



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

YEARS ENDED DECEMBER 31, 2020 AND 2019

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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 sheets as of December 31, 2020 and 2019, and the related statements of activities, cash flows, and functional expenses for the years 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 audits. 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 audits 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, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Dorfman Abrams Music, LLC

Saddle Brook, New Jersey

June 14, 2021

MUSICIANS ON CALL INC.

BALANCE SHEETS

ASSETS

	December 31,	
	<u>2020</u>	<u>2019</u>
Cash (Note 2)	\$ 797,916	\$ 624,307
Investments (Notes 2, 5 and 6)	502,277	479,239
Accounts receivable (Note 2)	36,805	112,103
Contributions and grants receivable (Notes 2 and 7)	791,520	352,441
Prepaid expenses and other assets	29,704	38,999
Inventory (Note 2)	179,756	68,799
Property and equipment, net (Notes 2 and 8)	10,105	15,089
Software development (Note 2)	99,567	15,000
	<u>2,447,650</u>	<u>1,705,977</u>
Total assets	<u>\$ 2,447,650</u>	<u>\$ 1,705,977</u>

LIABILITIES AND NET ASSETS

Liabilities:		
Accounts payable and accrued expenses	\$ 178,390	\$ 132,535
Refundable advance - Paycheck Protection Program (Note 9)	241,089	
	<u>419,479</u>	<u>132,535</u>
Total liabilities		
Net assets (Notes 2, 13 and 14):		
Without donor restrictions	1,354,798	1,115,900
With donor restrictions	673,373	457,542
	<u>2,028,171</u>	<u>1,573,442</u>
Total net assets		
Total liabilities and net assets	<u>\$ 2,447,650</u>	<u>\$ 1,705,977</u>

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

MUSICIANS ON CALL INC.

STATEMENTS OF ACTIVITIES

	Year ended December 31, 2020		Year ended December 31, 2019	
	Without donor restrictions	With donor restrictions	Without donor restrictions	With donor restrictions
Operating activities:				
Revenues and other support:				
Contributions (Note 2)	\$ 576,443	\$ 1,096,042	\$ 613,343	\$ 327,818
In-kind contributions (Notes 2 and 12)	947,648		614,532	
Foundation and corporate grants (Note 2)	48,000	67,400	63,000	122,850
Government grants		301,536		
Sponsorship contract (Note 2)			35,000	
Special events (Note 11)	164,447		899,411	35,000
Interest and dividends (Note 5)	7,872	4,523	12,939	4,349
Miscellaneous revenue	2,041		11,889	
Total support	1,746,451	1,469,501	2,250,114	490,017
Net assets released from restrictions	1,253,670	(1,253,670)	478,926	(478,926)
Total support and revenues	3,000,121	215,831	2,729,040	11,091
Expenses:				
Program services - Facility Bedside Performances	2,091,342		1,811,236	
Supporting services:				
Management and general Fundraising	248,835		245,876	
	436,462		418,545	
Total supporting expenses	685,297		664,421	
Total expenses	2,776,639		2,475,657	
Change in net assets from operations	223,482	215,831	253,383	11,091
Nonoperating activities:				
Realized and unrealized gains and (losses) on investments (Note 5)	15,416		23,910	
Total nonoperating activities	15,416		23,910	
Change in net assets	238,898	215,831	277,293	11,091
Net assets, beginning of year	1,115,900	457,542	838,607	446,451
Net assets, end of year (Note 13)	\$ 1,354,798	\$ 673,373	\$ 1,115,900	\$ 457,542

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

MUSICIANS ON CALL INC.
STATEMENTS OF CASH FLOWS

	Year ended December 31,	
	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ 454,729	\$ 288,384
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	8,417	5,460
Realized and unrealized gain on investments	(15,416)	(23,910)
Donated stock	(288,178)	(30,501)
Discount on contributions receivable	(2,367)	(2,701)
(Increase) decrease in assets:		
Accounts receivable	75,298	(69,448)
Contributions and grants receivable	(436,712)	52,765
Prepaid expenses and other assets	9,295	(3,203)
Inventory	(110,957)	(25,052)
Increase in liabilities:		
Accounts payable and accrued expenses	45,855	72,384
Refundable advance - Paycheck Protection Program	241,089	
	(18,947)	264,178
Net cash provided (used) by operating activities		
Cash flows from investing activities:		
Purchase of investments	(12,395)	(17,289)
Proceeds from sale of investments	292,951	30,533
Purchase of software	(88,000)	(15,000)
Purchase of fixed assets		(9,178)
	192,556	(10,934)
Net cash provided (used) by investing activities		
Net increase in cash	173,609	253,244
Cash, beginning of year	624,307	371,063
	\$ 797,916	\$ 624,307
Cash, end of year		

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

MUSICIANS ON CALL INC.

STATEMENTS OF FUNCTIONAL EXPENSES

Years Ended December 31, 2020 and 2019

	Supporting services									
	Program services		Management and general		Fundraising		Total		Total program and and supporting services	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Salaries	\$ 914,551	\$ 854,738	\$ 100,225	\$ 93,670	\$ 238,034	\$ 222,466	\$ 338,259	\$ 316,136	\$ 1,252,810	\$ 1,170,874
Payroll taxes	72,833	71,455	7,982	7,831	18,956	18,598	26,938	26,429	99,771	97,884
Employee benefits	129,844	107,745	14,229	11,808	33,795	28,043	48,024	39,851	177,868	147,596
Total personnel costs	1,117,228	1,033,938	122,436	113,309	290,785	269,107	413,221	382,416	1,530,449	1,416,354
Music Pharmacy	72,623	19,591							72,623	19,591
Donated professional services (Notes 2 and 12)	162,285	493,085	39,627	46,663	20,250		59,877	46,663	222,162	539,748
Donated goods	459,000								459,000	
Professional fees	83,728	18,284	48,602	48,285	67,919	51,994	116,521	100,279	200,249	118,563
Marketing	47,180	26,439	3,308	4,390	11,526	17,420	14,834	21,810	62,014	48,249
Occupancy (Note 10)	62,717	61,672	6,873	6,759	16,324	16,052	23,197	22,811	85,914	84,483
Office expenses and miscellaneous	18,766	31,236	1,365	2,006	4,038	4,861	5,403	6,867	24,169	38,103
Insurance	649	1,948	6,072	5,988	169	507	6,241	6,495	6,890	8,443
Telephone	13,300	11,568	1,457	1,268	3,462	3,011	4,919	4,279	18,219	15,847
Travel and entertainment	15,319	74,825	5,017	3,427	3,738	24,843	8,755	28,270	24,074	103,095
Operational and processing fees	26,081	25,043	13,679	13,344	17,304	29,713	30,983	43,057	57,064	68,100
Volunteer expenses	1,645	9,621							1,645	9,621
Bad debt expense	3,750								3,750	
Depreciation and amortization	7,071	3,986	399	437	947	1,037	1,346	1,474	8,417	5,460
Total expenses	\$ 2,091,342	\$ 1,811,236	\$ 248,835	\$ 245,876	\$ 436,462	\$ 418,545	\$ 685,297	\$ 664,421	\$ 2,776,639	\$ 2,475,657

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

MUSICIANS ON CALL INC.
NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

1. Nature of the Organization

Since 1999, Musicians On Call Inc. (the Organization) has delivered live and recorded music to patients, families, and caregivers in healthcare facilities across the United States.

The Organization's Bedside Performance Program brings Volunteer Musicians escorted by Volunteer Guides to hospitals to play live music at the bedsides of patients. This program was temporarily suspended in March 2020 and will resume once COVID restrictions have been lifted. The Organization's Virtual Bedside Performance Program brings music directly to patients, homebound seniors, hospital staff, and those in need of remote, live music. By utilizing video conferencing technology, Volunteer Guides host a 30-60 minute live session with performances from a Volunteer Musician. As the nation's leading provider of live music in hospitals, the Organization's Bedside Performance Program and Virtual Program have reached more than 900,000 individuals in healthcare facilities nationwide.

The Organization also serves patients and caregivers through its Music Pharmacy program, which provides healthcare facilities with tablets, streaming music service subscriptions, custom curated playlists, and top-of-the-line headphones for patient use.

The Organization is supported primarily by contributions, grants, and special events.

2. Summary of significant accounting policies

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.

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.

MUSICIANS ON CALL INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

2. Summary of significant accounting policies (continued)

Cash

Cash consists of demand deposit accounts. 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 are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the balance sheet. The Organization invests in various types of investments securities. 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 market's fluctuations, and that such changes could materially affect the amounts reported in the Organization's financial statements. Unrealized gains and losses are included in the changes in net assets without donor restrictions for the gains and losses that are unrestricted, and in the changes in with donor restricted net assets for the gains and losses that are restricted for the support of certain Organization programs. Investment fees are netted against the investment return.

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.

MUSICIANS ON CALL INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

2. Summary of significant accounting policies (continued)

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.

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, 2020 and 2019, the Organization determined that an allowance was not necessary.

Inventory

Inventory consists of contributed tablets, headphones, streaming subscriptions, and merchandise. Contributed items are stated at fair value at the time of the donation. Merchandise that is purchased is recorded at the lower of cost on a first-in, first-out basis or a net realizable value.

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 \$2,500 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.

Software development

Software development costs are amortized over five years, its estimated useful life. Amortization is computed using the straight-line method. The software was put in service in November 2020. As of the year ended December 31, 2020 and 2019, amortization expenses were in the amount of \$3,433 and \$0, respectively. Estimated amortization expense for each of the next five years ending December 31 is as follows: 2021 - \$20,600; 2022 - \$20,600; 2023 - \$20,600; 2024 - 20,600; and, 2025 - \$17,167.

MUSICIANS ON CALL INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

2. Summary of significant accounting policies (continued)

Revenue and revenue recognition

The Organization recognizes contributions and foundations and corporate grants when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Contributions 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. 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 statements of activities as net assets released from restrictions. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met.

A portion of the Organization's revenue is derived from a cost-reimbursable pass-through federal grant, which is conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received on cost reimbursement grants, prior to incurring qualifying expenditures, are reported as refundable advances in the balance sheet. Under the terms of funding agreements with various governmental agencies, all reported expenditures are subject to audit and acceptance by the funding agencies. In the opinion of management, adjustments, if any, resulting from future audits, should not have a material effect on the Organization's financial position or changes in its net assets.

Sponsorship contract revenue is recorded based on the provisions of the signed contract and during the year in which the related services are provided. The performance obligation or delivering services is simultaneously received and consumed by the sponsor. Therefore, revenue is recognized when the terms of the sponsorship agreement are satisfied.

The Organization recognizes revenue from special events when the events take place. Amounts received prior to the commencement of the event, including deposits, are deferred to the applicable period.

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, goods, legal services, and musician services, which were valued at \$971,538 and \$1,677,454 during the years ended December 31, 2020 and 2019, respectively. These amounts have been reported as both in-kind contribution revenue and expense on the 2020 and 2019 statement of activities (see Note 12).

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

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.

MUSICIANS ON CALL INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

2. Summary of significant accounting policies (continued)

Music Pharmacy Program

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

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 2019 financial statements have been reclassified to conform to the 2020 presentation.

3. Risks and uncertainties

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash, investments, accounts receivable, and contributions and grants 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 receivable is limited due to the short payments terms the Organization has with its creditors. Concentrations of credit risk with respect to the contributions and grants receivable are limited due to the fact they are from various contributors, private foundations, and a government agency. The Organization has not experienced, nor does it anticipate, any losses with respect to such accounts.

Pandemic

In the first quarter of 2020, the outbreak of a novel strain of coronavirus, COVID-19, was declared a pandemic. The Pandemic did not have an impact on the Organization until mid-March 2020. The Pandemic's impact was largely limited to canceling certain 2020 special events. As of the issuance date of these financial statements, there have been no significant programmatic slowdowns since the Organization has been able to provide its services virtually.

Due to the fluidity of the Pandemic, uncertainties as to its scope and duration, and ongoing changes in the way that governments, businesses and individuals react and respond to the Pandemic, management is unable at this time to predict the Pandemic's future impact on the Organization.

MUSICIANS ON CALL INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

4. Availability and liquidity

The following represents the Organization's financial assets at December 31, 2020:

Financial assets at year end

Cash and cash equivalents	\$ 797,916
Investments	502,277
Accounts receivable	36,805
Contributions receivable - one year or less	<u>736,914</u>
 Total financial assets	 <u>2,073,912</u>

Less amounts not available to be used within one year:

Net assets with donor restrictions	673,373
Less net assets with purpose restrictions to be met in less than a year	(156,431)
Funds functioning as endowment established by the board	<u>69,259</u>
	<u>586,201</u>
 Financial assets available to meet cash needs for general expenditures within one year	 <u>\$ 1,487,711</u>

The Organization's goal is generally to maintain financial assets to meet 90 days of operating expenses (net of in-kind), approximately \$450,000. As part of its liquidity plan, excess cash is invested in short-term investments, including money market accounts. In addition to these available financial assets, a significant portion of the Organization's annual expenditures will be funded by current year operating revenues including contributions and foundation and corporate grants.

There is also 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.

5. Investments

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

	2020		2019	
	Cost	Fair value	Cost	Fair value
Cash and money market	\$ 309,539	\$ 309,539	\$ 296,565	\$ 296,565
Mutual funds	<u>167,900</u>	<u>192,738</u>	<u>167,959</u>	<u>182,674</u>
 Total investments	 <u>\$ 477,438</u>	 <u>\$ 502,277</u>	 <u>\$ 464,524</u>	 <u>\$ 479,239</u>

MUSICIANS ON CALL INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

5. Investments (continued)

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

	2020	2019
Investments:		
Dividends and interest	\$ 12,395	\$ 17,288
Realized and unrealized gain	15,416	23,910
	\$ 27,811	\$ 41,198

6. Fair value measurement

The classification of the Organization's investment securities at fair value are as follows at December 31, 2020:

	Level 1	Level 2	Level 3	Total
Cash and money market	\$ 309,539	\$	\$	\$ 309,539
Mutual funds	192,738			192,738
	\$ 502,277	\$	\$	\$ 502,277

The classification of the Organization's investment securities at fair value are as follows at December 31, 2019:

	Level 1	Level 2	Level 3	Total
Cash and money market	\$ 296,565	\$	\$	\$ 296,565
Mutual funds	182,674			182,674
	\$ 479,239	\$	\$	\$ 479,239

7. Contributions and grants receivable

Contributions and grants 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 .36% in 2020 and 1.69% in 2019.

The contributions receivable consist of the following at December 31:

	2020	2019
One year or less	\$ 736,914	\$ 271,452
Two to five years	55,000	83,750
	791,914	355,202
Less discount on contributions receivable	394	2,761
	\$ 791,520	\$ 352,441

MUSICIANS ON CALL INC.
NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

8. Property and equipment

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

	2020	2019
Website	\$	\$ 77,062
Furniture and equipment	75,407	77,676
Leasehold improvements		10,901
	75,407	165,639
Less accumulated depreciation	65,302	150,550
	\$ 10,105	\$ 15,089

Depreciation expense for the years ended December 31, 2020 and 2019 was \$4,983 and \$5,460, respectively.

9. Refundable advance – Paycheck Protection Program

In April, 2020, the Organization was granted a loan in the amount of \$241,089 pursuant to the Paycheck Protection Program (the PPP). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and related interest are forgivable as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels.

The Organization has determined the PPP to be a conditional contribution and as such it has recorded the proceeds of the loan as a refundable advance as has not included it in revenues as of December 31, 2020. The Organization will not recognize income until all conditions are met and the loan is fully forgiven by the Small Business Administration. At the time of the issuance of this report, the Organization has not yet filed for forgiveness with the Small Business Administration. However, management believes that they will meet the requirements for full forgiveness of the PPP loan.

10. 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, 2021.

Rent expenses (including electricity and taxes) related to the Organization’s office facilities, for the years ended December 31, 2020 and 2019 were \$85,914 and \$84,483, respectively.

Future minimum commitments due under these leases are as follows:

Year ending December 31:	
2021	\$ 72,228
	\$ 72,228

MUSICIANS ON CALL INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

11. Special events

The Organization sponsored several events during the years ended December 31, 2020 and 2019 to raise additional funds for its charitable activities. The events and the net income derived are as follows:

	2020		
	<u>Income</u>	<u>Expenses</u>	<u>Net</u>
Other special events	\$ 205,091	\$ 40,644	\$ 164,447
	<u>\$ 205,091</u>	<u>\$ 40,644</u>	<u>\$ 164,447</u>
	2019		
	<u>Income</u>	<u>Expenses</u>	<u>Net</u>
New York Event	\$ 508,614	\$ 127,869	\$ 380,745
Nashville Event	1,384,483	1,129,121	255,362
San Jose Event	15,969	8,726	7,243
Other special events	<u>326,220</u>	<u>35,159</u>	<u>291,061</u>
	<u>\$ 2,235,286</u>	<u>\$ 1,300,875</u>	<u>\$ 934,411</u>

12. In-kind contributions

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

	<u>2020</u>	<u>2019</u>
Professional services	\$ 222,161	\$ 1,594,054
Airfare	4,000	40,000
Tablets	13,500	
Music subscriptions	162,000	
Headphones	80,987	
Guitars	23,890	
Crocs	465,000	
Other items		43,400
	<u>\$ 971,538</u>	<u>\$ 1,677,454</u>

Of the amounts listed above, the Organization reported \$947,648 and \$614,532, as in-kind contributions on the statement of activities during the years ended December 31, 2020 and 2019 respectively. In addition, the Organization reported \$23,890 and \$1,062,922, of in-kind contributions as part of special events on the statement of activities, during the years ended December 31, 2020 and 2019, respectively.

MUSICIANS ON CALL INC.
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13. Net assets

Net assets were as follows for the years ended December 31, 2020 and 2019:

	2020			2019		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Undesignated Funds functioning as endowment	\$ 1,285,539	\$	\$ 1,285,539	\$ 1,046,825	\$	\$ 1,046,825
	69,259		69,259	69,075		69,075
Specific purpose:						
Performances for specific facilities or locations		128,356	128,356	225,072		225,072
Expansion of program to three healthcare facilities in New Orleans		20,000	20,000	20,000		20,000
To operate programs in Las Vegas area		15,000	15,000	30,000		30,000
Unappropriated endowment earnings-to support programs		17,743	17,743	13,220		13,220
Music Pharmacy program		50,000	50,000			
Programs for those living with Dementia		5,000	5,000			
Virtual programs		22,681	22,681			
To promote the growth and development of MOConnect		260,343	260,343			
Passage of time:						
For periods after December 31		54,250	54,250	69,250		69,250
Term endowment		100,000	100,000	100,000		100,000
Total net assets	<u>\$ 1,354,798</u>	<u>\$ 673,373</u>	<u>\$ 2,028,171</u>	<u>\$ 1,115,900</u>	<u>\$ 457,542</u>	<u>\$ 1,573,442</u>

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13. Net assets (continued)

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

	2020	2019
Satisfaction of purpose restrictions		
Performances for specific facilities or locations	\$ 216,678	\$ 327,051
Expansion of program to 3 healthcare facilities in New Orleans		40,000
To operate programs in Las Vegas area	15,000	45,875
Veteran's event		10,000
Music Pharmacy program	25,000	
COVID-19 relief and response	312,536	
To promote the growth and development of MOConnect	3,056	
Virtual programs	526,400	
Corporate conference	36,500	
Product collaboration release campaign	20,000	
Passage of time	98,500	56,000
	\$ 1,253,670	\$ 478,926

14. Endowments

Funds functioning as endowment

As of December 31, 2020, and 2019, the Board of Directors has designated \$69,259 and \$69,075, 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.

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NOTES TO FINANCIAL STATEMENTS

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14. Endowments (continued)

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.

Changes in endowment net assets for the year ended December 31, 2020 are as follows:

	Without donor restrictions Funds functioning as endowment	With donor restrictions			Total endowment
		Term endowment			
		Appreciation	Historical gift value	Total	
Endowment net assets, beginning of year	\$ 69,075	\$ 13,220	\$ 100,000	\$ 113,220	\$ 182,295
Interest income	184	4,523		4,523	4,707
Endowment net assets, end of year	<u>\$ 69,259</u>	<u>\$ 17,743</u>	<u>\$ 100,000</u>	<u>\$ 117,743</u>	<u>\$ 187,002</u>

Changes in endowment net assets for the year ended December 31, 2019 are as follows:

	Without donor restrictions Funds functioning as endowment	With donor restrictions			Total endowment
		Term endowment			
		Appreciation	Historical gift value	Total	
Endowment net assets, beginning of year	\$ 67,963	\$ 8,871	\$ 100,000	\$ 108,871	\$ 176,834
Interest income	1,112	4,349		4,349	5,461
Endowment net assets, end of year	<u>\$ 69,075</u>	<u>\$ 13,220</u>	<u>\$ 100,000</u>	<u>\$ 113,220</u>	<u>\$ 182,295</u>

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15. Major sources of support

For the year ended December 31, 2020, one donor provided an in-kind contribution that accounted for approximately 14% of total support and revenues.

16. Subsequent events

The Organization has evaluated subsequent events through June 14, 2021, which is the date the financial statements were available to be issued. The Organization is not aware of any material subsequent events, except for the following:

In February 2021, the Organization was granted a loan in the amount of \$276,710 pursuant to the Paycheck Protection Program under the CARES Act. Under the terms of this loan, loans could be fully forgiven when used for payroll costs, interest on mortgages, rent and utilities. The Organization intends to use the entire loan amount for qualifying expenses.