

LULLALEE PRODUCTIONS AND SERVICES
(A California not-for-profit corporation)

FINANCIAL STATEMENTS
As of June 30, 2009

TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT

LULLALEE PRODUCTIONS AND SERVICES
(A California not-for-profit corporation)

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HILL, MORGAN AND ASSOCIATES, LLP

Certified Public Accountants

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Partners
Jeffrey Hill, CPA
Raymond Morgan, CPA

To the Board of Directors
Lullalee Productions and Services
San Bruno, California

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying statement of financial position of **Lullalee Productions and Services** (a California not-for-profit corporation), as of June 30, 2009 and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of **Lullalee Productions and Services'** management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Lullalee Productions and Services** as of June 30, 2009 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.

Hill, Morgan and Associates, LLP

Carson, California
December 23, 2009

LULLALEE PRODUCTIONS AND SERVICES
STATEMENT OF FINANCIAL POSITION
As of June 30, 2009

ASSETS

Current assets:	
Cash and cash equivalents	\$ <u> 630</u>
Total current assets	<u> 630</u>
Furniture and equipment:	
Furniture and equipment (Note 2)	7,261
Less: accumulated depreciation (Note 2)	<u>(4,261)</u>
Net furniture and equipment	<u> 3,000</u>
TOTAL ASSETS	\$ <u> 3,630</u>

LIABILITIES AND NET ASSETS

Current liabilities:	
Accounts payable	\$ <u> 17,953</u>
Total current liabilities	<u> 17,953</u>
Net Assets:	
Unrestricted net assets-(deficit)	<u> (14,323)</u>
Total net assets	<u> (14,323)</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u> 3,630</u>

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

LULLALEE PRODUCTIONS AND SERVICES
STATEMENT OF ACTIVITIES
For the year ended June 30, 2009

SUPPORT AND REVENUES:

Contributions and grants	\$ 36,478
Inkind contributions	<u>211,870</u>
Total support and revenues	<u>248,348</u>

EXPENSES:

Program services	260,613
Management and general	3,586
Fundraising	<u>1,211</u>
Total expenses	<u>265,410</u>
Decrease in net assets	(17,062)
Net assets, beginning of the year	<u>2,739</u>
Net assets, end of the year	\$ <u><u>(14,323)</u></u>

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

LULLALEE PRODUCTIONS AND SERVICES
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended
June 30, 2009

	<u>Program</u>	<u>Management and general</u>	<u>Fundraising</u>	<u>Total expenses</u>
EXPENSES:				
Labor cost for event setup	\$ 7,192	\$	\$	\$ 7,192
Performer fees	3,100			3,100
Performer travel and hotel	6,245			6,245
Other travel and related expenses	2,575			2,575
Fairmont event rent and programs	20,214			20,214
Community event: Car-Ni-Fair	2,500			2,500
Event decorations	2,631			2,631
Telephone and internet	1,936	242	242	2,420
Professional services		600		600
Computer		148		148
Marketing		1,720		1,720
Postage and delivery	1,550			1,550
Online donation merchant fee			969	969
Program evaluation	800			800
Depreciation		726		726
Miscellaneous		150		150
In-kind contribution of goods and services	<u>211,870</u>			<u>211,870</u>
Total expenses	<u>\$ 260,613</u>	<u>\$ 3,586</u>	<u>\$ 1,211</u>	<u>\$ 265,410</u>

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

LULLALEE PRODUCTIONS AND SERVICES
STATEMENT OF CASH FLOWS
For the year ended June 30, 2009

Cash flows from operating activities:	
Decrease in net assets	\$ (17,062)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Depreciation	726
Changes in operating assets and liabilities:	
(Increase) decrease in assets:	
Increase (decrease) in liabilities:	
Accounts payable	<u>15,706</u>
Net cash used in operating activities	<u>(630)</u>
Net decrease in cash	<u>(630)</u>
Cash - beginning of the year	<u>1,260</u>
Cash - end of the year	<u><u>\$ 630</u></u>

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

LULLALEE PRODUCTIONS AND SERVICES
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION

Inspired by “Find Your Special Gift through Art, Music & Literacy,” Lullalee Productions and Services (Lullalee) started its operation in July 2004 as a non-profit organization with a mission of serving the under-served children with reading, music and arts programs. Lullalee started by Lee Ann Butler-Owens’ belief that helping kids learn to read would make a difference. A flight attendant flying for one of the major airline carriers on 9/11, Lee Ann Butler-Owens was prompted by the loss of friends and coworkers to examine her part in making the world a better place. By combining her interest in early childhood development with a love of music and the arts, Butler-Owens started by developing a children’s musical audio book. Marketing soon turned to gifting as she realized how many children fell through the cracks at the most critical stage of reading development. She understood that while exploring her own creativity she must find a way to help young children do the same in an effort to enhance learning. To that end, Lullalee has strategically partnered with authors, artists, educators and entertainers to develop programs that help underserved children facing cultural differences, physical and or learning challenges.

Lullalee has served more than 9,500 underserved children that may fall under the following categories: orphans or those who reside in safe house facilities, subsidized under federal programs, those who have special needs or those who have physical challenges.

Lullalee accomplishes its mission and goals through the following programs:

Car-Ni-Fair

Car-Ni-Fair is Lullalee’s signature event promoting the importance of reading in a carnival setting. Car-Ni-Fair combines the best attributes of a Carnival and a Literacy Fair by providing children with colorful decorations, fun music, and the aroma of popcorn, cotton candy and other fun food, authors signing free books, miraculous magic and carnival games.

The Lullabook- Skyline College Storytelling Project

The Lullabook-Skyline Storytelling Project is a weekly program motivating fifty to seventy pre-school children to become early readers and to prepare the children to enter the educational system. In concert with providing free books, this program lays the foundation to train early childhood education students/interns as they prepare and develop abilities for their teaching career.

These notes are an integral part of the preceding financial statements.

LULLALEE PRODUCTIONS AND SERVICES
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Lulla Book Grant

The Purpose of the Lulla Book Grant is to build the personal libraries of undeserved children and to provide tangible tools to nourish individual learning stages. To date,

Lullalee has provided 20 Book Grants to over 9,500 children at facilities that serve financially and physically challenged children in California, Louisiana and Africa.

PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost if purchased and at fair market value at the time of donation, if donated. Depreciation is based on the estimated useful lives of the assets using the straight-line method.

FINANCIAL STATEMENT PRESENTATION

The accompanying financial statements are prepared on the accrual basis in accordance with the AICPA's Audit and Accounting Guide, "Not-for-Profit Organizations."

ESTIMATES

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

CONTRIBUTED GOODS AND SERVICES

The accompanying financial statements include amounts of materials, equipment and services donated to Lullalee Productions and Services. The basis of valuation of these donations is generally in-house appraisal or fair market value as indicated by the person or agency making the donation. Included in revenue and expenses is \$211,870 of in-kind contributions for the year ended June 30, 2009. The in-kind contribution includes a Google advertising grant valued at \$120,000, books valued at \$57,800, performances valued at \$20,500, food and fundraising items valued at 4,770, computer software valued at \$2,300, photograph service valued at 3,500, and logo design service valued at \$3,000.

These notes are an integral part of the preceding financial statements.

LULLALEE PRODUCTIONS AND SERVICES
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

INCOME TAXES

Lullalee Productions and Services is a not-for-profit corporation that is exempt from taxes under the California Revenue and Taxation Code and Section 501(C)3 of the Internal Revenue Code. Accordingly, no provision for income taxes is included in the accompanying financial statements.

CASH AND CASH EQUIVALENTS

For purposes of the Statement of Cash Flows, Lullalee Productions and Services considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

NOTE 2 - FURNITURE AND EQUIPMENT

Furniture and equipment are summarized as follows at June 30, 2009:

<u>Description</u>		<u>Cost</u>
Furniture and equipment	\$	<u>7,261</u>
Less: accumulated depreciation		<u>(4,261)</u>
Net furniture and equipment	\$	<u>3,000</u>

These notes are an integral part of the preceding financial statements.