

MUSICIANS ON CALL, INC.

**FINANCIAL STATEMENTS
AND AUDITOR'S REPORT**

DECEMBER 31, 2006

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, 2006, 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.

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, 2006, 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 11, 2007

EXHIBIT A

MUSICIANS ON CALL, INC.

BALANCE SHEET

DECEMBER 31, 2006

ASSETS

Cash and cash equivalents	\$ 397,704
Security deposit	12,957
Trademark (net of accumulated amortization of \$155)	190
Fixed assets (net of accumulated depreciation of \$35,856) (Note 3)	<u>9,973</u>
Total assets	<u>\$ 420,824</u>

LIABILITIES AND NET ASSETS

Liabilities	
Accounts payable and accrued expenses	<u>\$ 27,491</u>
Net assets (Exhibit B)	
Unrestricted	343,333
Temporarily restricted (Note 4)	<u>50,000</u>
Total net assets	<u>393,333</u>
Total liabilities and net assets	<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, 2006

	Unrestricted	Temporarily Restricted	Total
Revenues			
Contributions (including noncash contributions of \$465,744)(Note 2)	\$ 558,558		\$ 558,558
Program	66,730	\$ 20,000	86,730
Special events	428,517		428,517
Rental income	7,488		7,488
Interest	13,733		13,733
Miscellaneous	17,387		17,387
Total revenues	<u>1,092,413</u>	<u>20,000</u>	<u>1,112,413</u>
Expenses (Exhibit C)			
Program services	650,492		650,492
Management and general	155,909		155,909
Direct cost of special events	116,326		116,326
Fund raising	79,227		79,227
Total expenses	<u>1,001,954</u>		<u>1,001,954</u>
Change in net assets (Exhibit D)	90,459	20,000	110,459
Net assets - beginning of year	<u>252,874</u>	<u>30,000</u>	<u>282,874</u>
Net assets - end of year (Exhibit A) (Note 4)	<u>\$ 343,333</u>	<u>\$ 50,000</u>	<u>\$ 393,333</u>

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, 2006

Cash flows from operating activities	
Change in net assets (Exhibit B)	\$ 110,459
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation and amortization	3,039
Decrease (increase) in assets	
Prepaid expenses	11,831
Security deposits	(600)
Decrease in liabilities	
Accounts payable and accrued expenses	(418)
Deferred revenue	<u>(15,500)</u>
Net cash provided by operating activities	108,811
Cash flows from investing activities	
Purchase of fixed assets	<u>(2,997)</u>
Net increase in cash and cash equivalents	105,814
Cash and cash equivalents - beginning of year	<u>291,890</u>
Cash and cash equivalents - end of year	<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, 2006

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.

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.

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MUSICIANS ON CALL, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 \$148,896 which is the value of services donated by musicians and guides.

Contributed materials - Contributed materials are stated at fair value of \$316.848 and include the value of donated CDs.

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.

NOTE 3 - FIXED ASSETS

Furniture and equipment	\$ 36,455
Leasehold improvements	<u>9,374</u>
	45,829
Accumulated depreciation and amortization	<u>(35,856)</u>
	<u>\$ 9,973</u>

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MUSICIANS ON CALL, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006

NOTE 4 - NET ASSETS

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

NOTE 5 - LEASED SPACE

The Organization occupies office space under a lease that expires in June 2010. The rent expense for the year was \$53,658 (including electricity), with sublease rental income of \$3,500.

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

2007	\$	52,281
2008		55,408
2009		57,071
2010		<u>28,957</u>
Total	\$	<u>193,717</u>