck Protection Loan received on April 6, 2020, which is recognized as revenue in non-operating activities on the Statement of Activities.

Unless otherwise forgiven, the loan received on June 15, 2021 is due June 15, 2023. Interest is specified at a rate of .98%. The funding is uncollateralized. As of June 30, 2021, the Organization has included in long term liabilities \$579,707, the total amount of the loan balance. Management expects the entire amount will be forgiven and has elected to recognize the forgiveness of the loan as revenue at such time the loan is legally forgiven.

10. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes at June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Location (general program operations):		
Central California	\$ -	\$ 13,537
Colorado	-	132,976
Connecticut	109,110	116,796
Los Angeles County	50,000	-
Miami	617,511	528,083
New Jersey	50,000	-
San Francisco Bay Area	18,072	109,714
Other Florida	71,695	76,805
Capital Grant – Office Equipment	12,895	17,189
Digital initiatives	217,445	-
Higher education	50,000	-
Program expansion	<u>883,671</u>	<u>991,056</u>
Total net assets with donor restrictions	<u>\$ 2,080,399</u>	<u>\$ 1,986,156</u>

LITTLE KIDS ROCK, INC.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2021 AND 2020 (CONTINUED)

10. NET ASSETS WITH DONOR RESTRICTIONS (CONT.)

Net assets were released from donor restrictions by incurring expenses satisfying purpose restrictions specified by donors during the years ended June 30, 2021 and 2020 as follows:

	<u>2021</u>	<u>2020</u>
Location (general program operations):		
Central California	\$ 141	\$ 66,463
Chicago	13,527	857,500
Colorado	153,963	606,015
Connecticut	188,532	318,513
Dallas	282	125,000
Fort Wayne	282	-
Los Angeles County	195,564	132,378
Maine	45,564	69,275
Miami	118,042	260,867
Milwaukee	-	25,077
New Hampshire	74,637	-
New Jersey	7,102	54,000
New York	5,197	40,918
Orange County	282	27,459
Pennsylvania	11,038	1,500
San Francisco Bay Area	97,642	98,642
Savannah	282	65,000
Unaffiliated	-	115,036
Other Florida	249,775	246,910
Other Midwest	1,551	-
Other Northeast	1,269	21,899
Other South	2,917	43,668
Other West	1,128	16,855
Capital Grant – Office Equipment	16,094	19,020
Colorado Expansion	-	211,237
Digital Initiative	239,860	-
Higher education	-	12,652
Program expansion	1,055,476	1,132,627
Total net assets released from restrictions	<u>\$ 2,480,147</u>	<u>\$ 4,568,511</u>

LITTLE KIDS ROCK, INC.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2021 AND 2020 (CONTINUED)

11. NON-CASH DONATIONS

Non-cash donations consisted of the following at June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Curriculum resources	\$ 1,024,136	\$ 2,707,260
Program instruments	70,262	659,902
Information technology and communications	27,840	19,440
Advertising and promotion	-	15,000
Professional fees	7,125	5,600
Auction items	65,853	-
Other	-	10,300
	<u> </u>	<u> </u>
Total	<u>\$ 1,195,216</u>	<u>\$ 3,417,502</u>

The Organization has received curriculum resources, such as access to online lessons and streamed media, that are valued when they are activated upon distribution to schools, teachers, and students. As of June 30, 2021, the potential future value of such curriculum resources received but not yet activated was approximately \$7 million. Based on the current trend, management estimates that approximately \$1 million of these resources will be activated annually.

12. FRINGE BENEFITS

The Organization provides its employees with group health, dental, vision and life insurance. Insurance is effective 30 days from an employee's date of hire. Little Kids Rock assumes responsibility for 90% of monthly premiums for an employee's coverage and 50% of monthly premiums for an employee's dependent's coverage. Additionally, the Organization offers a flexible spending account and commuter plan benefits to its employees. For the years ended June 30, 2021 and 2020, the Organization incurred expenses related to these benefits of \$185,522 and \$221,284, respectively.

The Organization offers a 403(b) retirement plan which matches employee contributions up to a maximum of 3% of the employee's salary. The Organization incurred expenses of \$63,526 and \$58,901 for its share of contributions into the plan for the years ended June 30, 2021 and 2020.

13. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization's liquidity management plan is to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Cash in excess of 90 days operating expenses is invested in short-term investments, including certificates of deposit and money market funds. Management anticipates meeting general expenditures within one year of the date of the statement of financial position with existing financial assets plus funding provided by anticipated contributions from the general public. Furthermore, as described in Note 8, the Organization has a \$1,250,000 line of credit available to meet cash flow needs.

LITTLE KIDS ROCK, INC.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2021 AND 2020 (CONTINUED)

13. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS (CONT.)

The following represents the Organization's financial assets as of June 30, 2021 and 2020, reduced by amounts not available for general use:

	<u>2021</u>	<u>2020</u>
Financial assets at year-end		
Cash and cash equivalents	\$ 4,367,240	\$ 3,414,600
Accounts receivable	4,394	4,525
Unconditional promises to give, expected to be received in less than one year	<u>1,841,908</u>	<u>1,397,386</u>
Total current financial assets at year-end	6,213,542	4,816,511
Less amounts not available for general expenditures within one year due to:		
Donor-restricted funding	<u>2,080,399</u>	<u>1,986,156</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 4,133,143</u>	<u>\$ 2,830,355</u>

14. RELATED PARTY TRANSACTIONS

On November 26, 2019, Amp Up NYC, LLC was dissolved and the Organization received a cash payment of \$22,018 upon the dissolution. Additionally, the Organization recognized accounts receivable of \$4,525. The final tax return was filed on December 13, 2019 for Amp Up NYC, LLC.

15. SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 10, 2021, the date on which the financial statements were available to be issued, and have determined that except as noted below there are no subsequent events that require disclosure.

COVID-19 --- The Organization is evaluating the impact of COVID-19 and its pervasive impact to the overall economy and has determined it cannot reasonably estimate the financial impact, if any, on its operations, assets and material accounting estimates at this time.