

MUSICIANS ON CALL, INC.

**FINANCIAL STATEMENTS
AND AUDITOR'S REPORT**

DECEMBER 31, 2007

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, 2007, 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's 2006 financial statements and in our report dated July 11, 2007, 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, 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.

Loeb & Troper LLP

July 18, 2008

MUSICIANS ON CALL, INC.

BALANCE SHEET

DECEMBER 31, 2007

(With Summarized Financial Information for December 31, 2006)

	<u>2007</u>	<u>2006</u>
ASSETS		
Cash and cash equivalents	\$ 682,971	\$ 397,704
Security deposit	12,957	12,957
Prepaid expenses	14,971	
Trademark (net of accumulated amortization of \$178)	167	190
Fixed assets (net of accumulated depreciation of \$38,876) (Note 3)	<u>12,418</u>	<u>9,973</u>
Total assets	<u>\$ 723,484</u>	<u>\$ 420,824</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 22,878	\$ 27,491
Deferred revenue	<u>113,274</u>	
Total liabilities	<u>136,152</u>	<u>27,491</u>
Net assets (Exhibit B)		
Unrestricted	537,332	343,333
Temporarily restricted (Note 4)	<u>50,000</u>	<u>50,000</u>
Total net assets	<u>587,332</u>	<u>393,333</u>
Total liabilities and net assets	<u>\$ 723,484</u>	<u>\$ 420,824</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, 2007

(With Summarized Financial Information for the Year Ended December 31, 2006)

	Unrestricted	Temporarily Restricted	Total	
			2007	2006
Revenues and other support				
Contributions (including noncash contributions of \$429,559) (Note 2)	\$ 693,154		\$ 693,154	\$ 558,558
Program	37,410	\$ 50,000	87,410	86,730
Special events	\$ 625,010			
Less direct expenses of special events (Exhibit C)	<u>(166,487)</u>		458,523	312,191
Rental income	7,680		7,680	7,488
Interest	17,359		17,359	13,733
Miscellaneous	24,442		24,442	17,387
Net assets released from restrictions (Note 4)	<u>50,000</u>	<u>(50,000)</u>		
Total revenues and other support	<u>1,288,568</u>	<u>-</u>	<u>1,288,568</u>	<u>996,087</u>
Expenses (Exhibit C)				
Program services	798,630		798,630	650,492
Management and general	157,824		157,824	155,909
Fund raising	<u>138,115</u>		<u>138,115</u>	<u>79,227</u>
Total expenses	<u>1,094,569</u>		<u>1,094,569</u>	<u>885,628</u>
Change in net assets (Exhibit D)	193,999	-	193,999	110,459
Net assets - beginning of year	<u>343,333</u>	<u>50,000</u>	<u>393,333</u>	<u>282,874</u>
Net assets - end of year (Exhibit A) (Note 4)	<u>\$ 537,332</u>	<u>\$ 50,000</u>	<u>\$ 587,332</u>	<u>\$ 393,333</u>

See independent auditor's report.

The accompanying notes are an integral part of these statements.

MUSICIANS ON CALL, INC.

EXHIBIT C

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2007
(With Summarized Financial Information
for the Year Ended December 31, 2006)

	Program Services	Supporting Services			Direct Cost of Special Events	Total	
		Management and General	Fund Raising	Total		2007	2006
Salaries	\$ 142,817	\$ 94,129	\$ 87,637	\$ 181,766		\$ 324,583	\$ 236,818
Payroll taxes	10,096	6,654	6,195	12,849		22,945	17,874
Employee benefits	4,682	5,253	1,485	6,738		11,420	15,944
CD pharmacy (noncash) (Note 2)	284,359					284,359	316,848
Musicians expense (noncash) (Note 2)	129,600					129,600	148,896
Occupancy expense (noncash) (Note 2)	15,600					15,600	
Professional fees	7,324	3,576	6,132	9,708		17,032	19,692
Marketing	8,190		3,519	3,519		11,709	2,476
Occupancy (Note 5)	35,194	17,030	4,541	21,571		56,765	53,658
Office and credit card processing fees	30,051	20,034	813	20,847		50,898	18,344
Postage and delivery	2,508	702	945	1,647		4,155	1,731
Insurance	2,011	1,340	8,317	9,657		11,668	3,428
Printing and reproduction	1,722	841	1,441	2,282		4,004	1,400
Dues and subscriptions		1,090	1,090	2,180		2,180	3,941
Telephone	5,474	2,674	4,583	7,257		12,731	9,772
Depreciation and amortization		3,043		3,043		3,043	3,039
Donations	91,394					91,394	23,245
Space rental, catering, and set-up					\$ 113,387	113,387	116,326
Travel and entertainment	20,468		990	990		21,458	3,913
Tickets and processing fees					53,100	53,100	
Miscellaneous	7,140	1,458	10,427	11,885		19,025	4,609
Total expenses	798,630	157,824	138,115	295,939	166,487	1,261,056	1,001,954
Less expenses deducted directly from revenues on the statement of activities							
Special events					(166,487)	(166,487)	(116,326)
Total expenses reported by function on statement of activities (Exhibit B)	\$ 798,630	\$ 157,824	\$ 138,115	\$ 295,939	\$ -	\$ 1,094,569	\$ 885,628

See independent auditor's report.

The accompanying notes are an integral part of these statements.

MUSICIANS ON CALL, INC.

STATEMENT OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
Cash flows from operating activities		
Change in net assets (Exhibit B)	\$ 193,999	\$ 110,459
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	3,043	3,039
Decrease (increase) in assets		
Prepaid expenses	(14,971)	11,831
Security deposits		(600)
Increase (decrease) increase in liabilities		
Accounts payable and accrued expenses	(4,613)	(418)
Deferred revenue	<u>113,274</u>	<u>(15,500)</u>
Net cash provided by operating activities	290,732	108,811
Cash flows from investing activities		
Purchase of fixed assets	<u>(5,465)</u>	<u>(2,997)</u>
Net increase in cash and cash equivalents	285,267	105,814
Cash and cash equivalents - beginning of year	<u>397,704</u>	<u>291,890</u>
Cash and cash equivalents - end of year	<u>\$ 682,971</u>	<u>\$ 397,704</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, 2007

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 healthcare 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 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.

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.

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.

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.

Fixed assets - Fixed assets are stated at cost and 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.

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.

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MUSICIANS ON CALL, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Permanently restricted net assets - Permanently restricted net assets are those funds whose principal may not be expended. The donor may or may not restrict the use of investment income.

Cash and cash equivalents - Cash and cash equivalents consist of short-term, highly liquid investments which mature when acquired of three months or less.

Contributed professional services - Contributed professional services are stated at fair value of \$129,600 which is the value of services donated by musicians and guides.

Contributed materials - Contributed materials are stated at fair value of \$284,359 and include the value of donated CDs.

Contributed occupancy - Contributed occupancy is stated at fair value of \$15,600 and includes the value of donated office space.

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. These financial institutions have strong credit ratings and management believe that credit risk related to these accounts is minimal.

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

Summarized financial information for 2006 - 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, 2006, from which the summarized information was derived.

Reclassification - Certain prior-year amounts have been reclassified to conform with the current year's presentation.

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MUSICIANS ON CALL, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2007

NOTE 3 - FIXED ASSETS

Furniture and equipment	\$ 41,920
Leasehold improvements	<u>9,374</u>
	51,294
Accumulated depreciation	<u>(38,876)</u>
	<u>\$ 12,418</u>

NOTE 4 - NET ASSETS

Temporarily restricted net assets are available for the next fiscal year.

During 2007, net assets of \$50,000 were released from restrictions due to the passage of time.

NOTE 5 - LEASED SPACE

The Organization occupies office space under a lease that expires in June 2010. The rent expense for the year was \$56,765 (including electricity), with sublease rental income of \$7,680.

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

2008	\$ 55,408
2009	57,071
2010	<u>28,957</u>
Total	<u>\$ 141,436</u>