

Musicians On Call Inc.

Financial Statements
For the Years Ended December 31, 2023 and 2022

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Independent Auditor's Report

Board of Directors
Musicians On Call Inc.

Opinion

We have audited the financial statements of Musicians On Call Inc. (the Organization), which comprise the statements of financial position as of December 31, 2023, and 2022, the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2023, and 2022, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Blankenship CPA Group, PLLC

Blankenship CPA Group, PLLC
Brentwood, Tennessee
August 26, 2024

Musicians On Call Inc.
Statements of Financial Position
December 31, 2023 and 2022

	2023	2022
Assets		
Current assets		
Cash	\$ 342,064	\$ 623,950
Investments	521,829	490,261
Pledges receivable, current portion	649,273	667,489
Other receivables	276,119	284,040
Inventory	106,523	145,576
Prepaid expenses and other assets	47,706	43,507
Total current assets	<u>1,943,514</u>	<u>2,254,823</u>
Investments	-	127,364
Operating lease right-of-use assets	294,415	380,161
Pledges receivable, net of current portion	347,778	391,856
Property and equipment, net	21,539	27,376
Intangibles, net	744,066	573,473
Total assets	\$ 3,351,312	\$ 3,755,053
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued expenses	\$ 187,433	\$ 169,237
Deferred revenue	-	173,311
Line of credit	350,000	-
Operating lease liabilities, current portion	86,105	89,771
Total current liabilities	<u>623,538</u>	<u>432,319</u>
Long-term liabilities		
Revocable split-interest agreement	100,000	100,000
Operating lease liabilities, net of current portion	214,233	293,332
Total liabilities	<u>937,771</u>	<u>825,651</u>
Net assets		
Without donor restrictions	1,424,177	1,777,054
With donor restrictions	989,364	1,152,348
Total net assets	<u>2,413,541</u>	<u>2,929,402</u>
Total liabilities and net assets	\$ 3,351,312	\$ 3,755,053

Musicians On Call Inc.
Statement of Activities
For the Year Ended December 31, 2023

	Without donor restrictions	With donor restrictions	Total
Support and Revenues			
Contributions of cash and other financial assets			
General contributions	\$ 832,007	\$ 1,525,969	\$ 2,357,976
Foundation and corporate grants	8,750	116,250	125,000
Government grants	33,250	-	33,250
Contributions of nonfinancial assets			
Special event performances	915,000	-	915,000
Other	4,460,442	-	4,460,442
Special events, net of direct benefit to donors of \$97,933	348,029	-	348,029
Investment income	38,390	-	38,390
Other revenue	5,102	-	5,102
Net assets released from restrictions	<u>1,805,203</u>	<u>(1,805,203)</u>	<u>-</u>
Total support and revenues	8,446,173	(162,984)	8,283,189
Expenses			
Program services	6,156,247	-	6,156,247
Management and general	459,337	-	459,337
Fundraising	<u>2,183,466</u>	<u>-</u>	<u>2,183,466</u>
Total expenses	8,799,050	-	8,799,050
Change in net assets	(352,877)	(162,984)	(515,861)
Net assets, beginning of year	<u>1,777,054</u>	<u>1,152,348</u>	<u>2,929,402</u>
Net assets, end of year	\$ 1,424,177	\$ 989,364	\$ 2,413,541

Musicians On Call Inc.
Statement of Activities
For the Year Ended December 31, 2022

	Without donor restrictions	With donor restrictions	Total
Support and Revenues			
Contributions of cash and other financial assets			
General contributions	\$ 764,609	\$ 1,457,258	\$ 2,221,867
Foundation and corporate grants	118,500	99,600	218,100
Government grants	276,710	-	276,710
Contributions of nonfinancial assets			
Special event performances	2,961,250	-	2,961,250
Other	407,141	-	407,141
Special events	107,652	-	107,652
Investment income (loss)	(18,587)	4,892	(13,695)
Other revenue	24,713	-	24,713
Net assets released from restrictions	<u>1,340,883</u>	<u>(1,340,883)</u>	<u>-</u>
Total support and revenues	5,982,871	220,867	6,203,738
Expenses			
Program services	5,042,180	-	5,042,180
Management and general	699,146	-	699,146
Fundraising	<u>482,103</u>	<u>-</u>	<u>482,103</u>
Total expenses	6,223,429	-	6,223,429
Change in net assets	(240,558)	220,867	(19,691)
Net assets, beginning of year	<u>2,017,612</u>	<u>931,481</u>	<u>2,949,093</u>
Net assets, end of year	\$ 1,777,054	\$ 1,152,348	\$ 2,929,402

Musicians On Call Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2023

	Program services	Management and general	Fundraising	Total
Salaries and benefits	\$ 1,235,312	\$ 129,063	\$ 479,375	\$ 1,843,750
Payroll taxes	96,248	10,056	37,350	143,654
Employee benefits	166,816	17,428	64,734	248,978
Total personnel costs	<u>1,498,376</u>	<u>156,547</u>	<u>581,459</u>	<u>2,236,382</u>
Technology	131,505	13,193	52,145	196,843
Donated professional and other services	866,184	188,329	-	1,054,513
Donated goods	41,860	-	-	41,860
Professional fees	22,864	42,896	28,190	93,950
Marketing	33,214	-	175,410	208,624
Occupancy	85,487	8,888	33,014	127,389
Office supplies and miscellaneous	63,178	13,518	28,130	104,826
Insurance	1,799	6,992	698	9,489
Special performances	3,111,068	-	-	3,111,068
Special events	-	-	307,391	307,391
Donated special events (note 10)	-	-	915,000	915,000
Telephone	11,700	1,222	4,540	17,462
Travel and entertainment	54,565	653	18,118	73,336
Operational and processing fees	35,689	13,580	37,853	87,122
Volunteer expenses	14,692	-	-	14,692
Interest	-	13,110	-	13,110
Depreciation and amortization	184,066	409	1,518	185,993
	<u>\$ 6,156,247</u>	<u>\$ 459,337</u>	<u>\$ 2,183,466</u>	<u>\$ 8,799,050</u>

Musicians On Call Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2022

	Program services	Management and general	Fundraising	Total
Salaries and benefits	\$ 1,139,482	\$ 337,468	\$ 150,184	\$ 1,627,134
Payroll taxes	88,434	26,190	11,656	126,280
Employee benefits	<u>154,115</u>	<u>45,643</u>	<u>20,312</u>	<u>220,070</u>
Total personnel costs	1,382,031	409,301	182,152	1,973,484
Technology	207,937	2,993	46,490	257,420
Donated professional and other services	101,490	161,680	-	263,170
Donated goods	-	3,480	15,896	19,376
Professional fees	25,017	36,674	103,125	164,816
Marketing	35,407	14,978	10,186	60,571
Occupancy	45,943	13,606	6,055	65,604
Office supplies and miscellaneous	100,053	24,153	25,220	149,426
Insurance	-	4,760	-	4,760
Special performances	2,970,608	-	-	2,970,608
Special events	-	-	50,908	50,908
Telephone	11,073	3,279	1,459	15,811
Travel and entertainment	52,617	6,801	17,843	77,261
Operational and processing fees	33,221	17,025	21,835	72,081
Depreciation and amortization	<u>76,783</u>	<u>416</u>	<u>934</u>	<u>78,133</u>
	\$ 5,042,180	\$ 699,146	\$ 482,103	\$ 6,223,429

Musicians On Call Inc.
Statements of Cash Flows
For the Years Ended December 31, 2023 and 2022

	2023	2022
Cash, beginning of year	\$ 623,950	\$ 1,310,414
Cash flows from operating activities		
Change in net assets	(515,861)	(19,691)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	185,993	78,133
Unrealized (gain) loss on investments	(9,158)	34,382
Contributed stock	(40,136)	(36,245)
Contributed property and equipment	-	(6,750)
Loss on disposal of property and equipment	-	(239)
Noncash lease expense	2,979	2,942
Discount on pledges receivable	(4,672)	26,286
Forgiveness of Paycheck Protection Program	-	(276,710)
Change in:		
Pledges receivable	66,966	(120,863)
Other receivables	7,921	(36,896)
Inventory	39,053	77,861
Prepaid expenses and other assets	(4,199)	(4,972)
Accounts payable and accrued expenses	18,196	(138,894)
Deferred revenue	(173,311)	173,311
Net cash provided (used) by operating activities	<u>(426,229)</u>	<u>(248,345)</u>
Cash flows from financing activities		
Proceeds from draws on line of credit	550,000	-
Payments on line of credit	(200,000)	-
Net cash provided by financing activities	<u>350,000</u>	<u>-</u>
Cash flows from investing activities		
Proceeds from sale of investments	172,625	36,245
Purchase of investments	(27,532)	(20,422)
Purchase of property and equipment	-	(19,326)
Investment in intangible asset	(350,750)	(434,616)
Net cash provided (used) by investing activities	<u>(205,657)</u>	<u>(438,119)</u>
Net change in cash	<u>(281,886)</u>	<u>(686,464)</u>
Cash, end of year	\$ 342,064	\$ 623,950
Supplemental disclosures of cash flow information		
Disposal of fully depreciated assets	\$ -	\$ 46,169
Interest paid	\$ 13,110	\$ -
Operating lease assets obtained in exchange for new lease obligation	\$ -	\$ 436,705
Operating cash outflows - payments on operating leases	\$ 89,500	\$ 87,317

See notes to financial statements

Musicians On Call Inc.
Notes to Financial Statements
For the Years Ended December 31, 2023 and 2022

Note 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 environments across the United States. During the Organization's MOC Bedside program (formerly the Bedside Performance Program), Volunteer Guides and Volunteer Musicians go room to room in hospitals to play live music at the bedsides of patients. The Organization's MOC Virtual program (formerly the Virtual Bedside Performance Program) utilizes video conferencing technology to bring Volunteer performances to those in need of remote, live music through one-on-one intimate performances and hospital-wide concerts. Because of this unique setup, volunteers and those dialing in can be located all over the country, and multiple hospitals can join, enabling the music to reach hundreds of patients at once. As the nation's leading provider of live music in hospitals, the Organization's bedside and virtual programs have reached more than one million individuals in healthcare facilities nationwide. The Organization also serves patients and caregivers through its MOC Streaming program (formerly Music Pharmacy), which provides healthcare facilities with tablets pre-programmed with 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.

Note 2. Summary of Significant Accounting Policies

Basis of Presentation

The financial statements of the Organization have been prepared in accordance with accounting principles accepted in the United States of America (US GAAP), which requires 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 granters. 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.

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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
For the Years Ended December 31, 2023 and 2022

Note 2. Summary of Significant Accounting Policies

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 statements of financial position. The Organization invests in various types of investment 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

US 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 liabilities 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, and 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.

Pledges Receivable

Pledges receivable 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
For the Years Ended December 31, 2023 and 2022

Note 2. Summary of Significant Accounting Policies

Other Receivables

Other receivables consist primarily of amounts not yet received from the employee retention credit. All other receivables are expected to be collected within one year.

Allowance for Credit Losses

The Organization adopted Financial Accounting Standards Board Accounting Standards Codification (ASC) 326, *Financial Instruments-Credit Losses*, as of January 1, 2023, with the cumulative-effect transition method with the required prospective approach. The measurement of expected credit losses under the current expected credit loss (CECL) methodology is applicable to financial assets measured at amortized cost, which include trade receivables, contract assets and non-current receivables. An allowance for credit losses under the CECL methodology is determined using the loss-rate approach and measured on a collective (pool) basis when similar risk characteristics exist. Where financial instruments do not share risk characteristics, they are evaluated on an individual basis. The CECL allowance is based on relevant available information, from internal and external sources, relating to past events, current conditions and reasonable and supportable forecasts. The allowance for credit losses as of December 31, 2023, and change in the allowance for credit losses during the year ended December 31, 2023, was not material to the financial statements.

Prior to adoption of ASC 326, the Organization maintained an allowance for doubtful accounts to reserve for potentially uncollectible receivables. As of December 31, 2022, the allowance for doubtful accounts was not material to the financial statements.

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 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, which is approximately 5 – 7 years for furniture and equipment.

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.

Intangible Assets

Software development costs are amortized over its estimated useful life of five years. Amortization is computed using the straight-line method. The software was placed in service in November 2020. The software is in development to add additional functionality. These improvements are capitalized and amortized under the same policy. For 2023 and 2022, amortization expense was \$180,156 and \$73,630, respectively.

Musicians On Call Inc.
Notes to Financial Statements
For the Years Ended December 31, 2023 and 2022

Note 2. Summary of Significant Accounting Policies

Revenue Recognition

The Organization recognizes contributions and foundation and corporate grants when cash, securities or other assets, an unconditional promise to give, or notifications 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 are 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.

Contributions of Nonfinancial Assets

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.

Many volunteers guides 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 US GAAP.

Functional Allocation of Expenses

The statements of functional expenses present expenses by function and natural classification. Expenses directly attributable to a specific functional area of the Organization are reported on an invoice by invoice basis. A portion of general and administrative costs that benefit multiple functional areas have been allocated among the programs and supporting services as follows:

	Method of allocation
Personnel costs	Time and effort
Occupancy	Time and effort
Office supplies and miscellaneous	Time and effort
Insurance	Time and effort
Telephone	Time and effort
Travel and entertainment	Time and effort
Operational and processing fees	Time and effort
Depreciation	Time and effort

Musicians On Call Inc.
Notes to Financial Statements
For the Years Ended December 31, 2023 and 2022

Note 2. Summary of Significant Accounting Policies MOC Streaming Program

Income Taxes

The Organization is a tax-exempt organization as defined by Section 501 (c)(3) of the Internal Revenue Code (IRC), though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by IRC. 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. The Organization is subject to federal and state tax audits for periods since 2020.

Leases

The Organization determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. A contract is or contains a lease when (i) explicitly or implicitly identified assets have been deployed in the contract and (ii) the customer obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. The Organization also considers whether its service arrangements include the right to control the use of an asset.

The Organization recognizes most leases on its statements of financial position as a right-of-use (ROU) asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis. Leases are classified as either finance leases or operating leases based on certain criteria. Classification of the lease affects the pattern of expense recognition in the statements of activities.

The Organization made an accounting policy election available not to recognize ROU assets and lease liabilities for leases with a term of 12 months or less. For all other leases, ROU assets and lease liabilities are measured based on the present value of future lease payments over the lease term at the commencement date of the lease (or January 1, 2022, for existing leases upon the adoption of ASC Topic 842, *Leases*). The ROU assets also include any initial direct costs incurred and lease payments made at or before the commencement date and are reduced by any lease incentives received.

To determine the present value of lease payments, the Organization made an accounting policy election available to non-public companies to utilize a risk-free borrowing rate, which is aligned with the lease term at the lease commencement date (or remaining term for leases existing upon the adoption of Topic 842).

Future lease payments may include fixed-rent escalation clauses or payments that depend on an index (such as the consumer price index), which is initially measured using the index or rate at lease commencement. Subsequent changes of an index and other periodic market-rate adjustments to base rent are recorded in variable lease expense in the period incurred. Residual value guarantees or payments for terminating the lease are included in the lease payments only when it is probable they will be incurred.

Reclassifications

During 2023, the Organization changed how it values contributions of nonfinancial assets related to special performances by artists. The 2022 financial statements have been updated to reflect this change in estimate.

Musicians On Call Inc.
Notes to Financial Statements
For the Years Ended December 31, 2023 and 2022

Note 3. Risks and Uncertainties

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash, investments, accounts receivable, and pledges and grants receivable. The Organization maintains its cash in bank deposit accounts, the balance, of which, at times, may exceed federally insured limits. As of December 31, 2023, the Organization held a balance with a financial institution that exceeds the federally insured limit by \$59,000. As of December 31, 2022, the Organization held a balance with a financial institution that exceeds the federally insured limit by \$414,000.

Concentrations of credit risk with respect to the pledges receivable are limited due to the fact they are from various contributors and private foundations. The Organization has not experienced, nor does it anticipate, any losses with respect to such accounts. As of December 31, 2023, two donors represented 48% of pledges receivable. As of December 31, 2022, one donor represented 31% of pledges receivable.

Note 4. Liquidity and Availability

The following represents the Organization's financial assets:

	2023	2022
Financial assets		
Cash	\$ 342,064	\$ 623,950
Investments	521,829	617,625
Pledges receivable	997,051	1,059,345
Other receivables	<u>276,119</u>	<u>284,040</u>
Total financial assets at year-end	2,137,063	2,584,960
Less amounts not available to be used within one year		
Net assets with donor restrictions	(989,364)	(1,152,348)
Board designated net assets	(178,770)	(171,112)
Net assets with donor restrictions available within the next year	<u>95,936</u>	<u>251,000</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ 1,064,865	\$ 1,512,500

The Organization's goal is generally to maintain financial assets to meet 90 days of operating expenses (net of in-kind). 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 an 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
For the Years Ended December 31, 2023 and 2022

Note 5. Investments

Investment securities are stated at fair value and summarized as follows at December 31, 2023:

	Cost	Fair Value
Cash and money market	\$ 343,569	\$ 343,569
Mutual funds	<u>167,611</u>	<u>178,260</u>
Total investments	\$ 511,180	\$ 521,829

Investment securities are stated at fair value and summarized as follows at December 31, 2022:

	Cost	Fair Value
Cash and money market	\$ 321,163	\$ 321,163
Loan fund (note 9)	100,000	127,364
Mutual funds	<u>167,849</u>	<u>169,098</u>
Total investments	\$ 589,012	\$ 617,625

The classification of the Organization's investment securities at fair value are as follows at December 31, 2023:

	Level 1	Level 2	Level 3	Total
Cash and money market	\$ 343,569	\$ -	\$ -	\$ 343,569
Mutual funds	<u>178,260</u>	<u>-</u>	<u>-</u>	<u>178,260</u>
	\$ 521,829	\$ -	\$ -	\$ 521,829

The classification of the Organization's investment securities at fair value are as follows at December 31, 2022:

	Level 1	Level 2	Level 3	Total
Cash and money market	\$ 321,163	\$ -	\$ -	\$ 321,163
Loan fund (note 9)	-	127,364	-	127,364
Mutual funds	<u>169,098</u>	<u>-</u>	<u>-</u>	<u>169,098</u>
	\$ 490,261	\$ 127,634	\$ -	\$ 617,625

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Note 6. Pledges Receivable

Pledges receivable that are expected to be collected within one year are recorded at their net realizable value. Pledges 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 3.84% in 2023 and 3.99% in 2022.

The pledges receivable consists of the following:

	2023	2022
One year or less	\$ 649,273	\$ 667,489
Two to five years	<u>375,000</u>	<u>423,750</u>
	1,024,273	1,091,239
Less discount on pledges receivable	<u>(27,222)</u>	<u>(31,894)</u>
	\$ 997,051	\$ 1,059,345

Note 7. Property and Equipment

A summary of property and equipment is as follows:

	2023	2022
Furniture and equipment	\$ 52,518	\$ 52,518
Less: accumulated depreciation	<u>(30,979)</u>	<u>(25,142)</u>
Property and equipment, net	\$ 21,539	\$ 27,376

Depreciation expense for 2023 and 2022 was \$5,837 and \$4,503, respectively.

Note 8. 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 (PPP) and in February 2021, the Organization was granted a Second Draw PPP loan in the amount of \$276,710. 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 determined the PPP to be a conditional contribution and as such, it recorded the proceeds of the loan as a refundable advance and recognized income when all conditions were met and the loan was fully forgiven by the Small Business Administration. The Organization received formal forgiveness of the first PPP loan in July 2021 and recorded it as income for 2021. It received formal forgiveness of the Second Draw PPP loan in January 2022.

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Note 9. Revocable Split-Interest Agreement

In 2012, a donor established a revocable split-interest agreement with the Organization for \$100,000. As part of the agreement, the Organization is to hold the funds for a specified term with options to renew upon mutual agreement. The donor has the right at any time to reassign the principal of the split-interest agreement to any qualified charitable institution without the consent of the Organization. The income earned from the investment of these funds held by the Organization is to be used for program specific purposes. In January 2024, the agreement was renewed for an additional five-year term.

Note 10. Contributions of Nonfinancial Assets

The following represents contributed nonfinancial assets:

	2023	2022
Artist performances		
Special performances	\$ 3,132,630	\$ 2,961,250
Special events	915,000	-
Donated professional services	995,193	358,620
Donated venue space	197,806	-
Travel	48,000	800
Donated goods and other	<u>86,813</u>	<u>47,721</u>
Total	\$ 5,375,442	\$ 3,368,391

Unless otherwise noted, the Organization did not recognize any contributions of nonfinancial assets with donor imposed restrictions.

It is the Organization's policy to sell all contributed merchandise immediately upon receipt at auction or for salvage unless the merchandise is restricted for use in a specific program by the donor. No merchandise received during the period was restricted for use. All merchandise was sold and valued according to the actual cash proceeds upon disposition.

Contributed services recognized comprise professional services from attorneys advising the Organization on various administrative legal matters, live performances by musical artists at special events held by the Organization, and campaign consultant services. Contributed services are valued and are reported at their estimated fair value in the financial statements based on current rates for similar services.

Due to the unique business model of the Organization, the Organization receives a significant amount of donated performances from its volunteer musicians and from the artists that perform at its fundraising events. In 2023, the Organization received \$915,000 in donated special performances at its special events and \$3,132,630 in donated musical performances at its bedside and virtual programs. The Organization did not spend any cash on the performances at its special events nor did it pay the volunteer musicians who performed at its programs. In addition to this, the Organization received \$783,054 in donated advertising in 2023.

The Organization received donated marketing related to volunteer recruitment and donated venue space related to its special events. Donated marketing and venue space are valued and are reported at their estimated fair value in the financial statements based on current rates for similar marketing promotions and venue rentals.

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Note 11. Net Assets

Net assets were as follows as of December 31, 2023:

	Without donor restrictions	With donor restrictions	Total
Undesignated	\$ 1,245,407	\$ -	\$ 1,245,407
Board designated	178,770	-	178,770
Specific purpose			
Performances for specific facilities or locations	-	425,820	425,820
Technology	-	1,250	1,250
Programs for those living with dementia	-	15,000	15,000
Veterans	-	2,294	2,294
To promote the growth and development of MOConnect	-	530,000	530,000
Passage of time			
For periods after December 31	<u>-</u>	<u>15,000</u>	<u>15,000</u>
Total net assets	\$ 1,424,177	\$ 989,364	\$ 2,413,541

Net assets were as follows as of December 31, 2022:

	Without donor restrictions	With donor restrictions	Total
Undesignated	\$ 1,605,942	\$ -	\$ 1,605,942
Board designated	171,112	-	171,112
Specific purpose			
Performances for specific facilities or locations	-	313,642	313,642
Unappropriated endowment earnings to support programs	-	27,352	27,352
MOC Streaming program	-	5,367	5,367
Programs for those living with dementia	-	60,000	60,000
To promote the growth and development of MOConnect	-	494,987	494,987
Passage of time			
For periods after December 31	<u>-</u>	<u>251,000</u>	<u>251,000</u>
Total net assets	\$ 1,777,054	\$ 1,152,348	\$ 2,929,402

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Note 11. Net Assets

Releases from net assets with donor restrictions are as follows:

	2023	2022
Satisfaction of purpose restrictions		
Performances for specific facilities or locations	\$ 315,426	\$ 246,300
Appropriation of endowment earnings to support programs	32,476	-
MOC Streaming	5,367	19,633
Volunteer appreciation gifts	5,000	-
Technology	1,250	-
To promote the growth and development of MOConnect	439,825	243,748
Virtual programs	-	13,750
Corporate conference	-	604
Programs for those living with dementia	15,000	25,000
Programs to benefit veterans	27,000	32,848
Passage of time	<u>963,859</u>	<u>759,000</u>
	\$ 1,805,203	\$ 1,340,883

Note 12. Endowment Funds

Board Designated

As of December 31, 2023 and 2022, the Board of Directors had designated \$178,770 and \$171,112, respectively, of net assets without donor restrictions, as a general endowment fund to support operations.

The Organization interprets the Uniform Prudent Management of Institutional Funds Act (UPMIFA) 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 endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the 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 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 board designated endowment net assets are as follows:

	2023	2022
Endowment net assets, beginning of year	\$ 171,112	\$ 169,275
Interest income	<u>7,658</u>	<u>1,837</u>
Endowment net assets, end of year	\$ 178,770	\$ 171,112

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Note 13. Leases

The Organization leases real estate under an operating lease agreement that has an initial term of 5 years with no optional renewal. The operating lease generally does not contain any material restrictive covenants or residual value guarantees. Operating lease cost is recognized on a straight-line basis over the lease term. Total operating lease cost for the year ended December 31, 2023 was \$90,418. Total operating lease cost for the year ended December 31, 2022 was \$52,779.

Supplemental statement of financial position information related to leases is as follows:

	2023	2022
Operating lease		
Operating lease right-of-use assets	\$ 294,415	\$ 380,161
Operating lease liabilities, current portion	\$ 86,105	\$ 89,771
Operating lease liabilities, net of current portion	<u>214,233</u>	<u>293,332</u>
Total operating lease liabilities	\$ 300,338	\$ 383,103
Weighted-average remaining lease term		
Operating lease	3.33 years	4.33 years
Weighted-average discount rate		
Operating lease	1.37%	1.37%

Future undiscounted cash flows for the remaining four years, and a reconciliation to the lease liabilities recognized on the statement of financial position are as follows:

Years ending December 31,	Operating Leases
2024	\$ 89,684
2025	91,932
2026	94,232
2027	<u>31,665</u>
Total lease payments	307,513
Less imputed interest	<u>(7,175)</u>
Total present value of lease liabilities	\$ 300,338

Musicians On Call Inc.
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Note 14. Employee Retention Credit

Under the CARES Act, the Organization was eligible for a refundable Employee Retention Credits (ERC) subject to certain criteria. The Organization claimed credits totaling of \$234,764 recognized as Government grants revenue on the statement of activities for 2022. Employee Retention Credits receivable at December 31, 2023 totaled \$234,764, which represents refunds due on the Forms 941-X for the quarters ended June 30, 2021 and September 30, 2021.

Note 15. Line of Credit

In June 2023, the Organization obtained a \$1,000,000 line of credit with a local financial institution to assist with operational cash flow needs. The line bears interest at the bank's prime rate plus 1.85% rounded to the nearest 0.125% on the outstanding balance (10.375% at December 31, 2023). Interest payments are due monthly. All outstanding principal and all accrued unpaid interest are due at the maturity date in September 2024. The line is secured by all the assets of the Organization. The outstanding balance on the line was \$350,000 for 2023.

Note 16. Restatement of Net Assets

Net asset with donor restrictions as of January 1, 2022 were restated related to a revocable split-interest agreement as described in note 9. The restatement resulted in a reduction of net assets with donor restrictions of \$100,000 and an increase to the revocable split-interest agreement liability on the statement of financial position of \$100,000.

Note 17. Subsequent Events

Management has evaluated subsequent events through August 26, 2024 the date on which the financial statements were available for issuance.