

MUSICIANS ON CALL, INC.

**FINANCIAL STATEMENTS
AND AUDITOR'S REPORT**

DECEMBER 31, 2009

MUSICIANS ON CALL, INC.

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Independent Auditor's Report

Board of Directors Musicians on Call, Inc.

We have audited the accompanying balance sheet of Musicians on Call, Inc. as of December 31, 2009, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of Musicians on Call, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior-year summarized comparative information has been derived from Musicians on Call, Inc.'s 2008 financial statements and in our report dated July 13, 2009, we expressed an unqualified opinion on those financial statements.

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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Musicians on Call, Inc.'s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 Musicians on Call, Inc. as of December 31, 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.

Loeb & Troper LLP

August 18, 2010

MUSICIANS ON CALL, INC.

BALANCE SHEET

DECEMBER 31, 2009

(With Summarized Financial Information for December 31, 2008)

	<u>2009</u>	<u>2008</u>
ASSETS		
Cash and cash equivalents	\$ 85,009	\$ 456,135
Investments (Note 4)	783,194	203,659
Accounts receivable	11,666	15,000
Contributions receivable - current	1,200	93,312
Security deposit	12,957	12,957
Prepaid expenses	16,614	16,662
Inventory (Note 8)	43,596	
Trademark (net of accumulated amortization of \$224)	121	144
Fixed assets - net (Note 3)	<u>7,870</u>	<u>9,398</u>
Total assets	<u>\$ 962,227</u>	<u>\$ 807,267</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 35,364	\$ 27,040
Deferred revenue	<u>35,000</u>	
Total liabilities	<u>70,364</u>	<u>27,040</u>
Net assets (Exhibit B)		
Unrestricted		
Operating	765,274	653,638
Board designated	<u>126,589</u>	<u>126,589</u>
Total net assets - unrestricted	<u>891,863</u>	<u>780,227</u>
Total liabilities and net assets	<u>\$ 962,227</u>	<u>\$ 807,267</u>

See independent auditor's report.

The accompanying notes are an integral part of these statements.

MUSICIANS ON CALL, INC.

EXHIBIT B

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2009
(With Summarized Financial Information
for the Year Ended December 31, 2008)

	Unrestricted	Temporarily Restricted	Total
		2009	2008
Revenues and other support			
Contributions	\$ 360,519	\$ 360,519	\$ 353,263
In-kind contributions (Notes 2 and 8)	665,045	665,045	730,291
Grants		52,839	121,802
Special events	\$ 454,368		
Less direct expenses of special events (Exhibit C)	(29,416)		
Service fee	344,398	80,554	424,952
Investment income (loss) (Note 4)	30,000	30,000	30,000
Miscellaneous	53,910	53,910	(54,387)
Net assets released from restriction (Note 5)	4,642	4,642	9,576
	133,393	(133,393)	
Total revenues and other support	1,591,907	1,591,907	1,669,411
Expenses (Exhibit C)			
Program service - facility bedside performances	1,050,958	1,050,958	1,069,691
Management and general	165,395	165,395	158,478
Fund raising	263,918	263,918	248,347
Total expenses	1,480,271	1,480,271	1,476,516
Change in net assets (Exhibit D)	111,636	111,636	192,895
Net assets - beginning of year	780,227	780,227	587,332
Net assets - end of year (Exhibit A)	\$ 891,863	\$ 891,863	\$ 780,227

See independent auditor's report.

The accompanying notes are an integral part of these statements.



LOEB & TROPER LLP

MUSICIANS ON CALL, INC.

EXHIBIT C

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2009

(With Summarized Financial Information
for the Year Ended December 31, 2008)

	Program Service Facility Bedside Performances	Supporting Services			Direct Cost of Special Events	Total				
		Management and General	Fund Raising			2009	2008			
	\$	222,489	\$	102,943	\$	203,359	\$	425,848	\$	355,226
Salaries		16,105		7,263		15,474		31,579		25,337
Payroll taxes		20,413		8,402		21,770		42,183		24,087
Employee benefits		29,028						29,028		218,219
Music pharmacy (including donated CDs of \$21,710) (Note 2)		584,139						584,139		504,545
Donated professional services (Note 2)		25,525	23,275	2,052		25,327		50,852		49,320
Professional fees		24,419		7,823		7,823		32,242		26,966
Marketing										
Occupancy (including donated occupancy of \$15,600)										
(Notes 2 and 6)		63,491	4,135	3,193		7,328		70,819		68,431
Office supplies		10,833	1,637	1,633		3,270		14,103		11,340
Postage and delivery		4,354		3,833		3,833		8,187		24,798
Insurance		1,361	1,655	614		2,269		3,630		2,073
Printing and reproduction		12,412		4,123		4,123		16,535		1,636
Dues and subscriptions		1,985	209			209		2,194		1,620
Telephone		10,321	1,376	2,064		3,440		13,761		14,055
Depreciation and amortization			8,939			8,939		8,939		3,043
Space rental, catering, and set-up	307				\$			29,416		
Travel and entertainment	17,823		719	2,341		3,060		29,723		37,988
Tickets and processing fees			265	114,660		114,925		20,883		20,782
Investment fees			3,442			3,442		114,925		113,447
Miscellaneous	5,953		1,190	2,974		4,164		3,442		3,755
								10,117		8,739
Total expenses	1,050,958		168,837	263,918		432,755		29,416		1,515,407
Less expenses deducted directly from revenues on the statement of activities										
Investment fees			(3,442)			(3,442)		(3,442)		(3,755)
Special events								(29,416)		(35,136)
Total expenses reported by function on statement of activities (Exhibit B)	\$ 1,050,958	\$	165,395	\$	263,918	\$	429,313	\$	1,480,271	\$ 1,476,516

See independent auditor's report.

The accompanying notes are an integral part of these statements.

MUSICIANS ON CALL, INC.

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2009 AND 2008

Cash flows from operating activities	
Change in net assets (Exhibit B)	\$ 111,636
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation and amortization	8,939
Net realized and unrealized gain on investments	(47,332)
Contributed inventory	(43,596)
Decrease in assets	
Accounts receivable	3,334
Contributions receivable	92,112
Prepaid expenses	48
Increase in liabilities	
Accounts payable and accrued expenses	8,324
Deferred revenue	<u>35,000</u>
Net cash provided by operating activities	<u>168,465</u>
Cash flows from investing activities	
Purchase of investments	(3,019,377)
Proceeds from sale of investments	2,487,174
Purchase of fixed assets	<u>(7,388)</u>
Net cash used by investing activities	<u>(539,591)</u>
Net change in cash and cash equivalents	(371,126)
Cash and cash equivalents - beginning of year	<u>456,135</u>
Cash and cash equivalents - end of year	<u><u>\$ 85,009</u></u>

See independent auditor's report.

The accompanying notes are an integral part of these statements.

MUSICIANS ON CALL, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2009

NOTE 1 - NATURE OF ENTITY

Musicians on Call, Inc. (the Organization) was founded in May 1999 with the mission of using music to promote and complement the healing process in health care facilities. The program activities consist of bedside performances by volunteer musicians and CD pharmacies (libraries) donated to facilities. The Organization is supported primarily by contributions. The Organization currently conducts activities in New York, Pennsylvania, Florida and Tennessee.

Musicians on Call, Inc. is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting - The financial statements are prepared on the accrual basis of accounting.

FASB Accounting Standards Codification - In July 2009, the FASB released FASB Accounting Standards Codification (ASC) as the single source of authoritative nongovernmental U.S. Generally Accepted Accounting Principles (GAAP). The Codification is effective for interim and annual periods ending after September 15, 2009. All existing accounting standards documents are superseded as described in FASB Statement No. 168, *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles*. All other accounting literature not included in the Codification is nonauthoritative.

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 the reported amounts of assets and liabilities and 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 and cash equivalents - Cash and cash equivalents consist of short-term, highly liquid investments with original maturities when acquired of three months or less.

Investments - Investments are recorded at fair value. 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 markets' fluctuations, and that such changes could materially affect the amounts reported in the statement of activities and investment portfolio on the balance sheet.

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MUSICIANS ON CALL, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Service fee - Service fee is recorded when earned.

Contributions receivable - Unconditional promises to give 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-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

Allowance for doubtful accounts - Accounts receivable and contributions receivable are charged to bad debt expense when they are determined to be uncollectible based on periodic review of the accounts by management. Factors used to determine whether an allowance should be recorded include the age of the receivable and a review of payments subsequent to year end. Interest is not accrued or recorded on outstanding accounts receivable.

Trademark - Trademark is stated at cost and is amortized on the straight-line method over 15 years.

Inventory - Inventory consists of contributed compact discs (CDs) and is stated at fair value at the time of the donation.

Fixed assets - Fixed asset purchases are recorded at cost. Items with a cost in excess of \$500 and an estimated useful life of more than one year are capitalized. Fixed assets are depreciated on the straight-line method over their estimated useful lives of 5 to 15 years for furniture and equipment. Leasehold improvements are amortized over the life of the lease or the estimated useful life of the asset whichever is shorter.

Unrestricted net assets - Unrestricted net assets include funds having no restriction as to use or purpose imposed by a donor and funds limited as to use by third-party payors. Board-designated funds represent unrestricted funds designated by Board action for future program growth and funding of deficits.

Temporarily restricted net assets - Temporarily restricted net assets are those whose use has been restricted by donors to a specific time period or purpose.

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MUSICIANS ON CALL, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions - Unconditional contributions, including promises to give cash and other assets, are reported at fair value at the date the contribution is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Contributed professional services - Contributed professional services of \$584,139 are recorded at the estimated fair value of services donated by musicians and guides.

Contributed materials - Contributed materials are stated at fair value at the date of donation. The donated materials are CDs of music used in the programs.

Contributed occupancy - Contributed occupancy is stated at fair value and includes the value of donated office space.

Music pharmacy - Music pharmacy represents compact discs of music distributed to patients at nursing homes and other health care facilities.

Functional expenses - The costs of providing the Organization's services have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Operating lease - Operating lease expense has been recorded on the straight-line basis over the life of the lease.

Summarized financial information for 2008 - The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2008, from which the summarized information was derived.

Reclassifications - Certain prior-year amounts were reclassified to conform to the current year's presentation.

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MUSICIANS ON CALL, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value Measurements

Accounting Standards Codification (ASC) Section 820, *Fair Value Measurements*, establishes a framework for measuring fair value. The framework provides 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 or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below. Level 1 inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access. Level 2 inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability. Level 3 inputs to the valuation methodology are unobservable and significant to the fair value measurement. The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2009.

Money market - Valued at the closing price reported on the active market on which the individual securities are traded.

Mutual funds - Valued at the net asset value (NAV) of shares held at year end.

Certificates of deposit - Valued at fair value by discounting the related cash flows, based upon current yields of similar instruments, considering the creditworthiness of the issuer.

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MUSICIANS ON CALL, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value Measurements (continued)

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Accounting for uncertainty in income taxes - Effective January 1, 2009, the Organization adopted the provision pertaining to uncertain tax positions (ASC Topic 740) and has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

Subsequent events - Subsequent events have been evaluated through August 18, 2010, which is the date the financial statements were available to be issued.

NOTE 3 - FIXED ASSETS

		<u>Estimated Useful Lives</u>
Furniture and equipment	\$ 49,308	7 years
Leasehold improvements	<u>9,374</u>	5 years
	58,682	
Accumulated depreciation and amortization	<u>(50,812)</u>	
	<u>\$ 7,870</u>	

As of December 31, 2009, accumulated amortization was \$9,374.

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MUSICIANS ON CALL, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2009

NOTE 4 - INVESTMENTS

The following table sets forth by level, within the fair value hierarchy, the assets at fair value at December 31, 2009:

	Level 1	Level 2	Total
Money market	\$ 5,107	\$ -	\$ 5,107
Mutual funds	248,536	-	248,536
Certificates of deposit	-	529,551	529,551
	<u>\$ 253,643</u>	<u>\$ 529,551</u>	<u>\$ 783,194</u>

Investment income is as follows:

Interest and dividends	\$ 10,020
Unrealized gain	51,026
Realized loss	<u>(3,694)</u>
	57,352
Investment fees	<u>(3,442)</u>
	<u>\$ 53,910</u>

NOTE 5 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes of:

Designated facility bedside performance and CD pharmacy	<u>\$ 133,393</u>
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NOTE 6 - LEASED SPACE

The Organization occupies office space under a noncancellable lease that expires on June 30, 2010. The lease has an extension until June 30, 2011. The rent expense for the year was \$63,855 (including electricity). The Organization received rental income of \$8,636 from a sublease on the space, which was netted against expense. The sublease expires on June 30, 2010.

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MUSICIANS ON CALL, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 6 - LEASED SPACE (continued)

The Organization's future minimum lease payments are as follows:

2010	\$ 56,227
2011	<u>28,114</u>
Total	\$ <u>84,341</u>

The Organization's future minimum lease receipts are as follows:

2010	\$ <u>4,410</u>
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NOTE 7 - CONCENTRATIONS

Financial instruments which potentially subject the Organization to a concentration of credit risk are cash accounts with major financial institutions in excess of FDIC insurance limits. Management believes that credit risk related to these accounts is minimal.

NOTE 8 - IN-KIND CONTRIBUTIONS

The Organization receives in-kind contributions for space rental, music and professional services. During 2009, a total of \$665,045 of in-kind contributions were received as follows:

Professional services	\$ 584,139
Music	65,306
Office space	<u>15,600</u>
	\$ <u>665,045</u>