

**OPERATION LOOKOUT
NATIONAL CENTER FOR MISSING YOUTH**

**(A NONPROFIT
ORGANIZATION)**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2008

**OPERATION LOOKOUT
NATIONAL CENTER FOR MISSING YOUTH**

(A NONPROFIT ORGANIZATION)

FINANCIAL STATEMENTS FOR YEAR ENDED DECEMBER 31, 2008

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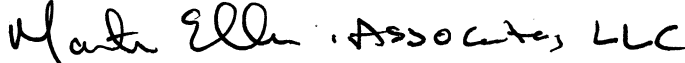
INDEPENDENT AUDITORS' REPORT

The Board of Directors
Operation Lookout
Everett, Washington

We have audited the accompanying statement of financial position of Operation Lookout National Center for Missing Youth (Operation Lookout) (a non-profit corporation) as of December 31, 2008 and the related statements of activities, cash flows and function expenses for the year then ended. These financial statements are the responsibility of the Company'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 Operation Lookout (a non-profit corporation) as of December 31, 2008, and the changes in net assets, cash flows and functional expenses for the year then ended in conformity with accounting principles generally accepted in the United States of America.


Martin Eller & Associates, L.L.C.
Certified Public Accountants

Wyckoff, New Jersey
November 11, 2009

OPERATION LOOKOUT
 NATIONAL CENTER FOR MISSING YOUTH
 (A NONPROFIT ORGANIZATION)
 STATEMENT OF FINANCIAL POSITION
 AS OF DECEMBER 31, 2008

ASSETS

Current Assets:

Cash	\$ 13,103
Total Current Assets	<u>13,103</u>

Current Assets:

Capital assets (net of accumulated depreciation)	<u>3,037</u>
	<u>\$ 16,140</u>

LIABILITIES AND NET ASSETS

LIABILITIES:

Accounts payable, trade	\$ 16,400
Credit card payable	12,556
Note Payable - Kohagen	10,650
Advances from call centers	<u>21,355</u>
Total Current Liabilities	<u>60,961</u>

NET ASSETS:

Unrestricted	<u>(44,821)</u>
	<u>\$ 16,140</u>

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

OPERATION LOOKOUT
 NATIONAL CENTER FOR MISSING YOUTH
 (A NONPROFIT ORGANIZATION)
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED DECEMBER 31, 2008

SUPPORT AND REVENUES:

Donations	\$ 1,942,395
Grants	61,561
Vehicle Donations	2,013
Other Income	<u>28,180</u>
 Total Revenues	 <u>2,034,149</u>

EXPENSES:

Program Service Revenue	821,529
Management and General	169,932
Fundraising	<u>1,015,130</u>
 Total Expenses	 <u>2,006,591</u>
 Changes in Net Assets	 27,558
Net Assets, Beginning of Year	<u>(72,379)</u>
Net Assets, End of Year	<u>\$ (44,821)</u>

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

OPERATION LOOKOUT
 NATIONAL CENTER FOR MISSING YOUTH
 (A NONPROFIT ORGANIZATION)
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED DECEMBER 31, 2008

Cash Flows Provided By Operating Activities:

Change in Net Assets	\$ 27,558
Adjustments to Reconcile Change in Net Assets to Net Cash from Operating Activities	
Depreciation	1,170
Changes in Assets and Liabilities	
Increase in accounts payable	9,149
Increase in credit card payable	660
Decrease in payroll taxes payable	(33,972)
Increase in due to professional fundraisers	<u>(1,286)</u>
Cash Flows Provided By Operating Activities	<u>3,279</u>
Cash Flows Used By Investing Activities:	
Acquisition of equipment	<u>-</u>
Cash Flows Used by Financing Activities	<u>-</u>
Cash Flows Used By Financing Activities:	
Reduction of notes payable	<u>(4,575)</u>
Cash Flows Used by Financing Activities	<u>(4,575)</u>
Decrease in Cash	(1,296)
Cash, Beginning	<u>14,399</u>
Cash, End	<u><u>\$ 13,103</u></u>

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OPERATION LOOKOUT
NATIONAL CENTER FOR MISSING YOUTH
(A NONPROFIT ORGANIZATION)
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>Program</u>	<u>Management</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 114,469	\$ 13,467	\$ 6,733	\$ 134,669
Casual labor	-	22,455	2,495	24,950
Payroll taxes	16,261	1,913	956	19,130
Advertising	29,307	-	29,306	58,613
Auto	1,351	150	-	1,501
Bank charges	10,062	10,062	-	20,124
Depreciation	1,053	117	-	1,170
Dues and Subscriptions	200	-	-	200
Professional Fundraising	567,345	81,049	972,592	1,620,986
Insurance	14,991	14,991	-	29,982
Interest	-	3,677	-	3,677
Meals	-	470	-	470
Meetings and Seminars	450	50	-	500
Rent	21,841	2,425	-	24,266
Postage and Shipping	5,763	640	-	6,403
Printing and Reproduction	383	43	-	426
Investigation Expenses	1,619	-	-	1,619
Professional Services	12,050	12,050	-	24,100
Office Supplies	13,287	1,661	1,661	16,609
Repairs and Maintenance	1,133	141	141	1,415
Telephone	9,964	1,246	1,246	12,456
Travel	-	<u>3,325</u>	-	<u>3,325</u>
TOTAL EXPENSES	<u>\$ 821,529</u>	<u>\$ 169,932</u>	<u>\$ 1,015,130</u>	<u>\$ 2,006,591</u>

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

OPERATION LOOKOUT
NATIONAL CENTER FOR MISSING YOUTH
(A NONPROFIT ORGANIZATION)
NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2008

NOTE 1: ORGANIZATION AND OPERATIONS:

Operation Lookout National Center for Missing Youth (Organization) is a not-for-profit entity organized in Washington State. Its mission is to: (1) Provide services and referrals free of charge for families with missing children; (2) Assist in the location and recovery of missing children nationally and internationally; (3) Serve as a resource for the media and the public; and (4) Network with law enforcement, mental health professionals, government agencies, attorneys, and other non-profit organizations. The Organization's revenues are primarily donations from the general public.

NOTE 2: SUMMARY of SIGNIFICANT ACCOUNTING POLICIES:

Basis of Accounting:

Financial statements presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statement 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.

The Organization considers all cash in checking and savings accounts, as well as highly liquid investments with an initial maturity of three months or less, to be cash equivalents.

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 disclosures of contingent assets and liabilities at the date of financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

OPERATION LOOKOUT
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NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2008

NOTE 2: SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (continued):

Property, Plant & Equipment

Donated and purchased long-lived tangible assets are capitalized. Property and equipment are carried at cost, or, if donated, at the approximate fair value at time of donation. Depreciation is computed using mostly the straight-line method over five years.

Federal Income Tax:

The Organization is exempt from federal income tax under Section 501 (c)(3) of the Internal Revenue Code. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an Organization that is not a private foundation under Section 509(a)(2). There is no unrelated business taxable income for 2008.

Advertising Costs:

The Organization expenses advertising costs as they occur.

Donated Services, Materials & Facilities:

Donated specialized services and materials are not recognized as in-kind contributions or in-kind expenses for these statements.

OPERATION LOOKOUT
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 (A NONPROFIT ORGANIZATION)
 NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2008

NOTE 3: CAPITAL ASSETS:

	Amount
Transportation equipment	\$ 3,467
Computers	56,343
Equipment	23,357
Furniture and Fixtures	9,534
Leasehold Equipment	<u>10,311</u>
	103,012
Less: Accumulated depreciation	<u>99,975</u>
	<u>\$ 3,037</u>

Depreciation charged to operations for the year ended December 31, 2008 amounted to \$1,170.

NOTE 4: IN-KIND DONATIONS

The Organization received in –kind donations for goods and services for the year ended December 31, 2008 amounting to \$486,186. Theses goods and services included advertising & marketing, professional fees, printing, internet/website design, office supplies and legal & accounting. This amount also includes unused office space from Caring for Our Children Foundation amounting to \$2,700. These donations are not recorded on these statements.

OPERATION LOOKOUT
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NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2008

NOTE 5: ALLOCATION OF JOINT COSTS

These statements are consistent with SOP 98-2 ("Accounting for Costs of Activities of Not-for-Profit Organizations and State and Local Governmental Entities That Include Fundraising"). SOP 98-2 is issued by the American Institute of Certified Public Accountants and addresses the issues surrounding allocating marketing/program costs. For some of the Organization's combined campaigns, SOP 98-2 requires compensation of the professional fundraisers to be allocated 100% to fund raising because they contact people that have given to the Organization in the past and their compensation depends upon the donations they raise. Some of the Organization's fundraising campaigns qualify for allocation of fundraising costs between "Program Services" and "Fundraising". Those campaigns have a "call to action" by the fundraisers, and meet the other SOP 98-2 requirements as well. Those requirements are payment to fundraisers on a basis other than commission, contacts which are not based on past contributions, and a specific element of program service in the communication with potential supporters. Management has estimated that these fund raisers have 40% of their efforts directed toward education and programs services, and 60% toward collecting funds. The professional fees paid to these fund raisers have been allocated by those same percentages to programs costs and fund raising costs.

Even though some fund raising is allocated 100% to fund raising, the goal of the initial contact and solicitation by every paid fund raiser is to market the Organization's name brand, website and its free services; raise public awareness about the services provided by the Organization; request help in distributing missing children posters; provide a call to action to help find specific missing children; and have individual members of the public connect parents of missing children with the free services offered by the Organization. Consequently, costs treated as fundraising have the express purpose of increasing public awareness of Operation Lookout National Center for Missing Youth and its services. It is estimated by management that forty percent of the combined costs are program related based on word counts from contact scripts, which should reflect time and effort expended.

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NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2008

NOTE 6: FORGIVENESS OF TAXES

Other income includes a forgiveness of indebtedness to the Internal Revenue Service for unpaid taxes in the amount of \$26,299. At December 31, 2008 the Company was indebted to the Internal Revenue Service 33,972. During the current year ended the Company paid \$7,673 and the statute of limitations expired on the ending balance due of \$26,299.

NOTE 7: RELATED PARTY TRANSACTIONS

Michael Gibson is the President, Chairman of the Board, and Head of Case Management. Melody Gibson is Executive Director of the Organization and the wife of Michael Gibson. Michael Gibson was paid a wage of \$45,991 and Melody Gibson was paid a wage of \$34,752.

Melody Gibson, Executive Director, is a member of the board of directors of Caring for Our Children Foundation; serving as the treasurer. Caring for Our Children Foundation gave \$61,561 in grants to Operation Lookout and an in-kind donation for unused office space amounting to \$2,700.