

**MUSICIANS ON CALL, INC.**

**FINANCIAL STATEMENTS  
AND AUDITOR'S REPORT**

**DECEMBER 31, 2016**

**MUSICIANS ON CALL, INC.**

**TABLE OF CONTENTS**

**Independent Auditor's Report**

**Exhibit**

**A - Balance Sheet**

**B - Statement of Activities**

**C - Statement of Functional Expenses**

**D - Statement of Cash Flows**

**Notes to Financial Statements**



## **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, 2016, 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 error.

### ***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.

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, 2016, 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, 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 17, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Loeb & Troper LLP*

July 13, 2017

## MUSICIANS ON CALL, INC.

## BALANCE SHEET

DECEMBER 31, 2016

(With Summarized Financial Information for December 31, 2015)

	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>		
Cash	\$ 265,290	\$ 202,208
Investments (Note 3)	413,707	400,443
Contributions receivable (Note 4)	233,528	88,869
Security deposits	18,074	12,550
Prepaid expenses and other receivables	18,814	14,689
Inventory	514	18,910
Fixed assets - net (Note 5)	<u>26,259</u>	<u>25,936</u>
Total assets	<u>\$ 976,186</u>	<u>\$ 763,605</u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Accounts payable and accrued expenses	<u>\$ 70,620</u>	<u>\$ 98,403</u>
Net assets (Exhibit B)		
Unrestricted		
Operating	735,751	497,463
Board designated	<u>67,247</u>	<u>67,230</u>
Total unrestricted net assets	802,998	564,693
Temporarily restricted (Note 6)	2,568	509
Permanently restricted (Note 6)	<u>100,000</u>	<u>100,000</u>
Total net assets	<u>905,566</u>	<u>665,202</u>
Total liabilities and net assets	<u>\$ 976,186</u>	<u>\$ 763,605</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, 2016**  
**(With Summarized Financial Information**  
**for the Year Ended December 31, 2015)**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	
				<u>2016</u>	<u>2015</u>
Revenues, losses, and other support					
Contributions	\$ 716,371			\$ 716,371	\$ 485,690
In-kind contributions (Notes 2 and 9)	598,868			598,868	538,867
Foundation and corporate grants	129,375	\$ 5,400		134,775	74,125
Special events (includes in-kind contributions of \$617,586 in 2016)	\$ 1,457,516				
Less direct expenses of special events (Exhibit C)	<u>(696,032)</u>			761,484	400,673
Investment income (loss) (Note 3)	13,369	22		13,391	(2,092)
Miscellaneous	9,944			9,944	3,560
Net assets released from restrictions (Note 6)	<u>3,363</u>	<u>(3,363)</u>			
Total revenues, losses, and other support	<u>2,232,774</u>	<u>2,059</u>		<u>2,234,833</u>	<u>1,500,823</u>
Expenses (Exhibit C)					
Program service - Facility Bedside Performances	1,451,746			1,451,746	1,386,050
Supporting services					
Management and general	172,233			172,233	175,305
Fund raising	<u>370,490</u>			<u>370,490</u>	<u>275,096</u>
Total expenses	<u>1,994,469</u>			<u>1,994,469</u>	<u>1,836,451</u>
Change in net assets (Exhibit D)	238,305	2,059		240,364	(335,628)
Net assets - beginning of year	<u>564,693</u>	<u>509</u>	\$ 100,000	<u>665,202</u>	<u>1,000,830</u>
Net assets - end of year (Exhibit A) (Note 6)	<u>\$ 802,998</u>	<u>\$ 2,568</u>	<u>\$ 100,000</u>	<u>\$ 905,566</u>	<u>\$ 665,202</u>

See independent auditor's report.

The accompanying notes are an integral part of these statements.

## STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2016  
(With Summarized Financial Information  
for the Year Ended December 31, 2015)

	Program Service	Supporting Services			Direct Cost of Special Events	Total	
	Facility Bedside Performances	Management and General	Fund Raising	Total		2016	2015
Salaries	\$ 509,580	\$ 55,844	\$ 132,630	\$ 188,474		\$ 698,054	\$ 713,146
Payroll taxes	43,952	4,817	11,439	16,256		60,208	66,277
Employee benefits	50,569	5,542	13,162	18,704		69,273	65,562
Music pharmacy	21,485					21,485	4,136
Donated professional services (Notes 2 and 9)	543,678	26,522		26,522		570,200	538,545
Professional fees	80,356	44,643	141,234	185,877		266,233	154,654
Marketing (includes in-kind expense of \$2,000 in 2016)	36,562	1,347	16,909	18,256		54,818	43,940
Occupancy (Note 7)	57,783	6,332	15,039	21,371		79,154	74,964
Office supplies (includes in-kind expense of \$2,668 in 2016)	3,372	2,282	1,026	3,308		6,680	8,848
Postage and delivery	1,886	2,123	1,104	3,227		5,113	3,403
Insurance	1,947	6,179	507	6,686		8,633	7,426
Dues and subscriptions							675
Telephone	10,763	1,179	2,801	3,980		14,743	15,457
Depreciation and amortization	10,718	407	3,968	4,375		15,093	26,340
Space rental, catering, and set-up (includes in-kind expense of \$617,586 in 2016)					\$ 696,032	696,032	231,041
Travel and entertainment (includes in-kind expense of \$10,000 in 2016)	49,491	2,305	11,247	13,552		63,043	57,633
Tickets and processing fees	18,836	11,775	17,201	28,976		47,812	36,629
Volunteer expenses	1,997					1,997	6,134
Miscellaneous	8,771	936	2,223	3,159		11,930	12,682
<b>Total expenses</b>	<b>1,451,746</b>	<b>172,233</b>	<b>370,490</b>	<b>542,723</b>	<b>696,032</b>	<b>2,690,501</b>	<b>2,067,492</b>
Less expenses deducted directly from revenues on the statement of activities							
Direct cost of special events					(696,032)	(696,032)	(231,041)
<b>Total expenses reported by function on the statement of activities (Exhibit B)</b>	<b>\$ 1,451,746</b>	<b>\$ 172,233</b>	<b>\$ 370,490</b>	<b>\$ 542,723</b>	<b>\$ -</b>	<b>\$ 1,994,469</b>	<b>\$ 1,836,451</b>

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, 2016**

Cash flows from operating activities	
Change in net assets (Exhibit B)	\$ 240,364
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation and amortization	15,093
Donated fixed assets	(14,000)
Realized and unrealized gain on investments	(471)
Decrease (increase) in assets	
Contributions receivable	(144,659)
Security deposits	(5,524)
Prepaid expenses and other receivables	(4,125)
Inventory	18,396
Decrease in liabilities	
Accounts payable and accrued expenses	<u>(27,783)</u>
Net cash provided by operating activities	<u>77,291</u>
Cash flows from investing activities	
Purchase of investments	(118,522)
Proceeds from sale of investments	105,729
Purchase of fixed assets	<u>(1,416)</u>
Net cash used by investing activities	<u>(14,209)</u>
Net change in cash	63,082
Cash - beginning of year	<u>202,208</u>
Cash - end of year	<u><u>\$ 265,290</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, 2016**

**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, Tennessee, Pennsylvania, Florida, California, Maryland, Washington, D.C., Georgia, Colorado, Arizona, Delaware, Massachusetts, and Texas.

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.

-continued-

**MUSICIANS ON CALL, INC.****NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2016****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, 2016.

***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.

***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 on the straight-line method over the shorter of their estimated useful life or over the term of the lease.

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

***Contributed professional services*** - Contributed professional services are recorded at the estimated fair value of services donated by musicians, guides, and other professionals.

***In-kind contributions*** - In-kind contributions are stated at fair value at the date of donation.

-continued-

**MUSICIANS ON CALL, INC.****NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2016****NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

*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* - 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 2015* - 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, 2015, from which the summarized information was derived.

***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:

- 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.

-continued-

**MUSICIANS ON CALL, INC.****NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2016****NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)*****Fair Value Measurements (continued)***

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, 2016 as compared to that used at December 31, 2015.

***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, 2013 and subsequent remain subject to examination by applicable taxing authorities.

***Subsequent events*** - Subsequent events have been evaluated through July 13, 2017, which is the date the financial statements were available to be issued.

-continued-

## MUSICIANS ON CALL, INC.

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

**NOTE 3 - INVESTMENTS**

The following table sets forth by level, within the fair value hierarchy, the assets at fair value at December 31, 2016:

	<u>Level 1</u>
Mutual funds	
Fixed income	\$ 69,095
Equity	<u>105,935</u>
Total investments reported on the fair value hierarchy	175,030
Cash equivalents	<u>238,677</u>
	<u>\$ 413,707</u>

Net investment gain is as follows:

Interest and dividends	\$ 12,920
Unrealized gain	238
Realized gain	<u>233</u>
	<u>\$ 13,391</u>

**NOTE 4 - CONTRIBUTIONS RECEIVABLE**

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

2017	\$ <u>233,528</u>
------	-------------------

Five pledges totaling \$151,918 represent a significant portion of total contributions receivable balance as of December 31, 2016.

-continued-

## MUSICIANS ON CALL, INC.

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

## NOTE 5 - FIXED ASSETS

		<u>Estimated Useful Lives</u>
Website	\$ 77,062	5 years
Furniture and equipment	74,050	5-15 years
Leasehold improvements	<u>10,901</u>	2 years
	162,013	
Accumulated depreciation and amortization	<u>(135,754)</u>	
	<u>\$ 26,259</u>	

## NOTE 6 - NET ASSETS

Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

Online fundraising tools	\$ 2,037
Unappropriated endowment earnings	<u>531</u>
	<u>\$ 2,568</u>

During 2016, net assets were released from restrictions as follows:

Online fundraising tools	<u>\$ 3,363</u>
--------------------------	-----------------

Permanently Restricted Net Assets

The Organization's permanently restricted net assets consist of one endowment fund, permanently restricted by the donor, established to support activities of the organization.

-continued-

## MUSICIANS ON CALL, INC.

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

**NOTE 6 - NET ASSETS (continued)****Interpretation of Relevant Law**

The Board of Directors of the Organization 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 Organization is 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.

**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, 2016, the endowment net asset composition of \$100,000 consists of permanently donor-restricted funds and \$531 of unappropriated earnings totaling \$100,531.

**Changes in Endowment Net Assets for the Year Ended December 31, 2016**

	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Endowment net assets, beginning of year	\$ 509	\$ 100,000	\$ 100,509
Interest and dividends	<u>22</u>	<u>          </u>	<u>22</u>
Endowment net assets, end of year	<u>\$ 531</u>	<u>\$ 100,000</u>	<u>\$ 100,531</u>

-continued-

**MUSICIANS ON CALL, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2016**

**NOTE 7 - LEASED SPACE**

The Organization leases space for the New York and Nashville offices. The New York lease expired October 31, 2016, and a new lease for a different location was signed through December 31, 2021. The Nashville lease is valid through July 31, 2017, and has a two-year renewal option (through July 31, 2019). The rent expense for the year was \$79,154 (including electricity and taxes).

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

2017	\$	70,902
2018		72,876
2019		68,274
2020		60,950
2021		<u>62,778</u>
	\$	<u>335,780</u>

**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**

During 2016, in-kind contributions were received as follows:

Professional services	\$	570,200
Information technology items		
(including \$14,000 capitalized)		16,668
Hotel stay		10,000
Brochure		2,000
Catering and cost of room		<u>617,586</u>
	\$	<u>1,216,454</u>

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

-continued-



**MUSICIANS ON CALL, INC.****NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2016****NOTE 10 - COMMITMENT**

In May 2016, the Organization entered into a subscription agreement with an unrelated company. The agreement expires in May 2019. The expense for the year was \$12,800.

The Organization's future payments are as follows:

2017	\$	19,200
2018		19,200
2019		<u>6,400</u>
	\$	<u>44,800</u>