

Musicians On Call Inc.

Financial Statements
For the Years Ended December 31, 2021 and 2020

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Independent Auditor's Report

Board of Directors
Musicians On Call Inc.

Opinion

We have audited the financial statements of Musicians On Call Inc. (the Organization), which comprise the statement of financial position as of December 31, 2021, the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2021, and the changes in its 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 audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matter

The financial statements of Musicians On Call Inc., as of and for the year ended December 31, 2020, were audited by other auditors whose report, dated June 14, 2021, expressed an unmodified opinion on those statements.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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 the Organization's ability to continue as a going concern within one year after the date that the financial statements are issued or 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 GAAS 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 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 GAAS, 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 the Organization'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 the Organization'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.

Blankenship CPA Group, PLLC

Blankenship CPA Group, PLLC
Brentwood, Tennessee
September 8, 2022

Musicians On Call Inc.
Statements of Financial Position
December 31, 2021 and 2020

	2021	2020
Assets		
Current assets		
Cash	\$ 1,310,414	\$ 797,916
Investments, current portion	509,120	384,533
Pledges receivable, current portion	750,376	736,914
Other receivables	247,144	36,805
Inventory	223,437	179,756
Prepaid expenses and other assets	38,535	29,704
Total current assets	<u>3,079,026</u>	<u>2,165,628</u>
Investments, net of current portion	122,460	117,744
Pledges receivable, net of current portion	214,392	54,606
Property and equipment, net	5,569	10,105
Intangibles, net	212,487	99,567
Total assets	\$ 3,633,934	\$ 2,447,650
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued expenses	\$ 308,131	\$ 178,390
Refundable advance, Paycheck Protection Program	276,710	241,089
Total current liabilities	<u>584,841</u>	<u>419,479</u>
Net assets		
Without donor restrictions	2,017,612	1,354,798
With donor restrictions	1,031,481	673,373
Total net assets	<u>3,049,093</u>	<u>2,028,171</u>
Total liabilities and net assets	\$ 3,633,934	\$ 2,447,650

Musicians On Call Inc.
Statement of Activities
For the Year Ended December 31, 2021

	Without donor restrictions	With donor restrictions	Total
Support and Revenues			
Contributions	\$ 787,040	\$ 1,806,228	\$ 2,593,268
In-kind contributions	284,025	-	284,025
Foundation and corporate grants	50,499	89,400	139,899
Government grants	241,089	-	241,089
Special events, net of direct benefit to donors	24,476	-	24,476
Investment income	28,219	4,704	32,923
Other revenue	378,983	-	378,983
Net assets released from restrictions	<u>1,542,224</u>	<u>(1,542,224)</u>	<u>-</u>
Total support and revenues	3,336,555	358,108	3,694,663
Expenses			
Program services	1,880,266	-	1,880,266
Management and general	292,687	-	292,687
Fundraising	<u>500,788</u>	<u>-</u>	<u>500,788</u>
Total expenses	2,673,741	-	2,673,741
Change in net assets	662,814	358,108	1,020,922
Net assets, beginning of year	<u>1,354,798</u>	<u>673,373</u>	<u>2,028,171</u>
Net assets, end of year	\$ 2,017,612	\$ 1,031,481	\$ 3,049,093

Musicians On Call Inc.
Statement of Activities
For the Year Ended December 31, 2020

	Without donor restrictions	With donor restrictions	Total
Support and Revenues			
Contributions	\$ 576,443	\$ 1,096,042	\$ 1,672,485
In-kind contributions	947,648	-	947,648
Foundation and corporate grants	48,000	67,400	115,400
Government grants	-	301,536	301,536
Special events, net of direct benefit to donors	164,447	-	164,447
Investment income	7,872	4,523	12,395
Other revenue	2,041	-	2,041
Net assets released from restrictions	<u>1,253,670</u>	<u>(1,253,670)</u>	<u>-</u>
Total support and revenues	3,000,121	215,831	3,215,952
Expenses			
Program services	2,091,342	-	2,091,342
Management and general	248,835	-	248,835
Fundraising	<u>436,462</u>	<u>-</u>	<u>436,462</u>
Total expenses	2,776,639	-	2,776,639
Realized and unrealized gains (losses) on investments	15,416	-	15,416
Change in net assets	238,898	215,831	454,729
Net assets, beginning of year	<u>1,115,900</u>	<u>457,542</u>	<u>1,573,442</u>
Net assets, end of year	\$ 1,354,798	\$ 673,373	\$ 2,028,171

Musicians On Call Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2021

	Program services	Management and general	Fundraising	Total
Salaries and benefits	\$ 1,046,866	\$ 113,945	\$ 263,496	\$ 1,424,307
Payroll taxes	87,636	9,539	22,058	119,233
Employee benefits	<u>133,336</u>	<u>14,207</u>	<u>32,854</u>	<u>180,397</u>
Total personnel costs	1,267,838	137,691	318,408	1,723,937
 Hospital technology	 44,376	 -	 -	 44,376
Donated professional services	133,225	60,541	-	193,766
Donated goods	11,980	-	-	11,980
Professional fees	119,369	52,612	114,141	286,122
Marketing	38,764	4,246	7,938	50,948
Occupancy	58,971	6,418	14,843	80,232
Office supplies and miscellaneous	22,050	4,716	11,459	38,225
Insurance	7,015	6,990	1,766	15,771
Telephone	11,175	1,216	2,813	15,204
Travel and entertainment	41,214	3,867	7,653	52,734
Operational and processing fees	27,120	14,027	20,928	62,075
Volunteer expenses	4,838	-	-	4,838
Bad debt	60,000	-	-	60,000
Depreciation and amortization	<u>32,331</u>	<u>363</u>	<u>839</u>	<u>33,533</u>
	\$ 1,880,266	\$ 292,687	\$ 500,788	\$ 2,673,741

Musicians On Call Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2020

	Program services	Management and general	Fundraising	Total
Salaries and benefits	\$ 914,551	\$ 100,225	\$ 238,034	\$ 1,252,810
Payroll taxes	72,833	7,982	18,956	99,771
Employee benefits	129,844	14,229	33,795	177,868
Total personnel costs	<u>1,117,228</u>	<u>122,436</u>	<u>290,785</u>	<u>1,530,449</u>
Music Pharmacy	72,623	-	-	72,623
Donated professional services	162,285	39,627	20,250	222,162
Donated goods	459,000	-	-	459,000
Professional fees	83,728	48,602	67,919	200,249
Marketing	47,180	3,308	11,526	62,014
Occupancy	62,717	6,873	16,324	85,914
Office supplies and miscellaneous	18,766	1,365	4,038	24,169
Insurance	649	6,072	169	6,890
Telephone	13,300	1,457	3,462	18,219
Travel and entertainment	15,319	5,017	3,738	24,074
Operational and processing fees	26,081	13,679	17,304	57,064
Volunteer expenses	1,645	-	-	1,645
Bad debt	3,750	-	-	3,750
Depreciation and amortization	7,071	399	947	8,417
	\$ 2,091,342	\$ 248,835	\$ 436,462	\$ 2,776,639

Musicians On Call Inc.
Statements of Cash Flows
For the Years Ended December 31, 2021 and 2020

	2021	2020
Cash, beginning of year	\$ 797,916	\$ 624,307
Cash flows from operating activities		
Change in net assets	1,020,922	454,729
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	33,533	8,417
Realized and unrealized (gain) loss on investments	(13,893)	(15,416)
Contributed stock	(269,857)	(288,178)
Discount on pledges receivable	5,214	(2,367)
Change in:		
Pledges receivable	(178,462)	(436,712)
Other receivables	(210,339)	75,298
Inventory	(43,681)	(110,957)
Prepaid expenses and other assets	(8,831)	9,295
Accounts payable and accrued expenses	129,741	45,855
Refundable advance, Paycheck Protection Program	35,621	241,089
Net cash provided (used) by operating activities	499,968	(18,947)
Cash flows from investing activities		
Purchase of investments	(119,050)	(12,395)
Proceeds from sale of investments	273,496	292,951
Purchase of software	(141,916)	(88,000)
Net cash provided (used) by investing activities	12,530	192,556
Net change in cash	512,498	173,609
Cash, end of year	\$ 1,310,414	\$ 797,916

Musicians On Call Inc.
Notes to Financial Statements
For the Years Ended December 31, 2021 and 2020

Note 1. Nature of the Organization

Since 1999, Musicians On Call Inc. (the Organization) has delivered live and recorded music to patients, families, and caregivers in healthcare environments across the United States. During the Organization's MOC Bedside program (formerly the Bedside Performance Program), Volunteer Guides and Volunteer Musicians go room to room in hospitals to play live music at the bedsides of patients. This program was temporarily suspended in March 2020 and will resume once COVID restrictions have been lifted. The Organization's MOC Virtual program (formerly the Virtual Bedside Performance Program) utilizes video conferencing technology to bring Volunteer performances to those in need of remote, live music through one-on-one intimate performances and hospital-wide concerts. Because of this unique setup, volunteers and those dialing in can be located all over the country, and multiple hospitals can join, enabling the music to reach hundreds of patients at once. As the nation's leading provider of live music in hospitals, the Organization's bedside and virtual programs have reached more than one million individuals in healthcare facilities nationwide. The Organization also serves patients and caregivers through its MOC Streaming program (formerly Music Pharmacy), which provides healthcare facilities with tablets pre-programmed with streaming music service subscriptions, custom curated playlists, and top-of-the-line headphones for patient use. The Organization is supported primarily by contributions, grants, and special events.

Note 2. Summary of Significant Accounting Policies

Basis of presentation

The financial statements of the Organization have been prepared in accordance with accounting principles accepted in the United States of America (US GAAP), which requires the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

Net assets with donor restrictions - Net assets subject to stipulations imposed by donors and granters. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the 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.

Cash

Cash consists of demand deposit accounts. Money market funds, held as a portion of the Organization's investment portfolio, are classified as investments and are not considered to be cash equivalents for purposes of the statement of cash flows.

Musicians On Call Inc.
Notes to Financial Statements
For the Years Ended December 31, 2021 and 2020

Note 2. Summary of Significant Accounting Policies

Investments

Investments are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the balance sheet. The Organization invests in various types of investments securities. Investment securities, in general, are exposed to various risks such as interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term, based on the market's fluctuations, and that such changes could materially affect the amounts reported in the Organization's financial statements. Unrealized gains and losses are included in the changes in net assets without donor restrictions for the gains and losses that are unrestricted, and in the changes in with donor restricted net assets for the gains and losses that are restricted for the support of certain Organization programs. Investment fees are netted against the investment return.

Fair Value Measurement

US GAAP establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets and liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are as follows:

Level 1 – Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date;

Level 2 – Inputs other than quoted prices that are observable for the assets or liability either directly or indirectly, including inputs that are not considered to be active;

Level 3 – Inputs that are unobservable.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad criteria data, liquidity statistics, and other factors. An investment's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes "observable" requires significant judgment by the Organization. The Organization considers observable data to be that market data which is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, provided by multiple, independent sources that are actively involved in the relevant market. The categorization of an investment within the hierarchy is based upon the pricing transparency of the investment and does not necessarily correspond to the Organization's perceived risk of that investment.

Pledges Receivable

Pledges receivable that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Discount amortization is included in contribution revenue. Conditional promises to give are not included as support until the conditions are met.

Musicians On Call Inc.
Notes to Financial Statements
For the Years Ended December 31, 2021 and 2020

Note 2. Summary of Significant Accounting Policies

Other Receivables

Other receivables consist primarily of amounts not yet received from the employee retention credit. All other receivables are expected to be collected within one year.

Allowance for Doubtful Accounts

The Organization uses the allowance method to account for uncollectible accounts and pledges receivable. The allowance is based on prior years' experience and management's analysis of possible bad debts. As of December 31, 2021 and 2020, the Organization determined that an allowance was not necessary.

Inventory

Inventory consists of contributed tablets, headphones, streaming subscriptions, and merchandise. Contributed items are stated at fair value at the time of the donation. Merchandise that is purchased is recorded at the lower of cost on a first-in, first-out basis or net realizable value.

Property and Equipment

Property and equipment are stated at cost, if purchased, or at fair value at the date of the gift, if donated, less accumulated depreciation. The cost of property and equipment purchased in excess of \$2,500 is capitalized. Depreciation is provided in amounts sufficient to amortize the cost of the property and equipment over the estimated useful lives on a straight-line basis.

Furniture and equipment	5 – 7 years
Leasehold improvements	2 years

The cost of assets sold or otherwise disposed of and the accumulated depreciation thereon are eliminated from the accounts and the resulting gain or loss is reflected in income except for assets traded where no cash is received. Expenditures for maintenance and repairs are charged to expenses as incurred; replacements and betterments that extend the useful lives are capitalized.

Intangible Assets

Software development costs are amortized over its estimated useful life of five years. Amortization is computed using the straight-line method. The software was placed in service in November 2020. For 2021 and 2020, amortization expense was \$28,996 and \$3,433, respectively.

Revenue and Revenue Recognition

The Organization recognizes contributions and foundations and corporate grants when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, the support is reported as increases to net assets without donor restrictions. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met.

Musicians On Call Inc.
Notes to Financial Statements
For the Years Ended December 31, 2021 and 2020

Note 2. Summary of Significant Accounting Policies

Revenue and Revenue Recognition

Sponsorship contract revenue is recorded based on the provisions of the signed contract and during the year in which the related services are provided. The performance obligation or delivering services is simultaneously received and consumed by the sponsor. Therefore, revenue is recognized when the terms of the sponsorship agreement are satisfied.

The Organization recognizes revenue from special events when the events take place. Amounts received prior to the commencement of the event, including deposits, are deferred to the applicable period.

In-kind Contributions and Contributed Services

In-kind contributions are reflected as contributions at their fair value at date of donation and are reported as support without donor restrictions unless explicit donor stipulations specify how donated assets must be used. Donated specialized services have been recognized on the accompanying financial statements. These donated services require professional skills, and would typically be purchased if not provided by donation. The Organization benefited from donated airfare tickets, goods, legal services, and musician services, which were valued at \$309,414 and \$971,538 during 2021 and 2020, respectively. These amounts have been reported as both in-kind contribution revenue and expense on the 2021 and 2020 statement of activities (see note 12).

Many volunteers have made significant contributions of their time in furtherance of the Organization's mission. These services were not reflected in the accompanying statement of activities because they do not meet the necessary criteria for recognition under US GAAP.

Functional Allocation of Expenses

The statements of functional expenses present expenses by function and natural classification. Expenses directly attributable to a specific functional area of the Organization are reported as expenses of those functional areas. A portion of general and administrative costs that benefit multiple functional areas have been allocated among the programs and supporting services as follows:

	Method of allocation
Personnel costs	Time and effort
Occupancy	Time and effort
Office supplies and miscellaneous	Time and effort
Insurance	Time and effort
Telephone	Time and effort
Travel and entertainment	Time and effort
Operational and processing fees	Time and effort
Depreciation	Time and effort

Music Pharmacy Program

Music Pharmacy Program represents a package of tablets, headphones, and streaming subscriptions distributed to patients in healthcare facilities.

Musicians On Call Inc.
Notes to Financial Statements
For the Years Ended December 31, 2021 and 2020

Note 2. Summary of Significant Accounting Policies

Income taxes

The Organization is a tax-exempt organization as defined by Section 501 (c)(3) of the Internal Revenue Code (IRC), though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by IRC. The Organization has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions. The Organization has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements. The Organization is subject to federal and state tax audits for periods since 2018.

Reclassifications

Certain amounts in the 2020 financial statements have been reclassified to conform to the 2021 presentation.

Note 3. Risks and Uncertainties

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash, investments, accounts receivable, and pledges and grants receivable. The Organization maintains its cash in bank deposit accounts, the balance, of which, at times, may exceed federally insured limits. As of December 31, 2021, the Organization held a balance with a financial institution that exceeds the federally insured limit by \$1,042,000.

Investment securities are exposed to various risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the value of investments will occur in the near term and that such changes could materially affect the amount reported on the financial statements.

Concentrations of credit risk with respect to the pledges receivable is limited due to the short payments terms the Organization has with its creditors. Concentrations of credit risk with respect to the contributions and grants receivable are limited due to the fact they are from various contributors, private foundations, and a government agency. The Organization has not experienced, nor does it anticipate, any losses with respect to such accounts. As of December 31, 2021, one donor represented 21% of pledges receivable.

Musicians On Call Inc.
Notes to Financial Statements
For the Years Ended December 31, 2021 and 2020

Note 4. Availability and Liquidity

The following represents the Organization's financial assets at December 31:

	2021	2020
Financial assets		
Cash	\$ 1,310,414	\$ 797,916
Investments	631,580	502,277
Pledges receivable	964,768	791,520
Other receivables	247,144	36,805
Prepaid expenses and other assets	<u>38,535</u>	<u>29,704</u>
Total financial assets at year-end	3,192,441	2,158,222
Less amounts not available to be used within one year		
Net assets with donor restrictions	(1,031,481)	(601,052)
Board designated net assets	<u>(169,275)</u>	<u>(69,459)</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ 1,991,685	\$ 1,487,711

The Organization's goal is generally to maintain financial assets to meet 90 days of operating expenses (net of in-kind). As part of its liquidity plan, excess cash is invested in short-term investments, including money market accounts. In addition to these available financial assets, a significant portion of the Organization's annual expenditures will be funded by current year operating revenues including contributions and foundation and corporate grants.

There is also a fund functioning as an endowment established by the governing board that may be drawn upon in the event of financial distress or an immediate liquidity need resulting from events outside the typical life cycle of converting financial assets to cash or settling financial liabilities.

Note 5. Investments

Investment securities are stated at fair value and summarized as follows at December 31, 2021:

	Cost	Fair Value
Cash and money market	\$ 305,340	\$ 305,340
Loan fund	100,000	122,460
Mutual funds	<u>189,888</u>	<u>203,780</u>
Total investments	\$ 595,228	\$ 631,580

Investment securities are stated at fair value and summarized as follows at December 31, 2020:

	Cost	Fair Value
Cash and money market	\$ 309,539	\$ 309,539
Loan fund	100,000	117,744
Mutual funds	<u>67,900</u>	<u>74,994</u>
Total investments	\$ 477,439	\$ 502,277

Musicians On Call Inc.
Notes to Financial Statements
For the Years Ended December 31, 2021 and 2020

Note 6. Fair Value Measurement

The classification of the Organization's investment securities at fair value are as follows at December 31, 2021:

	Level 1	Level 2	Level 3	Total
Cash and money market	\$ 305,340	\$ -	\$ -	\$ 305,340
Loan fund	-	122,460	-	122,460
Mutual funds	<u>203,780</u>	<u>-</u>	<u>-</u>	<u>203,780</u>
	\$ 509,120	\$ 122,460	\$ -	\$ 631,580

The classification of the Organization's investment securities at fair value are as follows at December 31, 2020:

	Level 1	Level 2	Level 3	Total
Cash and money market	\$ 309,539	\$ -	\$ -	\$ 309,539
Loan fund	-	117,744	-	117,744
Mutual funds	<u>74,994</u>	<u>-</u>	<u>-</u>	<u>74,994</u>
	\$ 384,533	\$ 117,744	\$ -	\$ 502,277

Note 7. Pledges Receivable

Pledges receivable that are expected to be collected within one year are recorded at their net realizable value. Pledges receivable that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates of 1.27% in 2021 and .36% in 2020.

The pledges receivable consist of the following at December 31:

	2021	2020
One year or less	\$ 750,376	\$ 736,914
Two to five years	<u>220,000</u>	<u>55,000</u>
	970,376	791,914
Less discount on pledges receivable	<u>(5,608)</u>	<u>(394)</u>
	\$ 964,768	\$ 791,520

Musicians On Call Inc.
Notes to Financial Statements
For the Years Ended December 31, 2021 and 2020

Note 8. Property and Equipment

A summary of property and equipment is as follows:

	2021	2020
Furniture and equipment	\$ 72,611	\$ 75,407
Less: accumulated depreciation	<u>(67,042)</u>	<u>(65,302)</u>
Property and equipment, net	\$ 5,569	\$ 10,105

Depreciation expense for 2021 and 2020 was \$4,536 and \$4,983, respectively.

Note 9. Refundable Advance, Paycheck Protection Program

In April, 2020, the Organization was granted a loan in the amount of \$241,089 pursuant to the Paycheck Protection Program (PPP) and in February 2021, the Organization was granted a Second Draw PPP loan in the amount of \$276,710. The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and related interest are forgivable as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels.

The Organization has determined the PPP to be a conditional contribution and as such, it has recorded the proceeds of the loan as a refundable advance and will recognize income when all conditions are met and the loan is fully forgiven by the Small Business Administration. The Organization received formal forgiveness of the first PPP loan in July 2021 and recorded it as income for 2021. It received formal forgiveness of the Second Draw PPP loan in January 2022.

Note 10. Lease Commitments

The Organization leases office spaces in Nashville and New York City. The lease in New York City and the lease for an office space in Nashville expired in 2021. The Organization entered a lease for a different office space in Nashville that expires in 2027. Rent expenses related to the Organization's office facilities for 2021 and 2020 were \$80,231 and \$85,914, respectively.

Future minimum lease payments are as follows:

Year ended December 31,	
2022	\$ 58,304
2023	87,317
2024	89,500
2025	91,736
2026	94,034
Thereafter	<u>39,585</u>
Total	\$ 460,476

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Note 11. Special Events

The Organization sponsored several events during 2021 to raise additional funds for its charitable activities. The events and the net income derived are as follows:

	Income	Expenses	Net
Special events	\$ 58,685	\$ 34,209	\$ 24,476

The Organization sponsored several events during 2020 to raise additional funds for its charitable activities. The events and the net income derived are as follows:

	Income	Expenses	Net
Special events	\$ 205,091	\$ 40,644	\$ 164,447

Note 12. In-kind Contributions

The Organization received the following in-kind contributions:

	2021	2020
Professional services	\$ 209,216	\$ 222,161
Travel (airfare/hotel)	69,009	4,000
Merchandise	<u>5,800</u>	<u>745,377</u>
	\$ 284,025	\$ 971,538

Of the amounts listed above, the Organization reported \$284,025 and \$947,648, as in-kind contributions on the statement of activities during 2021 and 2020 respectively. In addition, the Organization reported \$23,890 of in-kind contributions as part of special events on the statement of activities, during 2020.

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Note 13. Net Assets

Net assets were as follows for the year ended December 31, 2021:

	Without donor restrictions	With donor restrictions	Total
Undesignated	\$ 1,848,337	\$ -	\$ 1,848,337
Board designated	169,275	-	169,275
Specific purpose			
Performances for specific facilities or locations	-	209,932	209,932
Retreat dinner	-	604	604
Unappropriated endowment earnings to support programs	-	22,460	22,460
Music Pharmacy program	-	25,000	25,000
Programs for those living with dementia	-	55,000	55,000
Virtual programs	-	13,750	13,750
To promote the growth and development of MOConnect	-	218,735	218,735
Passage of time			
For periods after December 31	-	386,000	386,000
Term endowment	-	100,000	100,000
Total net assets	<u>\$ 2,017,612</u>	<u>\$ 1,031,481</u>	<u>\$ 3,049,093</u>

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Note 13. Net Assets

Net assets were as follows for the year ended December 31, 2020:

	Without donor restrictions	With donor restrictions	Total
Undesignated	\$ 1,285,539	\$ -	\$ 1,285,539
Board designated	69,259	-	69,259
Specific purpose:			
Performances for specific facilities or locations	-	128,356	128,356
Expansion of program to three healthcare facilities in New Orleans	-	20,000	20,000
To operate programs in Las Vegas Area	-	15,000	15,000
Unappropriated endowment earnings to support programs	-	17,743	17,743
Music Pharmacy program	-	50,000	50,000
Programs for those living with dementia	-	5,000	5,000
Virtual programs	-	22,681	22,681
To promote the growth and development of MOConnect	-	260,343	260,343
Passage of time:			
For periods after December 31	-	54,250	54,250
Term endowment	-	100,000	100,000
Total net assets	<u>\$ 1,354,798</u>	<u>\$ 673,373</u>	<u>\$ 2,028,171</u>

Releases from net assets with donor restrictions are as follows:

	2021	2020
Satisfaction of purpose restrictions		
Performances for specific facilities or locations	\$ 198,632	\$ 216,678
To operate programs in Las Vegas area	-	15,000
Music Pharmacy Program	25,000	25,000
COVID-19 relief and response	-	312,536
To promote the growth and development of MOConnect	901,809	3,056
Virtual programs	16,250	526,400
Corporate conference	6,200	36,500
Product collaboration release campaign	-	20,000
Programs for those living with dementia	10,000	-
Programs to benefit veterans	15,152	-
Passage of time	<u>369,181</u>	<u>98,500</u>
	<u>\$ 1,542,224</u>	<u>\$ 1,253,670</u>

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Note 14. Endowments

Board Designated

As of December 31, 2021 and 2020, the Board of Directors has designated \$169,275 and \$69,259, respectively, of net assets without donor restrictions, as a general endowment fund to support operations. Since that amount resulted from an internal designation and is not donor restricted, it is classified as net assets without donor restriction.

Term Endowment

The term endowment consists of donor-restricted funds. Net assets associated with term endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The term endowment is set to expire on November 20, 2023.

The objective of the Organization is to protect the principal term endowment fund at the original amount designated by the donor while generating income for the activities of the Organization. The investment policy to achieve this objective is to invest in a loan fund. Investment income in relation to the term endowment fund is to support the Organization's programs and is reported as part of net assets with donor restrictions for specific purpose.

The Organization interprets the UPMIFA of the State of New York as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result, the Organization classifies as net assets with donor restrictions (a) the original value of gifts donated to the term endowment, (b) the original value of subsequent gifts to the term endowment, and (c) accumulations to the term endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Earnings attributed to the donor restricted term endowment funds are classified as net assets without donor restrictions or with donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with donor stipulations and the standard of prudence prescribed by UPMIFA.

Changes in endowment net assets for 2021 are as follows:

	Without donor restrictions	With donor restrictions			
	Board designated	Term endowment			
		Appreciation	Historical gift value	Total	Total
Endowment net assets, beginning of year	\$ 69,259	\$ 17,743	\$ 100,000	\$ 117,743	\$ 187,002
New designated funds	100,000	-	-	-	100,000
Interest income	<u>16</u>	<u>4,717</u>	<u>-</u>	<u>4,717</u>	<u>4,733</u>
Endowment net assets, end of year	\$ 169,275	\$ 22,460	\$ 100,000	\$ 122,460	\$ 291,735

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Note 14. Endowments

Changes in endowment net assets for 2020 are as follows:

	Without donor restrictions	With donor restrictions			
	Funds functioning as endowment	term endowment			
		Appreciation	Historical gift value	Total	Total
Endowment net assets, beginning of year	\$ 69,075	\$ 13,220	\$ 100,000	\$ 113,220	\$ 182,295
Interest income	<u>184</u>	<u>4,523</u>	<u>-</u>	<u>4,523</u>	<u>4,707</u>
Endowment net assets, end of year	\$ 69,259	\$ 17,743	\$ 100,000	\$ 117,743	\$ 187,002

Note 15. Pandemic

In the first quarter of 2020, the outbreak of a novel strain of coronavirus, COVID-19, was declared a pandemic. The Pandemic did not have an impact on the Organization until mid-March 2020. In 2021, the Pandemic's impact was largely limited to canceling certain 2021 special events. As of the issuance date of these financial statements, the Organization has been able to provide its services virtually.

Due to the fluidity of the Pandemic, uncertainties as to its scope and duration, and ongoing changes in the way that governments, businesses, and individuals react and respond to the Pandemic, management is unable at this time to predict the Pandemic's future impact on the Organization.

Note 16. Subsequent Events

Management has evaluated subsequent events through September 8, 2022 the date on which the financial statements were available for issuance.