



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

***YEARS ENDED DECEMBER 31, 2019 AND 2018***

## CONTENTS

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements:	
Balance Sheets	2
Statements of Activities	3
Statements of Cash Flows	4
Statements of Functional Expenses	5
Notes to Financial Statements	6 - 17

## 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, 2019 and 2018, 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, 2019 and 2018, 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.

### ***Emphasis of Matters***

As discussed in Note 2 to the financial statements, in 2019 the Organization adopted Accounting Standards Update (ASU) No. 2018-08 Not for Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958); and, No. 2014-09 Revenue from Contracts with Customers (Topic 606). Our opinion is not modified with respect to these matters.

*Dorfman Abrams Music, LLC*

Saddle Brook, New Jersey

June 30, 2020

MUSICIANS ON CALL INC.

BALANCE SHEETS

ASSETS

	December 31,	
	<u>2019</u>	<u>2018</u>
Cash (Note 2)	\$ 624,307	\$ 371,063
Investments (Notes 2, 5 and 6)	479,239	438,072
Accounts receivable (Note 2)	112,103	42,655
Contributions receivable (Notes 2 and 7)	352,441	402,505
Prepaid expenses and other assets	38,999	35,796
Inventory (Note 2)	68,799	43,747
Property and equipment, net (Notes 2 and 8)	15,089	11,371
Software development (Note 2)	15,000	
	<u>1,705,977</u>	<u>1,345,209</u>
Total assets	<u>\$ 1,705,977</u>	<u>\$ 1,345,209</u>

LIABILITIES AND NET ASSETS

Liabilities:		
Accounts payable and accrued expenses	\$ 132,535	\$ 60,151
	<u>132,535</u>	<u>60,151</u>
Net assets (Notes 2, 12 and 13):		
Without donor restrictions	1,115,900	838,607
With donor restrictions	457,542	446,451
	<u>1,573,442</u>	<u>1,285,058</u>
Total net assets	<u>1,573,442</u>	<u>1,285,058</u>
Total liabilities and net assets	<u>\$ 1,705,977</u>	<u>\$ 1,345,209</u>

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

MUSICIANS ON CALL INC.

STATEMENTS OF ACTIVITIES

	Year ended December 31, 2019			Year ended December 31, 2018		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Operating activities:						
Revenues and other support:						
Contributions (Note 2)	\$ 613,343	\$ 327,818	\$ 941,161	\$ 310,266	\$ 465,849	\$ 776,115
In-kind contributions (Notes 2 and 11)	614,532		614,532	472,851		472,851
Foundation and corporate grants (Note 2)	63,000	122,850	185,850	257,020		257,020
Sponsorship contract (Note 2)	35,000		35,000	65,000		65,000
Special events (Note 10)	899,411	35,000	934,411	635,566		635,566
Interest and dividends (Note 5)	12,939	4,349	17,288	17,337	4,187	21,524
Miscellaneous revenue	11,889		11,889	1,113		1,113
Total support	<u>2,250,114</u>	<u>490,017</u>	<u>2,740,131</u>	<u>1,759,153</u>	<u>470,036</u>	<u>2,229,189</u>
Net assets released from restrictions	<u>478,926</u>	<u>(478,926)</u>		<u>242,583</u>	<u>(242,583)</u>	
Total support and revenues	<u>2,729,040</u>	<u>11,091</u>	<u>2,740,131</u>	<u>2,001,736</u>	<u>227,453</u>	<u>2,229,189</u>
Expenses:						
Program services - Facility Bedside Performances	<u>1,811,236</u>		<u>1,811,236</u>	<u>1,568,525</u>		<u>1,568,525</u>
Supporting services:						
Management and general	245,876		245,876	222,190		222,190
Fundraising	418,545		418,545	353,127		353,127
Total supporting expenses	<u>664,421</u>		<u>664,421</u>	<u>575,317</u>		<u>575,317</u>
Total expenses	<u>2,475,657</u>		<u>2,475,657</u>	<u>2,143,842</u>		<u>2,143,842</u>
Change in net assets from operations	253,383	11,091	264,474	(142,106)	227,453	85,347
Nonoperating activities:						
Realized and unrealized gains and (losses) on investments (Note 5)	<u>23,910</u>		<u>23,910</u>	<u>(24,860)</u>		<u>(24,860)</u>
Total nonoperating activities	<u>23,910</u>		<u>23,910</u>	<u>(24,860)</u>		<u>(24,860)</u>
Change in net assets	277,293	11,091	288,384	(166,966)	227,453	60,487
Net assets, beginning of year	<u>838,607</u>	<u>446,451</u>	<u>1,285,058</u>	<u>1,005,573</u>	<u>218,998</u>	<u>1,224,571</u>
Net assets, end of year (Note 12)	<u>\$ 1,115,900</u>	<u>\$ 457,542</u>	<u>\$ 1,573,442</u>	<u>\$ 838,607</u>	<u>\$ 446,451</u>	<u>\$ 1,285,058</u>

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

MUSICIANS ON CALL INC.  
STATEMENTS OF CASH FLOWS

	Year ended December 31,	
	2019	2018
Cash flows from operating activities:		
Change in net assets	\$ 288,384	\$ 60,487
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	5,460	4,909
Realized and unrealized (gain) loss on investments	(23,910)	24,860
Donated stock	(30,501)	(2,082)
Discount on contributions receivable	(2,701)	3,526
(Increase) decrease in assets:		
Accounts receivable	(69,448)	(13,449)
Contributions receivable	52,765	(74,963)
Prepaid expenses and other assets	(3,203)	4,400
Inventory	(25,052)	36,269
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	72,384	(3,699)
Deferred revenue		(35,000)
Net cash provided by operating activities	264,178	5,258
Cash flows from investing activities:		
Purchase of investments	(17,289)	(21,525)
Proceeds from sale of investments	30,533	1,998
Purchase of software	(15,000)	
Purchase of fixed assets	(9,178)	(4,250)
Net cash used by investing activities	(10,934)	(23,777)
Net increase (decrease) in cash	253,244	(18,519)
Cash, beginning of year	371,063	389,582
Cash, end of year	\$ 624,307	\$ 371,063

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

MUSICIANS ON CALL INC.

STATEMENTS OF FUNCTIONAL EXPENSES

Years Ended December 31, 2019 and 2018

	Program services		Supporting services						Total program and and supporting services	
	Facility Bedside Performances		Management and general		Fundraising		Total		2019	2018
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Salaries	\$ 854,738	\$ 703,246	\$ 93,670	\$ 77,068	\$ 222,466	\$ 183,037	\$ 316,136	\$ 260,105	\$ 1,170,874	\$ 963,351
Payroll taxes	71,455	57,938	7,831	6,350	18,598	15,080	26,429	21,430	97,884	79,368
Employee benefits	107,745	81,557	11,808	8,938	28,043	21,227	39,851	30,165	147,596	111,722
<b>Total personnel costs</b>	<b>1,033,938</b>	<b>842,741</b>	<b>113,309</b>	<b>92,356</b>	<b>269,107</b>	<b>219,344</b>	<b>382,416</b>	<b>311,700</b>	<b>1,416,354</b>	<b>1,154,441</b>
Music Pharmacy	19,591	56,333							19,591	56,333
Donated professional services (Notes 2 and 11)	493,085	428,443	46,663	25,285			46,663	25,285	539,748	453,728
Professional fees	18,284	17,119	48,285	45,149	51,994	33,605	100,279	78,754	118,563	95,873
Marketing	26,439	7,801	4,390	2,977	17,420	43,009	21,810	45,986	48,249	53,787
Occupancy (Note 9)	61,672	59,557	6,759	6,527	16,052	15,501	22,811	22,028	84,483	81,585
Office expenses and miscellaneous	31,236	18,103	2,006	13,177	4,861	3,200	6,867	16,377	38,103	34,480
Insurance	1,948	1,948	5,988	5,743	507	507	6,495	6,250	8,443	8,198
Telephone	11,568	9,923	1,268	1,087	3,011	2,583	4,279	3,670	15,847	13,593
Travel and entertainment	74,825	84,499	3,427	15,519	24,843	2,138	28,270	17,657	103,095	102,156
Operational and processing fees	25,043	23,443	13,344	14,370	29,713	31,767	43,057	46,137	68,100	69,580
Volunteer expenses	9,621	15,179							9,621	15,179
Depreciation and amortization	3,986	3,436	437		1,037	1,473	1,474	1,473	5,460	4,909
<b>Total expenses</b>	<b>\$ 1,811,236</b>	<b>\$ 1,568,525</b>	<b>\$ 245,876</b>	<b>\$ 222,190</b>	<b>\$ 418,545</b>	<b>\$ 353,127</b>	<b>\$ 664,421</b>	<b>\$ 575,317</b>	<b>\$ 2,475,657</b>	<b>\$ 2,143,842</b>

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

MUSICIANS ON CALL INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

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 healthcare 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, Nevada, Ohio, Wisconsin, Missouri, and North Carolina.

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.

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.



MUSICIANS ON CALL INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

2. Summary of significant accounting policies (continued)

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.

Accounts receivable

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

MUSICIANS ON CALL INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

2. Summary of significant accounting policies (continued)

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, 2019 and 2018, the Organization determined that an allowance was not necessary.

Inventory

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

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 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 consists of software development costs relating to a new platform that uses an app to facilitate the relationship between healthcare facilities and trained volunteer musicians. This platform is expected to be completed in 2021, and, therefore, no amortization has been recorded for 2019.

MUSICIANS ON CALL INC.  
NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

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.

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 takes place. Amounts received prior to the commencement of the event, including deposits, are deferred to the applicable period.

The Organization has adopted Accounting Standards Update (ASU) No. 2018-08 Not for Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958-605); and, No. 2014-09 Revenue from Contracts with Customers (Topic 606) as management believes the standards improve the usefulness and understandability of the Organization's financial reporting.

Analysis of various provisions of these standards resulted in no significant change in the way the Organization recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a full retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

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 \$1,677,454 and \$492,851 during the years ended December 31, 2019 and 2018, respectively. These amounts have been reported as both in-kind contribution revenue and expense on the 2019 and 2018 statement of activities (see Note 11).

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.

MUSICIANS ON CALL INC.  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2019 and 2018

2. Summary of significant accounting policies (continued)

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.

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 2018 financial statements have been reclassified to conform to the 2019 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 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 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.

The Organization has reviewed its operations in light of the COVID-19 pandemic. Based on that review, it does not anticipate that the COVID-19 pandemic will have a material impact on its operations. However, events surrounding the Federal and State responses to the COVID-19 virus, and changes to those responses could change that analysis, and that change could be material.

MUSICIANS ON CALL INC.  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2019 and 2018

4. Availability and liquidity

The following represents the Organization's financial assets at December 31, 2019:

Financial assets at year end

Cash and cash equivalents	\$ 624,307
Investments	479,239
Accounts receivable	112,103
Contributions receivable - one year or less	<u>271,452</u>
 Total financial assets	 <u>1,487,101</u>

Less amounts not available to be used within one year:

Net assets with donor restrictions	457,542
Less net assets with purpose restrictions to be met in less than a year	(257,583)
Funds functioning as endowment established by the board	<u>69,075</u>
	<u>269,034</u>
 Financial assets available to meet cash needs for general expenditures within one year	 <u>\$ 1,218,067</u>

The Organization's goal is generally to maintain financial assets to meet 90 days of operating expenses (net of in-kind), approximately \$465,000. As part of its liquidity plan, excess cash is invested in short-term investments, including money market accounts and certificates of deposit. In addition 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:

	2019		2018	
	Cost	Fair value	Cost	Fair value
Cash and money market	\$ 296,565	\$ 296,565	\$ 279,277	\$ 279,277
Mutual funds	<u>167,959</u>	<u>182,674</u>	<u>167,993</u>	<u>158,795</u>
 Total investments	 <u>\$ 464,524</u>	 <u>\$ 479,239</u>	 <u>\$ 447,270</u>	 <u>\$ 438,072</u>

MUSICIANS ON CALL INC.  
NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

5. Investments (continued)

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

	2019	2018
Investments:		
Dividends and interest	\$ 17,288	\$ 21,524
Realized and unrealized gain (loss)	23,910	(24,860)
	\$ 41,198	\$ (3,336)

6. Fair value measurement

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

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
	\$ 438,072	\$	\$	\$ 438,072

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 1.69% in 2019 and 2.51% in 2018.

The contributions receivable consist of the following at December 31:

	2019	2018
One year or less	\$ 271,452	\$ 300,467
Two to five years	83,750	107,500
	355,202	407,967
Less discount on contributions receivable	2,761	5,462
	\$ 352,441	\$ 402,505

MUSICIANS ON CALL INC.  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2019 and 2018

8. Property and equipment

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

	2019	2018
Website	\$ 77,062	\$ 77,062
Furniture and equipment	77,676	68,498
Leasehold improvements	10,901	10,901
	165,639	156,461
Less accumulated depreciation	150,550	145,090
	\$ 15,089	\$ 11,371

Depreciation expense for the years ended December 31, 2019 and 2018 was \$5,460 and \$4,909, respectively.

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, 2021.

Rent expenses (including electricity and taxes) related to the Organization's office facilities, for the years ended December 31, 2019 and 2018 were \$84,483 and \$81,585, respectively.

Future minimum commitments due under these leases are as follows:

Year ending December 31:		
2020	\$ 76,975	
2021	72,228	
	\$ 149,203	

MUSICIANS ON CALL INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

10. Special events

The Organization sponsored several events during the years ended December 31, 2019 and 2018 to raise additional funds for its charitable activities. The events and the net income derived are as follows:

	2019		
	Income	Expenses	Net
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>
	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>

11. In-kind contributions

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

	2019	2018
Professional services	\$ 1,594,054	\$ 453,728
Airfare	40,000	30,000
Other items	<u>43,400</u>	<u>9,123</u>
	<u>\$ 1,677,454</u>	<u>\$ 492,851</u>

Out of the amounts listed above, the Organization reported \$614,532 and \$472,851, as in-kind contributions on the statement of activities during the years ended December 31, 2019 and 2018 respectively. In addition, the Organization reported \$1,062,922 and \$20,000, of in-kind contributions as part of special events on the statement of activities, during the years ended December 31, 2019 and 2018, respectively.



MUSICIANS ON CALL INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

12. Net assets

Net assets were as follows for the years ended December 31, 2019 and 2018:

	2019			2018		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Undesignated Funds functioning as endowment	\$1,046,825	\$	\$1,046,825	\$ 770,644	\$	\$ 770,644
	69,075		69,075	67,963		67,963
Specific purpose:						
Bedside performance at specific facilities		225,072	225,072		197,374	197,374
Expansion of program to three healthcare facilities in New Orleans		20,000	20,000		39,032	39,032
To operate programs in Las Vegas area		30,000	30,000		74,424	74,424
Unappropriated endowment earnings-to support programs		13,220	13,220		8,871	8,871
Passage of time:						
For periods after December 31		69,250	69,250		26,750	26,750
Term endowment		100,000	100,000		100,000	100,000
Total net assets	<u>\$1,115,900</u>	<u>\$ 457,542</u>	<u>\$1,573,442</u>	<u>\$ 838,607</u>	<u>\$ 446,451</u>	<u>\$1,285,058</u>

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

	2019	2018
Satisfaction of purpose restrictions		
Bedside performances at specific facilities	\$ 327,051	\$ 105,833
Expansion of program to 3 healthcare facilities in New Orleans	40,000	35,000
To operate programs in Las Vegas area	45,875	75,000
Veteran's event	10,000	
Passage of time	56,000	26,750
	<u>\$ 478,926</u>	<u>\$ 242,583</u>

MUSICIANS ON CALL INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

13. Endowments

Funds functioning as endowment

As of December 31, 2019, and 2018, the Board of Directors has designated \$69,075 and \$67,963, 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.

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>

MUSICIANS ON CALL INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

13. Endowments (continued)

Changes in endowment net assets for the year ended December 31, 2018 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	\$ 67,298	\$ 4,684	\$ 100,000	\$ 104,684	\$ 171,982
Interest income	665	4,187		4,187	4,852
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>

14. Subsequent events

The Organization has evaluated subsequent events through June 30, 2020, 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 April 2020, the Organization was granted a loan in the amount of \$241,089 pursuant to the Paycheck Protection Program under the CARES Act. Under the terms of this loan, the loan 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.