MUSICIANS ON CALL, INC.

FINANCIAL STATEMENTS
AND AUDITOR'S REPORT

DECEMBER 31, 2014

MUSICIANS ON CALL, INC.

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LOEB & TROPER LLP

Independent Auditor's Report

Board of Directors
Musicians on Call, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Musicians on Call, Inc. which comprise the balance sheet as of December 31, 2014, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility 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 errors.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2014, 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.

Report on Summarized Comparative Information

We have previously audited Musicians on Call, Inc.'s December 31, 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 4, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2013 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Loeb & Troper LLP

June 23, 2015

EXHIBIT A

MUSICIANS ON CALL, INC.

BALANCE SHEET

DECEMBER 31, 2014
(With Summarized Financial Information for December 31, 2013)

	2014	2013
ASSETS		
Cash	$ 262,779	$ 373,509
Investments (Note 3)	502,535	490,866
Contributions receivable (Note 4)	282,400	229,669
Security deposits	12,550	12,550
Prepaid expenses and other receivables	12,281	2,514
Inventory	19,623	20,467
Trademark (net of accumulated amortization of $345)		29
Fixed assets - net (Note 5)	50,608	46,170
Total assets	$ 1,142,776	$ 1,175,774
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	$ 113,571	$ 227,599
Deferred revenue	28,375	36,583
Total liabilities	141,946	264,182
Net assets (Exhibit B)		
Unrestricted		
Operating	733,118	644,395
Board designated	167,214	167,197
Total unrestricted net assets	900,332	811,592
Temporarily restricted (Note 6)	498	
Permanently restricted (Note 6)	100,000	100,000
Total net assets	1,000,830	911,592
Total liabilities and net assets	$ 1,142,776	$ 1,175,774

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, 2014
(With Summarized Financial Information for the Year Ended December 31, 2013)

		Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2014	Total 2013
Revenues, losses, and other support						
Contributions		$ 249,100			$ 249,100	$ 483,360
In-kind contributions (Notes 2 and 9)		421,783			421,783	349,565
Grants		86,783			86,783	33,167
Special events	$ 1,404,279					
Less direct expenses of special events (Exhibit C)	(391,074)	1,013,205			1,013,205	545,488
Management fee		51,000			51,000	43,500
Investment income (Note 3)		11,298	$ 498		11,796	29,554
Miscellaneous		1,160			1,160	848
Loss on disposal of fixed assets		(2,842)			(2,842)	
Total revenues, losses, and other support		1,831,487	498		1,831,985	1,485,482
Expenses (Exhibit C)						
Program service - Facility Bedside Performances		1,296,912			1,296,912	1,069,028
Supporting services						
Management and general		172,055			172,055	319,086
Fund raising		273,780			273,780	315,331
Total expenses		1,742,747			1,742,747	1,703,445
Change in net assets (Exhibit D)		88,740	498		89,238	(217,963)
Net assets - beginning of year		811,592		$ 100,000	911,592	1,129,555
Net assets - end of year (Exhibit A) (Note 6)		$ 900,332	$ 498	$ 100,000	$ 1,000,830	$ 911,592

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, 2014
(With Summarized Financial Information
for the Year Ended December 31, 2013)

	Program Service: Facility Bedside Performances	Supporting Services: Management and General	Supporting Services: Fund Raising	Supporting Services: Total	Direct Cost of Special Events	Total 2014	Total 2013
Salaries	$ 504,346	$ 63,636	$ 134,541	$ 198,177		$ 702,523	$ 783,853
Payroll taxes	47,197	5,953	12,588	18,541		65,738	48,504
Employee benefits	39,914	4,895	10,201	15,096		55,010	51,326
Music pharmacy	7,047					7,047	3,786
Donated professional services (Notes 2 and 9)	419,372					419,372	342,876
Professional fees	68,282	68,896	12,232	81,128		149,410	222,196
Marketing	51,284		338	338		51,622	5,579
Occupancy	39,898	6,225	12,563	18,788		58,686	50,192
Office supplies	10,424	1,130	2,437	3,567		13,991	20,151
Postage and delivery	3,779	1,080	540	1,620		5,399	3,696
Insurance	6,493	812	1,714	2,526		9,019	8,316
Printing and reproduction	1,222	349	174	523		1,745	1,384
Dues and subscriptions	642					642	1,435
Telephone	13,324	1,553	3,186	4,739		18,063	18,797
Depreciation and amortization	14,424	368	5,814	6,182		20,606	18,131
Space rental, catering, and set-up					$ 391,074	391,074	225,950
Travel and entertainment	40,449	4,215	10,160	14,375		54,824	29,943
Tickets and processing fees	8,834	10,661	60,925	71,586		80,420	68,615
Investment fees							1,040
Miscellaneous	19,981	2,282	6,367	8,649		28,630	24,665
Total expenses	1,296,912	172,055	273,780	445,835	391,074	2,133,821	1,930,435
Less expenses deducted directly from revenues on the statement of activities							
Investment fees							(1,040)
Direct cost of special events					(391,074)	(391,074)	(225,950)
Total expenses reported by function on statement of activities (Exhibit B)	$ 1,296,912	$ 172,055	$ 273,780	$ 445,835	$ -	$ 1,742,747	$ 1,703,445

See independent auditor's report.

The accompanying notes are an integral part of these statements.

EXHIBIT D

MUSICIANS ON CALL, INC.

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2014

Cash flows from operating activities	
Change in net assets (Exhibit B)	$ 89,238
Adjustments to reconcile change in net assets to net cash used by operating activities	
Depreciation and amortization	20,606
Net loss on investments	10,243
Loss on disposal of fixed assets	2,842
Decrease (increase) in assets	
Contributions receivable	(52,731)
Prepaid expenses and other receivables	(9,767)
Inventory	844
Decrease in liabilities	
Accounts payable and accrued expenses	(114,028)
Deferred revenue	(8,208)
Net cash used by operating activities	(60,961)
Cash flows from investing activities	
Purchase of investments	(31,819)
Proceeds from sale of investments	9,907
Purchase of fixed assets	(27,857)
Net cash used by investing activities	(49,769)
Net change in cash	(110,730)
Cash - beginning of year	373,509
Cash - end of year	$ 262,779

See independent auditor's report.

The accompanying notes are an integral part of these statements.

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 music libraries donated to facilities. The Organization is supported primarily by contributions and special events. The Organization currently conducts activities in New York, Pennsylvania, Florida, California, Maryland, Washington, D.C., and Tennessee.

The Organization 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.

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.

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 financial statements.

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-adjusted 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.

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Allowance for doubtful accounts **-** Receivables 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, and other factors. Interest is not accrued or recorded on outstanding receivables. Management has determined that no allowance for uncollectible accounts for contributions receivable is necessary as of December 31, 2014.

Inventory **-** Inventory consists of contributed compact discs (CDs) and digital versatile/video discs (DVDs) and is stated at fair value at the time of the donation and is recorded on the last-in, first-out basis.

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

Fixed assets **-** Fixed asset purchases are recorded at cost. Items with a cost in excess of $500 and an estimated useful life of greater 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 shorter of their estimated useful life or over the term of the lease.

Deferred revenue - Deferred revenue is recorded for funds received during the current fiscal year to be earned in future periods.

Unrestricted net assets **-** Unrestricted net assets include funds having no restriction as to use or purpose imposed by a donor. 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.

Permanently restricted net assets - Permanently restricted net assets have been restricted by donors to be maintained in perpetuity.

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.

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MUSICIANS ON CALL, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributed professional services - Contributed professional services 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 and DVDs of music used in the programs.

Management fee **-** This fee is recorded when earned based on services provided to an unrelated not-for-profit organization.

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

Advertising **-** It is the policy of the Organization to expense advertising costs as incurred.

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 - Rent expense has been recorded on the straight-line basis over the life of the lease. Deferred rent is recorded where there are material differences between the fixed payment and the rent expense.

Summarized financial information for 2013 - 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, 2013, from which the summarized information was derived. Certificates of deposit as previously reported in 2013 have been reclassified to money market mutual funds within investments on the balance sheet to conform to the current year's presentation.

Fair Value Measurements

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:

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MUSICIANS ON CALL, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value Measurements (continued)

- 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 methodology used for assets measured at fair value. There has been no change in the methodology used at December 31, 2014 as compared to that used at December 31, 2013.

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

The method 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 method is 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.

Uncertainty in income taxes **-** The Organization has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements. Periods ending December 31, 2011 and subsequent remain subject to examination by applicable taxing authorities.

Subsequent events **-** Subsequent events have been evaluated through June 23, 2015, which is the date the financial statements were available to be issued.

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MUSICIANS ON CALL, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

NOTE 3 - INVESTMENTS

The following table sets forth by level, within the fair value hierarchy, the assets at fair value at December 31, 2014:

	Level 1
Mutual funds	
Money market	$ 305,566
Fixed income	71,219
Equity	125,750
Total investments	$ 502,535

Investment income is as follows:

Interest and dividends	$ 22,039
Unrealized loss	(19,946)
Realized gain	9,703
	$ 11,796

NOTE 4 - CONTRIBUTIONS RECEIVABLE

The Organization received promises to give which are due as follows:

2015	$ 282,400

Three pledges in the amount of $135,788 represent a significant portion of total contributions receivable balance as of December 31, 2014.

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MUSICIANS ON CALL, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

NOTE 5 - FIXED ASSETS

			Estimated Useful Lives
Website	$	77,062	5 years
Furniture and equipment		56,966	5-15 years
Leasehold improvements		10,901	7 years
		144,929	
Accumulated depreciation and amortization		(94,321)	
	$	50,608	

NOTE 6 - NET ASSETS

Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purpose:

Unappropriated endowment earnings	$	498

Permanently Restricted Net Assets

The Organization's permanently restricted net assets consist of individual endowment funds, permanently restricted by donors, established to support activities of the organization.

Interpretation of Relevant Law

The Board of Directors of the Organization has adopted the New York Prudent Management of Institutional Funds Act (NYPMIFA). NYPMIFA moves away from the "historic dollar value" standard, and permits charities to apply a spending policy to endowments based on certain specified standards of prudence. The Institute is now governed by the NYPMIFA spending policy, which establishes a standard maximum prudent spending limit of 7%. As a result of this interpretation, the Institute classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standards of prudence prescribed by NYPMIFA.

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NOTE 6 - NET ASSETS (continued)

Return Objectives, Strategies Employed and Spending Policy

The objective of the Organization is to protect the principal endowment funds 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 money market mutual fund. Investment income in relation to the endowment funds is recorded as temporarily restricted until it is appropriated.

Funds with Deficiencies

The Organization does not have any funds with deficiencies.

Endowment Net Asset Composition by Type of Fund

As of December 31, 2014, the endowment net asset composition of $100,000 consists of permanently donor-restricted funds.

Changes in Endowment Net Assets for the Year Ended December 31, 2014

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year		$ 100,000	$ 100,000
Interest and dividends	$ 498		498
Endowment net assets, end of year	$ 498	$ 100,000	$ 100,498

NOTE 7 - LEASED SPACE

The Organization leases office space for the New York and Nashville offices, which expire in July 2016 and July 2015, respectively. The Nashville lease which expired on December 31, 2014 was renewed through July 31, 2015, and has a four-year renewal option (through July 31, 2019). The Organization also entered into a sublease to rent a portion of the New York office space to an unrelated entity, which is netted against rent expense. The sublease for the New York office expired on July 31, 2014. The rent expense for the year was $63,003 (including electricity and taxes). The Organization received rental income of $4,317 from the sublease, which was netted against expense.

NOTE 7 - LEASED SPACE (continued)

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

2015	$ 58,191
2016	29,547
	$ 87,738

NOTE 8 - CONCENTRATIONS

From time to time, financial instruments which potentially subject the Organization to a concentration of credit risk are cash accounts with financial institutions in excess of FDIC insurance limits.

NOTE 9 - IN-KIND CONTRIBUTIONS

The Organization receives in-kind contributions for music inventory of CDs and DVDs and professional services. During 2014, in-kind contributions were received as follows:

Professional services	$ 419,372
Music inventory of CDs and DVDs	2,411
	$ 421,783

In-kind professional services consist of professional musicians and trained guides who perform services for the Organization's consumers. The amounts recorded are based on prevailing rates obtained from industry professionals at the estimated fair value of their services.