



***FINANCIAL STATEMENTS  
WITH INDEPENDENT AUDITORS' REPORT***

***YEARS ENDED DECEMBER 31, 2018 AND 2017***

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Musicians on Call, Inc.  
New York, New York

We have audited the accompanying financial statements of Musicians on Call, Inc., which comprise the balance sheet as of December 31, 2018, and the related statements of activities, cash flows, and functional expenses 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.

### ***Auditors' 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 auditors' 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, 2018, 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.

### ***Emphasis of a Matter***

As discussed in Note 2 to the financial statements, in 2018 the Organization adopted Accounting Standards Update (ASU) No. 2016-14, Not for Profit Entities. Our opinion is not modified with respect to this matter.

### ***Prior Period Financial Statements***

The financial statements of Musicians on Call, Inc. as of December 31, 2017, were audited by other auditors whose report, dated August 30, 2018, expressed an unmodified opinion on those statements.

*Dorfman Abrams Music, LLC*

Saddle Brook, New Jersey  
July 9, 2019

MUSICIANS ON CALL, INC.

BALANCE SHEETS

ASSETS

	<u>December 31,</u>	
	<u>2018</u>	<u>2017</u>
Cash (Note 2)	\$ 371,063	\$ 389,582
Investments (Notes 2, 5 and 6)	438,072	441,323
Accounts receivable (Note 2)	42,655	29,206
Contributions receivable (Notes 2 and 7)	402,505	331,068
Prepaid expenses and other assets	35,796	40,196
Inventory (Note 2)	43,747	80,016
Fixed assets, net (Notes 2 and 8)	<u>11,371</u>	<u>12,030</u>
 Total assets	 <u>\$ 1,345,209</u>	 <u>\$ 1,323,421</u>

LIABILITIES AND NET ASSETS

Liabilities:		
Accounts payable and accrued expenses	\$ 60,151	\$ 63,850
Deferred revenue (Note 2)		<u>35,000</u>
 Total liabilities	 <u>60,151</u>	 <u>98,850</u>
Net assets (Notes 2, 12 and 13):		
Without donor restrictions	838,607	1,005,573
With donor restrictions	<u>446,451</u>	<u>218,998</u>
 Total net assets	 <u>1,285,058</u>	 <u>1,224,571</u>
 Total liabilities and net assets	 <u>\$ 1,345,209</u>	 <u>\$ 1,323,421</u>

The accompanying notes are an integral part  
of these financial statements.

MUSICIANS ON CALL, INC.

STATEMENTS OF ACTIVITIES

	Year ended December 31, 2018			Year ended December 31, 2017		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Operating activities:						
Revenues and other support:						
Contributions (Note 2)	\$ 310,266	\$ 465,849	\$ 776,115	\$ 720,438	\$ 114,314	\$ 834,752
In-kind contributions (Notes 2 and 11)	472,851		472,851	498,142		498,142
Foundation and corporate grants (Note 2)	257,020		257,020	119,905		119,905
Sponsorship contract (Note 2)	65,000		65,000	65,000		65,000
Special events (Note 10)	635,566		635,566	666,656		666,656
Interest and dividends (Note 5)	17,337	4,187	21,524	14,922	4,153	19,075
Miscellaneous revenue	1,113		1,113	7,856		7,856
Total support	1,759,153	470,036	2,229,189	2,092,919	118,467	2,211,386
Net assets released from restrictions	242,583	(242,583)		2,037	(2,037)	
Total support and revenues	2,001,736	227,453	2,229,189	2,094,956	116,430	2,211,386
Expenses:						
Program services - Facility Bedside Performances	1,568,525		1,568,525	1,374,496		1,374,496
Supporting services:						
Management and general	222,190		222,190	207,319		207,319
Fundraising	353,127		353,127	319,107		319,107
Total supporting expenses	575,317		575,317	526,426		526,426
Total expenses	2,143,842		2,143,842	1,900,922		1,900,922
Change in net assets from operations	(142,106)	227,453	85,347	194,034	116,430	310,464
Nonoperating activities:						
Realized and unrealized gains and (losses) on investments (Note 5)	(24,860)		(24,860)	8,541		8,541
Total nonoperating activities	(24,860)		(24,860)	8,541		8,541
Change in net assets	(166,966)	227,453	60,487	202,575	116,430	319,005
Net assets, beginning of year	1,005,573	218,998	1,224,571	802,998	102,568	905,566
Net assets, end of year (Note 12)	\$ 838,607	\$ 446,451	\$ 1,285,058	\$ 1,005,573	\$ 218,998	1,224,571

The accompanying notes are an integral part of these financial statements.

MUSICIANS ON CALL, INC.  
STATEMENTS OF CASH FLOWS

	Year ended December 31,	
	2018	2017
Cash flows from operating activities:		
Change in net assets	\$ 60,487	\$ 319,005
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	4,909	4,427
Realized and unrealized (gain) loss on investments	24,860	(8,541)
Donated stock	(2,082)	
Discount on contributions receivable	3,526	1,936
(Increase) decrease in assets:		
Accounts receivable	(13,449)	(29,206)
Contributions receivable	(74,963)	(99,476)
Prepaid expenses and other assets	4,400	(3,308)
Inventory	36,269	(65,502)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(3,699)	(6,770)
Deferred revenue	(35,000)	35,000
Net cash provided by operating activities	5,258	147,565
Cash flows from investing activities:		
Purchase of investments	(21,525)	(19,075)
Proceeds from sale of investments	1,998	
Purchase of fixed assets	(4,250)	(4,198)
Net cash used by investing activities	(23,777)	(23,273)
Net increase (decrease) in cash	(18,519)	124,292
Cash, beginning of year	389,582	265,290
Cash, end of year	\$ 371,063	\$ 389,582

The accompanying notes are an integral part  
of these financial statements.

MUSICIANS ON CALL, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

Years Ended December 31, 2018 and 2017

	Program service		Supporting services				Total program and and supporting services			
	Facility Bedside Performances		Management and general		Fundraising		Total			
	2018	2017	2018	2017	2018	2017	2018	2017		
Salaries	\$ 703,246	\$ 620,648	\$ 77,068	\$ 68,016	\$ 183,037	\$ 161,539	\$ 260,105	\$ 229,555	\$ 963,351	\$ 850,203
Payroll taxes	57,938	51,141	6,350	5,604	15,080	13,311	21,430	18,915	79,368	70,056
Employee benefits	81,557	65,615	8,938	7,191	21,227	17,078	30,165	24,269	111,722	89,884
<b>Total personnel costs</b>	<b>842,741</b>	<b>737,404</b>	<b>92,356</b>	<b>80,811</b>	<b>219,344</b>	<b>191,928</b>	<b>311,700</b>	<b>272,739</b>	<b>1,154,441</b>	<b>1,010,143</b>
Music Pharmacy	56,333	9,043							56,333	9,043
Donated professional services (Notes 2 and 11)	428,443	372,567	25,285	47,881		7,500	25,285	55,381	453,728	427,948
Professional fees	17,119	35,054	45,149	40,536	33,605	35,000	78,754	75,536	95,873	110,590
Marketing	7,801	37,579	2,977	4,981	43,009	15,785	45,986	20,766	53,787	58,345
Occupancy (Note 9)	59,557	58,685	6,527	6,431	15,501	15,274	22,028	21,705	81,585	80,390
Office expenses and miscellaneous	18,103	20,748	17,594	7,150	3,200	5,998	20,794	13,148	38,897	33,896
Insurance	1,948	1,947	5,743	5,987	507	507	6,250	6,494	8,198	8,441
Telephone	9,923	10,343	1,087	1,134	2,583	2,692	3,670	3,826	13,593	14,169
Travel and entertainment	84,499	60,040	11,102		2,138	5,863	13,240	5,863	97,739	65,903
Operational and processing fees	23,443	18,384	14,370	12,054	31,767	37,719	46,137	49,773	69,580	68,157
Volunteer expenses	15,179	9,470							15,179	9,470
Depreciation and amortization	3,436	3,232		354	1,473	841	1,473	1,195	4,909	4,427
<b>Total expenses</b>	<b>\$ 1,568,525</b>	<b>\$ 1,374,496</b>	<b>\$ 222,190</b>	<b>\$ 207,319</b>	<b>\$ 353,127</b>	<b>\$ 319,107</b>	<b>\$ 575,317</b>	<b>\$ 526,426</b>	<b>\$ 2,143,842</b>	<b>\$ 1,900,922</b>

The accompanying notes are an integral part of these financial statements.

MUSICIANS ON CALL, INC.  
NOTES TO FINANCIAL STATEMENTS

December 31, 2018 and 2017

1. Nature of the Organization

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 patients in healthcare 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, Texas, Illinois, Indiana, Louisiana, and Nevada.

2. Summary of significant accounting policies

New accounting pronouncement

During 2018, the Organization adopted Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. This guidance is intended to improve the net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. Main provisions of this guidance include: presentation of two classes of net assets versus the previously required three; recognition of capital gifts for construction as a net asset without donor restrictions when the associated long-lived asset is placed in service; and recognition of underwater endowment funds as a reduction in net assets with donor restrictions. The guidance also enhances disclosures for board designated amounts, composition of net assets without donor restrictions, liquidity, and expenses by both their natural and functional classification.

As a result of the adoption of ASU, net assets as of December 31, 2017 were reclassified as follows:

	ASU Classifications		
	Without donor restrictions	With donor restrictions	Total net assets
Net asset classifications			
As previously presented:			
Unrestricted	\$ 1,005,573	\$	\$ 1,005,573
Temporarily restricted		118,998	118,998
Permanently restricted		100,000	100,000
Total net assets	<u>\$ 1,005,573</u>	<u>\$ 218,998</u>	<u>\$ 1,224,571</u>



MUSICIANS ON CALL, INC.  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2018 and 2017

2. Summary of significant accounting policies (continued)

Basis of presentation

The financial statements of the Organization have been prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

Net assets with donor restrictions - Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

Measure of operations

The statement of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to the Organization's ongoing services and interest and dividends earned on investments. Nonoperating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual or nonrecurring nature.

Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash

Cash consists of demand deposit accounts with maturities of three months or less. Money market funds, held as a portion of the Organization's investment portfolio, are classified as investments and are not considered to be cash equivalents for purposes of the statement of cash flows.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the balance sheet.

MUSICIANS ON CALL, INC.  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2018 and 2017

2. Summary of significant accounting policies (continued)

Fair value measurement

U.S. GAAP establishes 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 and liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements).

The three levels of the fair value hierarchy are as follows:

Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date;

Level 2 - Inputs other than quoted prices that are observable for the assets or liability either directly or indirectly, including inputs that are not considered to be active;

Level 3 - Inputs that are unobservable.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad criteria data, liquidity statistics, and other factors. An investment's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes "observable" requires significant judgment by the Organization. The Organization considers observable data to be that market data which is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, provided by multiple, independent sources that are actively involved in the relevant market. The categorization of an investment within the hierarchy is based upon the pricing transparency of the investment and does not necessarily correspond to the Organization's perceived risk of that investment.

Accounts receivable

Accounts receivable consist of amounts unpaid from special events. All accounts receivable are expected to be collected within one year.

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. Discount amortization is included in contribution revenue. Conditional promises to give are not included as support until the conditions are met.

MUSICIANS ON CALL, INC.  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2018 and 2017

2. Summary of significant accounting policies (continued)

Allowance for doubtful accounts

The Organization uses the allowance method to account for uncollectible accounts and contributions receivable. The allowance is based on prior years' experience and management's analysis of possible bad debts. As of December 31, 2018 and 2017, the Organization determined that an allowance was not necessary.

Inventory

Inventory consists of contributed tablets, headphones, Pandora streaming subscriptions, and merchandise. It is stated at fair value at the time of the donation, and is recorded on the first-in, first-out basis, and is adjusted to the lower of cost or market.

Property and equipment

Property and equipment are stated at cost, if purchased, or at fair value at the date of the gift, if donated, less accumulated depreciation. The cost of property and equipment purchased in excess of \$500 is capitalized. Depreciation is provided in amounts sufficient to amortize the cost of the property and equipment over the estimated useful lives on a straight-line basis.

Website costs	5 years
Furniture and equipment	5 - 7 years
Leasehold improvements	2 years

The cost of assets sold or otherwise disposed of and the accumulated depreciation thereon are eliminated from the accounts and the resulting gain or loss is reflected in income except for assets traded where no cash is received. Expenditures for maintenance and repairs are charged to expenses as incurred; replacements and betterments that extend the useful lives are capitalized.

Deferred revenue

Funds received that have not been earned as of the year end dates are reflected as deferred revenue.

Contributions and grants

Contributions, including unconditional pledges, and grants received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

MUSICIANS ON CALL, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2018 and 2017

2. Summary of significant accounting policies (continued)

In-kind contributions and contributed services

In-kind contributions are reflected as contributions at their fair value at date of donation and are reported as support without donor restrictions unless explicit donor stipulations specify how donated assets must be used. Donated specialized services have been recognized on the accompanying financial statements. These donated services require professional skills, and would typically be purchased if not provided by donation. The Organization benefited from donated airfare tickets, legal services and musician services, which were valued at \$492,851 and \$498,142 during the years ended December 31, 2018 and 2017, respectively. These amounts have been reported as both in-kind contribution revenue and expense on the 2018 and 2017 statement of activities.

Several volunteers have made significant contributions of their time in furtherance of the Organization's mission. These services were not reflected in the accompanying statements of activities because they do not meet the necessary criteria for recognition under U.S. GAAP.

Sponsorship contract

Sponsorship contract revenue is recorded based on the provisions of the signed contract.

Music Pharmacy Program

Music Pharmacy Program represents a package of tablets, headphones, and Pandora streaming subscriptions distributed to patients in health care facilities.

Functional allocation of expenses

The costs of providing various programs and support services have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, natural expenses attributable to more than one functional expense category are allocated using a variety of cost allocation techniques such as time and effort.

Income taxes

The Organization is a tax-exempt organization as defined by Section 501(c)(3) of the Internal Revenue Code, though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. The Organization has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions. The Organization has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

Reclassifications

Certain amounts in the 2017 financial statements have been reclassified to conform to the 2018 presentation.

MUSICIANS ON CALL, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2018 and 2017

3. Concentration of credit risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash, investments, and accounts and contributions receivable. The Organization maintains its cash in bank deposit accounts, the balance, of which, at times, may exceed federally insured limits. Investment securities are exposed to various risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the value of investments will occur in the near term and that such changes could materially affect the amount reported on the financial statements. Concentrations of credit risk with respect to the accounts receivables is limited due to the short payments terms the Organization has with its creditors. Concentrations of credit risk with respect to the contributions receivable are limited due to the fact the pledges are from various contributors and private foundations. The Organization has not experienced, nor does it anticipate, any losses with respect to such accounts.

4. Availability and liquidity

The following represents the Organization's financial assets at December 31:

Financial assets at year end	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 371,063	\$ 389,582
Investments	438,072	441,323
Accounts receivable	42,655	29,206
Contributions receivable	<u>300,467</u>	<u>266,754</u>
Total financial assets	<u>1,152,257</u>	<u>1,126,865</u>
Less amounts not available to be used within one year:		
Net assets with donor restrictions	446,451	218,998
Less net assets with purpose restrictions to be met in less than a year	(235,542)	(50,000)
Funds functioning as endowment established by the board	<u>67,962</u>	<u>67,298</u>
	<u>278,871</u>	<u>236,296</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 873,386</u>	<u>\$ 890,569</u>

The Organization's goal is generally to maintain financial assets to meet 90 days of operating expenses (net of in-kind), approximately \$420,000. As part of its liquidity plan, excess cash is invested in short-term investments, including money market accounts and certificates of deposit.

In addition, there is a fund functioning as endowment established by the governing board that may be drawn upon in the event of financial distress or an immediate liquidity need resulting from events outside the typical life cycle of converting financial assets to cash or settling financial liabilities.

MUSICIANS ON CALL, INC.  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2018 and 2017

5. Investments

Investment securities are stated at fair value and summarized as follows at December 31:

	2018		2017	
	Cost	Fair value	Cost	Fair value
Cash and money market	\$ 279,277	\$ 279,277	\$ 257,752	\$ 257,752
Mutual funds	167,993	158,795	168,015	183,571
<b>Total investments</b>	<b>\$ 447,270</b>	<b>\$ 438,072</b>	<b>\$ 425,767</b>	<b>\$ 441,323</b>

The following schedule summarizes the investment return and its classification in the statement of activities for the years ended December 31:

	2018	2017
Investments:		
Dividends and interest	\$ 21,524	\$ 19,075
Realized and unrealized gain (loss)	(24,860)	8,541
	<b>\$ (3,336)</b>	<b>\$ 27,616</b>

6. Fair value measurement

The classification of the Organization's investment securities at fair value are as follows at December 31, 2018:

	Level 1	Level 2	Level 3	Total
Cash and money market	\$ 279,277	\$	\$	\$ 279,277
Mutual funds	158,795			158,795
	<b>\$ 438,072</b>	<b>\$</b>	<b>\$</b>	<b>\$ 438,072</b>

The classification of the Organization's investment securities at fair value are as follows at December 31, 2017:

	Level 1	Level 2	Level 3	Total
Cash and money market	\$ 257,752	\$	\$	\$ 257,752
Mutual funds	183,571			183,571
	<b>\$ 441,323</b>	<b>\$</b>	<b>\$</b>	<b>\$ 441,323</b>

MUSICIANS ON CALL, INC.  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2018 and 2017

7. Contributions receivable

Contributions receivable that are expected to be collected within one year are recorded at their net realizable value. Contributions receivable 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 of 2.51% in 2018 and 1.89% in 2017.

The contributions receivable consist of the following at December 31:

	<u>2018</u>	<u>2017</u>
One year or less	\$ 300,467	\$ 263,004
Two to five years	<u>107,500</u>	<u>70,000</u>
	407,967	333,004
Less discount on contributions receivable	<u>5,462</u>	<u>1,936</u>
	<u>\$ 402,505</u>	<u>\$ 331,068</u>

8. Property and equipment

A summary of property and equipment is as follows at December 31:

	<u>2018</u>	<u>2017</u>
Website	\$ 77,062	\$ 77,062
Furniture and equipment	68,498	64,248
Leasehold improvements	<u>10,901</u>	<u>10,901</u>
	156,461	152,211
Less accumulated depreciation	<u>145,090</u>	<u>140,181</u>
	<u>\$ 11,371</u>	<u>\$ 12,030</u>

Depreciation expense for the years ended December 31, 2018 and 2017 was \$4,909 and \$4,427, respectively.

MUSICIANS ON CALL, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2018 and 2017

9. Commitments and contingencies

The Organization leases space for the New York and Nashville offices. The New York lease expires December 31, 2021 and the Nashville lease expires July 31, 2019. Currently, the Organization is in negotiations to renew the Nashville lease.

Rent expenses (including electricity and taxes) related to the Organization's office facilities, for the years ended December 31, 2018 and 2017 were \$81,585 and \$80,390, respectively.

Future minimum commitments due under these leases are as follows:

Year ending December 31:	
2019	\$ 68,274
2020	60,950
2021	<u>62,778</u>
	<u>\$ 192,002</u>

10. Special events

The Organization sponsored several events during the years ended December 31, 2018 and 2017 to raise additional funds for its charitable activities. The events and the net income derived are as follows:

	2018		
	Income	Expenses	Net
Nashville Event	\$ 156,982	\$ 65,154	\$ 91,828
New York Event	141,876	52,605	89,271
Chicago Event	39,804	24,019	15,785
Other special events	<u>510,447</u>	<u>71,765</u>	<u>438,682</u>
	<u>\$ 849,109</u>	<u>\$ 213,543</u>	<u>\$ 635,566</u>
	2017		
	Income	Expenses	Net
Nashville Event	\$ 261,496	\$ 61,599	\$ 199,897
New York Event	301,334	156,524	144,810
Chicago Event	57,219	15,644	41,575
Other special events	<u>308,197</u>	<u>27,823</u>	<u>280,374</u>
	<u>\$ 928,246</u>	<u>\$ 261,590</u>	<u>\$ 666,656</u>



MUSICIANS ON CALL, INC.  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2018 and 2017

11. In-kind contributions

The Organization received the following in-kind contributions during the years ended December 31:

	2018	2017
Professional services	\$ 453,728	\$ 417,948
Airfare	30,000	10,000
Headphones		62,000
Other items	9,123	8,194
	\$ 492,851	\$ 498,142

During the years ended December 31, 2018 and 2017, the Organization reported \$472,851, respectively as in-kind contributions on the Statement of Activities. In addition, the Organization reported \$20,000 of in-kind contributions as part of special events on the Statement of Activities.

12. Net assets

Net assets were as follows for the years ended December 31, 2018 and 2017:

	2018			2017		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Undesignated	\$ 770,644	\$	\$ 770,644	\$ 938,275	\$	\$ 938,275
Funds functioning as endowment	67,963		67,963	67,298		67,298
Specific purpose:						
Bedside performance at specific facilities		197,374	197,374		40,420	40,420
Expansion of program to three healthcare facilities in New Orleans		39,032	39,032		73,894	73,894
To operate programs in Las Vegas area		74,424	74,424			
Unappropriated endowment earnings-to support programs		8,871	8,871		4,684	4,684
Passage of time:						
For periods after December 31		26,750	26,750			
Term endowment		100,000	100,000		100,000	100,000
Total net assets	\$ 838,607	\$ 446,451	\$1,285,058	\$1,005,573	\$ 218,998	\$1,224,571

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12. Net assets (continued)

Releases from net assets with donor restrictions are as follows at December 31:

	2018	2017
Satisfaction of purpose restrictions		
Bedside performances at specific facilities	\$ 105,833	\$
Expansion of program to 3 healthcare facilities in New Orleans	35,000	
To operate programs in Las Vegas area	75,000	
Online fundraising tools		2,037
Passage of time	26,750	
	\$ 242,583	\$ 2,037

13. Endowments

Funds functioning as endowment

As of December 31, 2018 and 2017, the Board of Directors has designated \$67,963 and \$67,298, respectively, of net assets without donor restrictions, as a general endowment fund to support operations. Since that amount resulted from an internal designation and is not donor restricted, it is classified as without donor restriction net assets.

Term endowment

The term endowment consists of donor-restricted funds. Net assets associated with term endowment funds are classified and reported based on the existence or absence of donor imposed restrictions. The term endowment is set to expire on November 20, 2023.

The objective of the Organization is to protect the principal term endowment fund 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 and mutual funds. Investment income in relation to the term endowment fund is to support the Organization's programs and is reported as part of net assets with donor restrictions for specific purpose.

The Organization interprets the UPMIFA of the State of New York as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result, the Organization classifies as net assets with donor restrictions (a) the original value of gifts donated to the term endowment, (b) the original value of subsequent gifts to the term endowment, and (c) accumulations to the term endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Earnings attributed to the donor restricted term endowment funds are classified as net assets without donor restrictions or with donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with donor stipulations and the standard of prudence prescribed by UPMIFA.

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13. Endowments (continued)

Changes in endowment net assets for the year ended December 31, 2018 are as follows:

	<u>Without donor restrictions Funds functioning as endowment</u>	<u>With donor restrictions</u>			<u>Total endowment</u>
		<u>Term endowment</u>			
		<u>Appreciation</u>	<u>Historical gift value</u>	<u>Total</u>	
Endowment net assets, beginning of year	\$ 67,298	\$ 4,684	\$ 100,000	\$ 104,684	\$ 171,982
Interest income	<u>665</u>	<u>4,187</u>		<u>4,187</u>	<u>4,852</u>
Endowment net assets, end of year	<u>\$ 67,963</u>	<u>\$ 8,871</u>	<u>\$ 100,000</u>	<u>\$ 108,871</u>	<u>\$ 176,834</u>

Changes in endowment net assets for the year ended December 31, 2017 are as follows:

	<u>Without donor restrictions Funds functioning as endowment</u>	<u>With donor restrictions</u>			<u>Total endowment</u>
		<u>Term endowment</u>			
		<u>Appreciation</u>	<u>Historical gift value</u>	<u>Total</u>	
Endowment net assets, beginning of year	\$ 67,247	\$ 531	\$ 100,000	\$ 100,531	\$ 167,778
Interest income	<u>51</u>	<u>4,153</u>		<u>4,153</u>	<u>4,204</u>
Endowment net assets, end of year	<u>\$ 67,298</u>	<u>\$ 4,684</u>	<u>\$ 100,000</u>	<u>\$ 104,684</u>	<u>\$ 171,982</u>

14. Subsequent events

The Organization has evaluated subsequent events through July 9, 2019, which is the date the financial statements were available to be issued. The Organization is not aware of any material subsequent events.