

**SNOWBALL EXPRESS, INC.  
(Formerly M. Scott Kerr Foundation)**

INDEPENDENT AUDITOR'S REPORT  
AND  
FINANCIAL STATEMENTS

December 31, 2007

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**SNOWBALL EXPRESS, INC.**  
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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Snowball Express, Inc.

We have audited the accompanying statement of financial position of Snowball Express, Inc., formerly M. Scott Kerr Foundation, as of December 31, 2007, and the related statement of activities and cash flows for the year then ended. These financial statements are the responsibility of the Snowball Express, Inc.'s 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 Snowball Express, Inc. as of December 31, 2007, 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.

Torrance, CA  
September 9, 2008

*Thompson, Cobb, Bazilio & Associates, PC*

**SNOWBALL EXPRESS, INC.**  
**(Formerly M. Scott Kerr Foundation)**

**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2007**

**ASSETS**

Cash	\$	69,702
Investment in marketable securities		<u>2,800</u>
<b>Total Assets</b>		<u><u>72,502</u></u>

**LIABILITIES**

Accounts payable		<u>10,363</u>
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**NET ASSETS**

Unrestricted		<u>62,139</u>
<b>Total Liabilities and Net Assets</b>	\$	<u><u>72,502</u></u>

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

**SNOWBALL EXPRESS, INC.**  
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**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2007**

**SUPPORT AND REVENUE**

Contributions	\$ 401,245
<b>Total Support and Revenue</b>	<u>401,245</u>

**EXPENSES**

**Program Services**

Travel	170,745
Gifts and gift cards	101,509
Catering	61,173
Supplies	11,247
Contract services	8,958
Facilities and equipment	1,283
Technical support	1,800
Other	3,246
<b>Total Program Services</b>	<u>359,961</u>

**Supporting Services**

Management and general	8,052
Fundraising	3,304
<b>Total Supporting Services</b>	<u>11,356</u>

<b>Total Expenses</b>	<u>371,317</u>
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Change in unrestricted net assets	29,928
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Unrestricted net assets at beginning of year	<u>32,211</u>
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Unrestricted net assets at end of year	<u><u>\$ 62,139</u></u>
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The accompanying notes are an integral part of these financial statements.

**SNOWBALL EXPRESS, INC.**  
**(Formerly M. Scott Kerr Foundation)**

**STATEMENT OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2007**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Change in unrestricted net assets	\$ 29,928
Donation of stocks	(2,800)
Adjustments to reconcile change in unrestricted net assets to net cash provided by operating activities:	
Decrease in accounts payable	<u>(10,652)</u>
Net cash provided by operating activities	<u>16,476</u>
<b>Net increase in cash</b>	<u>16,476</u>
<b>Cash at beginning of year</b>	<u>53,226</u>
<b>Cash at end of year</b>	<u><u>\$ 69,702</u></u>

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

**SNOWBALL EXPRESS, INC.**  
**(Formerly M. Scott Kerr Foundation)**

**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2007**

**(A) ORGANIZATION**

Snowball Express, Inc. is a California nonprofit public benefit corporation organized under the Laws of the State of California on September 25, 2006. The foundation was organized for the purpose of providing hope and new memories to the children of military servicemen and women who lost their lives in service to the country and other charitable purposes.

Snowball Express, Inc. was formerly operating as M. Scott Kerr Foundation when first established on September 25, 2006. On April 18, 2007, the name was legally changed to Snowball Express, Inc.

**(B) NATURE OF ACTIVITIES**

Snowball Express, Inc. provides hope and new memories to the children of military servicemen and women who lost their lives in service to the country by hosting an annual event where all children of those military fallen heroes are invited and gathered in Southern California for an unforgettable holiday event. Some of the costs associated with the event are as follows.

*Catering* – The catering costs represent food and services for the annual event.

*Gifts and gift cards* – Snowball Express, Inc. purchases gifts and gift cards to give to all family members of those military fallen heroes who attend the annual event.

*Contract services* – Snowball Express, Inc. contracts consultants to plan the annual event.

*Facilities and equipment* – The facilities and equipment costs represents facilities and equipment rental for the annual event.

*Supplies* – This represents supplies purchased for the annual event.

*Travel* – Snowball Express, Inc. pays for all transportation costs for family members of those military fallen heroes to attend the annual event.

*Technical support* – This represents costs associated with setting up the sound system and stage for the annual event.

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**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2007**

**(C) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting**

The financial statements of Snowball Express, Inc. have been prepared on the accrual basis of accounting, which includes recognition of income and expenses as they are earned or incurred.

**Basis of Presentation**

Snowball Express, Inc. has adopted Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Snowball Express, Inc. 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. At December 31, 2007, Snowball Express, Inc. had only unrestricted net assets.

**Support and Revenue**

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Support and investment earnings that are restricted by the donor are reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support or earnings are recognized. All other donor-restricted support and investment earnings are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction is fulfilled, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. There was no temporarily or permanently restricted support received during 2007.

**Use of 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 amounts and disclosures. Accordingly, actual results could differ from those estimates.

**SNOWBALL EXPRESS, INC.**  
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**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2007**

**Investments**

Investments are carried at their fair market value in accordance with Financial Accounting Standards Board (FASB) Statement of Accounting Standards No. 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations*. Snowball Express, Inc. invests in marketable securities consisting of common stock, which Snowball received as a donation on December 21, 2007.

**Income Taxes**

Snowball Express, Inc. is exempt from federal income taxes under Section 501 (c) (3) of the Internal Revenue Code and Section 23701 (d) of the California Revenue and Taxation Code.