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MUSIC FOR ALL, INC.  
AND AFFILIATE  
COMBINED FINANCIAL STATEMENTS  
Together with Independent Auditors' Report  
FEBRUARY 28, 2014

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## INDEPENDENT AUDITORS' REPORT

To the Boards of Directors of  
Music for All, Inc. and Affiliate:

We have audited the accompanying combined financial statements of Music for All, Inc. and Affiliate, which comprise the combined statement of financial position as of February 28, 2014 and the related combined statements of activities, functional expenses, and cash flows for the year then ended and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 error or fraud.

### Auditors' Responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 estimates made by management, as well as evaluating the overall presentation of the combined 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 combined financial statements referred to above present fairly, in all material respects, the financial position of Music for All, Inc. and Affiliate as of February 28, 2014, and the changes in their net assets and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

### Report on Summarized Comparative Information

We have previously audited Music for All, Inc. and Affiliate's 2013 combined financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 19, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended February 28, 2013 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Greenwalt CPAs, Inc.*

June 18, 2014

**MUSIC FOR ALL, INC. AND AFFILIATE**  
 COMBINED STATEMENTS OF FINANCIAL POSITION  
 FEBRUARY 28, 2014 AND FEBRUARY 28, 2013

<u>ASSETS</u>	<u>2014</u>	<u>2013</u>	<u>LIABILITIES AND NET ASSETS</u>	<u>2014</u>	<u>2013</u>
<b>CURRENT ASSETS</b>			<b>CURRENT LIABILITIES</b>		
Cash	\$ 1,974,528	\$ 1,429,522	Accounts payable	\$ 19,356	\$ 52,838
Accounts receivable, net of allowance for doubtful accounts of \$75,400 and \$53,100 in 2014 and 2013, respectively	527,083	455,209	Accrued expenses	133,671	157,192
Inventory	17,984	13,384	Prepaid event income	<u>2,124,967</u>	<u>1,903,071</u>
Prepaid expenses	<u>217,768</u>	<u>210,004</u>	<i>Total current liabilities</i>	<u>2,277,994</u>	<u>2,113,101</u>
<i>Total current assets</i>	<u>2,737,363</u>	<u>2,108,119</u>	<b>LONG-TERM LIABILITIES</b>		
<b>INVESTMENTS</b>			Deferred trust liability	38,204	39,509
Marketable securities	<u>267,291</u>	<u>148,465</u>	Reserve for license fees	<u>34,247</u>	<u>34,669</u>
<b>PROPERTY AND EQUIPMENT</b>			<i>Total long-term liabilities</i>	<u>72,451</u>	<u>74,178</u>
Property and equipment	1,450,140	1,424,644	<i>Total liabilities</i>	<u>2,350,445</u>	<u>2,187,279</u>
Accumulated depreciation	<u>(1,402,094)</u>	<u>(1,373,714)</u>	<b>COMMITMENTS</b>		
<i>Net property and equipment</i>	<u>48,046</u>	<u>50,930</u>	(Notes 10 and 11)		
<b>OTHER ASSETS</b>			<b>NET ASSETS</b>		
Trademark	<u>20,000</u>	<u>20,000</u>	Unrestricted	417,715	(79,815)
	<u>\$ 3,072,700</u>	<u>\$ 2,327,514</u>	Temporarily restricted	160,161	76,951
			Permanently restricted	<u>144,379</u>	<u>143,099</u>
			<i>Total net assets</i>	<u>722,255</u>	<u>140,235</u>
	<u>\$ 3,072,700</u>	<u>\$ 2,327,514</u>		<u>\$ 3,072,700</u>	<u>\$ 2,327,514</u>

See accompanying notes to financial statements.

**MUSIC FOR ALL, INC. AND AFFILIATE**

COMBINED STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED FEBRUARY 28, 2014

WITH SUMMARIZED COMPARATIVE INFORMATION FOR THE YEAR ENDED FEBRUARY 28, 2013

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>2014 TOTAL</u>	<u>2013 TOTAL</u>
<b>REVENUE</b>					
Program fees	\$ 753,576	\$ -	\$ -	\$ 753,576	\$ 1,511,420
Housing and meal fees	1,064,314	-	-	1,064,314	878,111
Ticket fees	2,214,506	-	-	2,214,506	1,905,752
Band fees	472,725	-	-	472,725	428,575
Merchandise sales	44,047	-	-	44,047	90,020
Program book sales	125,916	-	-	125,916	116,451
Merchandise commissions and sales	534,457	-	-	534,457	499,150
Sponsorships	971,856	-	-	971,856	802,195
Contributions	95,518	103,210	1,280	200,008	123,151
In-kind contributions	90,523	-	-	90,523	255,088
Grants	111,549	-	-	111,549	81,100
Interest	124	-	-	124	140
Realized and unrealized gain on investments	21,135	-	-	21,135	11,310
Miscellaneous	38,681	-	-	38,681	33,785
Net assets released from restrictions	20,000	(20,000)	-	-	-
<i>Total revenue</i>	<u>6,558,927</u>	<u>83,210</u>	<u>1,280</u>	<u>6,643,417</u>	<u>6,736,248</u>
<b>EXPENSES</b>					
Program	5,459,279	-	-	5,459,279	5,930,265
Fundraising	212,097	-	-	212,097	201,673
General and administrative	390,021	-	-	390,021	359,704
<i>Total expenses</i>	<u>6,061,397</u>	<u>-</u>	<u>-</u>	<u>6,061,397</u>	<u>6,491,642</u>
<b>CHANGE IN NET ASSETS</b>	497,530	83,210	1,280	582,020	244,606
<b>NET ASSETS (ACCUMULATED DEFICIT), BEGINNING OF YEAR</b>	<u>(79,815)</u>	<u>76,951</u>	<u>143,099</u>	<u>140,235</u>	<u>(104,371)</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 417,715</u>	<u>\$ 160,161</u>	<u>\$ 144,379</u>	<u>\$ 722,255</u>	<u>\$ 140,235</u>

**MUSIC FOR ALL, INC. AND AFFILIATE**

COMBINED STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED FEBRUARY 28, 2014

WITH SUMMARIZED COMPARATIVE INFORMATION FOR THE YEAR ENDED FEBRUARY 28, 2013

	<u>PROGRAM</u> <u>EXPENSES</u>	<u>FUNDRAISING</u> <u>EXPENSES</u>	<u>GENERAL AND</u> <u>ADMINISTRATIVE</u> <u>EXPENSES</u>	<u>2014</u> <u>TOTAL</u>	<u>2013</u> <u>TOTAL</u>
<b>PROGRAMS</b>					
Awards and trophies	\$ 78,308	\$ -	\$ -	\$ 78,308	\$ 83,838
Scholarships and grants	6,299	-	-	6,299	8,600
Clinicians' and judges' fees	643,370	-	-	643,370	640,461
Copyright fees	98,773	-	-	98,773	95,564
Cost of merchandise sold	199,704	-	-	199,704	203,954
Equipment rental	111,121	-	-	111,121	95,973
Program promotion	120,936	11,013	22,825	154,774	113,229
Facility rental	696,599	-	-	696,599	660,045
Participants' housing and meals	1,043,181	-	-	1,043,181	856,318
Outside services	799,536	5,938	9,150	814,624	1,502,101
Other program expenses	321,749	-	6,183	327,932	299,854
<i>Total programs and activities</i>	<u>4,119,576</u>	<u>16,951</u>	<u>38,158</u>	<u>4,174,685</u>	<u>4,559,937</u>
<b>PERSONNEL RELATED</b>					
Salaries and contract employees	800,980	146,373	197,726	1,145,079	1,053,991
Salaries - payroll taxes	54,769	9,097	13,692	77,558	71,481
403(b) contribution	14,624	1,216	3,656	19,496	19,119
Staff travel, housing and meals	4,441	1,239	-	5,680	3,862
Group insurance	69,172	6,328	17,293	92,793	83,419
Other personnel related expenses	4,877	447	1,219	6,543	7,852
<i>Total personnel related</i>	<u>948,863</u>	<u>164,700</u>	<u>233,586</u>	<u>1,347,149</u>	<u>1,239,724</u>
<b>BUILDING AND FACILITY</b>					
Depreciation and amortization	22,033	839	5,508	28,380	91,814
Rental - office building	97,448	3,987	24,244	125,679	241,020
Repairs and maintenance	17,652	575	3,297	21,524	17,797
Telephone and utilities	33,240	1,234	8,196	42,670	37,553
<i>Total building and facility</i>	<u>170,373</u>	<u>6,635</u>	<u>41,245</u>	<u>218,253</u>	<u>388,184</u>
<b>OFFICE AND ADMINISTRATIVE</b>					
Board of director's expense	12,044	570	3,011	15,625	8,893
Computer services and supplies	37,902	4,655	16,740	59,297	65,457
Business insurance	50,858	1,915	12,715	65,488	67,409
Interest	3,002	-	750	3,752	3,388
Franchise, sales, and income taxes	10,750	-	-	10,750	10,936
Other office and administrative	105,911	16,671	43,816	166,398	147,714
<i>Total office and administrative</i>	<u>220,467</u>	<u>23,811</u>	<u>77,032</u>	<u>321,310</u>	<u>303,797</u>
	<u>\$ 5,459,279</u>	<u>\$ 212,097</u>	<u>\$ 390,021</u>	<u>\$ 6,061,397</u>	<u>\$ 6,491,642</u>

INCREASE IN CASH

	<u>2014</u>	<u>2013</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from program activities and contributors	\$ 6,601,588	\$ 6,799,849
Cash paid to suppliers and employees	(5,929,766)	(6,044,686)
Interest expense	(3,752)	(3,388)
Interest income	124	140
	<u>668,194</u>	<u>751,915</u>
<i>Net cash provided by operating activities</i>		
	<u>668,194</u>	<u>751,915</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Capital expenditures	(25,497)	(8,762)
Proceeds from sale of investments	-	2,058
Purchases of investments	(97,691)	-
	<u>(123,188)</u>	<u>(6,704)</u>
<i>Net cash used in investing activities</i>		
	<u>(123,188)</u>	<u>(6,704)</u>
<b>INCREASE IN CASH</b>	545,006	745,211
<b>CASH, BEGINNING OF YEAR</b>	<u>1,429,522</u>	<u>684,311</u>
<b>CASH, END OF YEAR</b>	<u>\$ 1,974,528</u>	<u>\$ 1,429,522</u>

**RECONCILIATION OF CHANGE IN NET ASSETS TO  
 NET CASH PROVIDED BY OPERATING ACTIVITIES**

	<u>2014</u>	<u>2013</u>
CHANGE IN NET ASSETS	<u>\$ 582,020</u>	<u>\$ 244,606</u>
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Depreciation and amortization	28,381	91,814
Realized and unrealized gain on investments	(21,135)	(11,310)
<i>(Increase) decrease in operating assets:</i>		
Accounts receivable	(71,874)	333,710
Inventory	(4,600)	(3,731)
Prepaid expenses	(7,764)	(60,339)
<i>Increase (decrease) in operating liabilities:</i>		
Accounts payable	(33,482)	29,195
Accrued expenses	(23,521)	78,828
Prepaid event income	221,896	54,739
Deferred trust liability	(1,305)	(1,101)
Reserve for license fees	(422)	(4,496)
<i>Total adjustments</i>	<u>86,174</u>	<u>507,309</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 668,194</u>	<u>\$ 751,915</u>

1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

GENERAL

Music for All, Inc. (Music for All) is an Illinois not-for-profit corporation located in Indiana whose mission is to create, provide and expand positively life-changing experiences through music for all. Music for All is one of the largest and most influential national music education organizations in support of active music-making, combining programming at a national level with active and ongoing advocacy for the music education and the arts. The majority of its revenues come from program registrations and sponsorships.

The combined financial statements include the activities of Music for All Foundation (Foundation), an organization affiliated through common control, which awards grants and scholarships to further music education.

PRINCIPLES OF COMBINATION

The accompanying financial statements include the accounts of Music for All and the Foundation (the Organizations). All significant transactions and balances between the Organizations have been eliminated.

BASIC ACCOUNTING POLICY

The accompanying financial statements have been prepared on the accrual basis of accounting. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

SUMMARIZED COMPARATIVE INFORMATION

The financial statements include certain prior year summarized comparative information in total, but not by net asset class and functional expense class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Organizations' financial statements for the year ended February 28, 2013, from which the summarized information was derived.

CASH

For purposes of the statement of cash flows, the Organizations consider all highly liquid temporary cash investments purchased with a maturity of three months or less to be cash equivalents. The Organizations had no cash equivalents at February 28, 2014 and 2013. The Organizations maintain cash balances at commercial banks and have maintained cash balances in excess of Federal Deposit Insurance Corporation (FDIC) limits at February 28, 2014, and from time to time during the year.

RECEIVABLES AND CREDIT POLICIES

Accounts receivable are stated at the amount billed. Account balances with invoices over 90 days past the due date are considered delinquent. In addition to management attempting collection on all accounts over 90 days, those accounts are placed on hold status until payment arrangements are made.



1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Payments of accounts receivable are allocated to the specific invoices identified on the remittance advice or, if unspecified, the participant is contacted to determine to which outstanding invoices to apply payment.

Management individually reviews all accounts receivable balances that exceed 90 days past due. Accounts are called on to notify past due amounts and establish payment plans. Receivable balances are not written off as bad debts until approved by the Board of Directors.

INVENTORY

Inventory, consisting of audio and video recordings, has been valued at the lower of cost determined on a first-in, first-out (FIFO) basis or market.

PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost and depreciation is computed using straight-line method over the estimated useful lives of the assets (5-10 years for furniture and equipment). Leasehold improvements are amortized over the term of the lease.

OTHER ASSETS

A trademark was acquired during the 2007 merger and was recorded at the previous entity's cost. The trademark is reviewed for impairment on an annual basis.

REVENUE RECOGNITION

Event fees and related revenue are recognized in the period in which the event occurs. Amounts collected in advance are recorded as prepaid event income. Sales and commissions are recognized when earned.

Donors' unconditional promises to give cash and other assets are required to be recognized as contribution revenue in the period the promises are made. Promises which are conditional or which are not supported by appropriate documentation are not recognized as contribution revenue until conditions have been satisfied or amounts have been received. Donations of material and supplies, including the use of a facility, are recorded as revenue (in-kind contributions) and applicable expense at their estimated fair value at the date of the donation.

RESERVE FOR LICENSE FEES

The financial statements include a reserve liability for management's estimate of royalties and license fees due (or potentially due) on distribution for the past three years on audio/video media of Music for All events. Provisions to the reserve are based on total audio/video media distributed during the year.

MUSIC FOR ALL, INC. AND AFFILIATE  
 NOTES TO COMBINED FINANCIAL STATEMENTS  
 FEBRUARY 28, 2014 AND 2013

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1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

NET ASSET CLASSIFICATIONS

As required by Accounting Standards for the Presentation of Financial Statements of Not-For-Profit Organizations, the Organizations are required to report information regarding the changes in and total of each of the net asset classes, based upon donor restrictions, as applicable. Net assets are to be classified as unrestricted, temporarily restricted and permanently restricted.

The following classes of net assets are maintained:

UNRESTRICTED NET ASSETS

The unrestricted net asset class includes general and board designated assets and liabilities of the Organizations. The unrestricted net assets of the Organizations may be used at the discretion of management to support the Organizations' purposes and operations. The Board of Directors has designated a portion of the unrestricted assets to be used in the event of an emergency in the amount of \$94,199 at February 28, 2014.

TEMPORARILY RESTRICTED NET ASSETS

The temporarily restricted net asset class includes assets of Music for All and the Foundation related to gifts with explicit donor-imposed restrictions that have not been met as to a specified purpose or to later periods of time or after specified dates. Donor restricted promises to give that are due in future periods and are not permanently restricted are classified as temporarily restricted net assets. Temporarily restricted net assets are comprised of the following at February 28, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
National Association of Uniform Manufacturers and Distributors	\$ 1,000	\$ 1,000
Mark Jolesch Scholarship	373	373
McLeroy Scholarship Fund	1,182	1,082
Yamaha Scholarship Fund	500	-
The Paynter Project	2,908	2,908
Mark Williams Fund	101,588	1,588
Alfred Watkins Commission Fund	2,610	-
Guitar Center, Inc. – teacher education fund	50,000	50,000
National Endowment for the Arts – summer symposium	-	20,000
	<u>\$ 160,161</u>	<u>\$ 76,951</u>

MUSIC FOR ALL, INC. AND AFFILIATE  
NOTES TO COMBINED FINANCIAL STATEMENTS  
FEBRUARY 28, 2014 AND 2013

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1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Permanently Restricted Net Assets

The permanently restricted net asset class includes assets of the Foundation for which the donor has stipulated that the contribution be maintained in perpetuity. Donor imposed restrictions limiting the use of the assets or its economic benefit neither expire with the passage of time nor can be removed by satisfying a specific purpose. Permanently restricted net assets are comprised of the following at February 28, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Honor Band Chair Endowment	\$ 50,750	\$ 50,750
L.J. Hancock Memorial Endowment	34,594	33,914
Sandy Feldstein Legacy Fund	36,032	35,932
Fred J. Miller Scholarship Fund	21,000	21,000
Foundation Endowment	2,003	1,503
	<u>\$ 144,379</u>	<u>\$ 143,099</u>

CONTRIBUTIONS

Contributions are recognized when the donor makes an unconditional promise to give to the Organizations and are recorded at their fair values as revenues and assets in the year a contributions acknowledgement is received. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily restricted net assets. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

IN-KIND CONTRIBUTIONS

The Organizations receive contributed services, goods, and use of facilities. The fair market value of these services, goods and facilities of \$90,523 and \$255,088 for the years ended February 28, 2014 and 2013, respectively, has been reflected in the accompanying financial statements. This includes rent of \$80,340 and \$241,020 for the years ended February 28, 2014 and 2013, respectively. Accordingly, these transactions have been treated as non-cash transactions and are properly excluded from the statement of cash flows.

EXPENSE ALLOCATION

Expenses have been classified as program services (event expenses), fundraising, and general and administrative expenses based on the actual direct expenditures and cost allocation based on estimates of time and usage by the Organizations' personnel and programs.

ADVERTISING COSTS

The Organizations incurred \$52,721 and \$30,113 in advertising expense for the years ended February 28, 2014 and 2013, respectively. These costs were expensed as incurred.

MUSIC FOR ALL, INC. AND AFFILIATE  
 NOTES TO COMBINED FINANCIAL STATEMENTS  
 FEBRUARY 28, 2014 AND 2013

1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

FAIR VALUE MEASUREMENTS

Accounting Standards for Fair Value Measurement define fair value as the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. Those standards also establish a three-level fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value, giving highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and lowest priority to unobservable inputs (level 3 measurements).

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability.

Assets measured on a recurring basis at February 28, 2014 and 2013 are as follows:

2014	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Mutual funds				
Growth	\$ 61,876	\$ 61,876	\$ -	\$ -
Value	78,419	78,419	-	-
Blended	5,299	5,299	-	-
Diversified				
emerging markets	7,793	7,793	-	-
Fixed income				
Bond	113,904	113,904	-	-
	<u>\$ 267,291</u>	<u>\$ 267,291</u>	<u>\$ -</u>	<u>\$ -</u>

MUSIC FOR ALL, INC. AND AFFILIATE  
 NOTES TO COMBINED FINANCIAL STATEMENTS  
 FEBRUARY 28, 2014 AND 2013

1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

2013	<u>Fair Value</u>	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual funds				
Growth	\$ 47,068	\$ 47,068	\$ -	\$ -
Value	32,176	32,176	-	-
Blended	18,754	18,754	-	-
Diversified				
emerging markets	3,150	3,150	-	-
Fixed income				
Bond	<u>47,317</u>	<u>47,317</u>	<u>-</u>	<u>-</u>
	<u>\$ 148,465</u>	<u>\$ 148,465</u>	<u>\$ -</u>	<u>\$ -</u>

Following is a description of the valuation methodologies used for assets measured at fair market value:

- Mutual funds and fixed income - Valued at the net asset value of shares held by the Organizations at year-end as quoted in the active market.

The valuation methodologies have not changed at February 28, 2014.

SUBSEQUENT EVENTS

Subsequent events have been evaluated by management through June 18, 2014, which is the date the financial statements were available to be issued.

2. ENDOWMENT FUNDS

The Organizations' endowment consists of donor permanently restricted contributions that were made to provide a source of income for scholarships. As required by Generally Accepted Accounting Principles (GAAP), net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

MUSIC FOR ALL, INC. AND AFFILIATE  
NOTES TO COMBINED FINANCIAL STATEMENTS  
FEBRUARY 28, 2014 AND 2013

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2. ENDOWMENT FUNDS, CONTINUED

INTERPRETATION OF RELEVANT LAW

The Board of Directors of the Organizations have interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the purchasing power 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 of this interpretation, the Organizations classify as permanently restricted net assets the original value of gifts donated to the permanent endowment. In accordance with SPMIFA, the Organizations consider the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Organizations and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Organizations
- (7) The investment policies of the Organizations

Changes in Endowment Net Assets for the years ended February 28, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Endowment net assets, beginning of year	\$ 143,099	\$ 141,788
Donations	<u>1,280</u>	<u>1,311</u>
Endowment net assets, end of year	<u>\$ 144,379</u>	<u>\$ 143,099</u>

RETURN OBJECTIVES AND RISK PARAMETERS

The Organizations have adopted investment policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by the endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organizations must hold in perpetuity.

STRATEGIES EMPLOYED FOR ACHIEVING OBJECTIVES

To satisfy long-term rate-of-return objectives, the Organizations rely on a total return strategy administered by PNC Investments in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). PNC Investments targets a diversified asset allocation that places a greater emphasis on long-term growth and a reasonable return.

MUSIC FOR ALL, INC. AND AFFILIATE  
 NOTES TO COMBINED FINANCIAL STATEMENTS  
 FEBRUARY 28, 2014 AND 2013

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2. ENDOWMENT FUNDS, CONTINUED

SPENDING POLICY AND HOW THE INVESTMENT OBJECTIVES RELATE TO SPENDING POLICY

The Organizations have a policy whereby disbursements can be made up to 5% of the endowment's previous year fund balance for the Organizations' scholarships. This is consistent with the Organizations' objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through investment return.

3. INVESTMENTS

Consistent with Accounting Standards for Investments Held by Not-for-Profits, investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the statements of financial position. Unrealized gains and losses are based on the differences between cost and fair value of each classification of security and are reported in the statement of activities. Fair market value is determined by quoted prices in the active market.

Cost and fair value of investments at February 28, 2014 and 2013 are as follows:

	<u>2014</u> <u>Fair</u> <u>Value</u>	<u>2014</u> <u>Cost</u>	<u>2013</u> <u>Fair</u> <u>Value</u>	<u>2013</u> <u>Cost</u>
Marketable Securities	\$ 267,291	\$ 248,338	\$ 148,465	\$ 129,022

4. PROPERTY AND EQUIPMENT

Property and equipment at February 28, 2014 and 2013 is as follows:

	<u>2014</u>	<u>2013</u>
Leasehold improvements	\$ 763,638	\$ 763,638
Capitalized software	21,300	12,000
Furniture and equipment	<u>665,202</u>	<u>649,006</u>
	1,450,140	1,424,644
Accumulated depreciation	<u>(1,402,094)</u>	<u>(1,373,714)</u>
	<u>\$ 48,046</u>	<u>\$ 50,930</u>

5. PREPAID EVENT INCOME

The Organizations record prepaid event income when funds are collected in advance for events. Once the event takes place, the funds are recognized as income. The prepaid account also includes sponsorship income that is contractually obligated to the Organizations. Income is recognized as the Organizations fulfill the contract requirements. Prepaid event income as of February 28, 2014 and 2013 was \$2,124,967 and \$1,903,071, respectively.

**MUSIC FOR ALL, INC. AND AFFILIATE**  
NOTES TO COMBINED FINANCIAL STATEMENTS  
FEBRUARY 28, 2014 AND 2013

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**6. BANK LINE OF CREDIT**

Music for All maintained a \$620,000 line of credit with a bank that expires in August 2014. The line of credit bears interest at the LIBOR rate plus 4.0% with a 5.0% minimum (5.0% at February 28, 2014). Music for All had no outstanding balance on the line of credit at February 28, 2014 and 2013, respectively. The line of credit is secured by Music for All's assets.

**7. DEFERRED TRUST LIABILITY**

Music for All received a charitable gift annuity trust of \$75,000 during the year ended February 29, 2008. Under this trust agreement, Music for All is required to pay the donor \$4,125 annually, in quarterly installments. Music for All has recorded a deferred trust liability for the estimated value of these payments. The deferred trust liability was \$38,204 and \$39,509 at February 28, 2014 and 2013, respectively.

**8. TAX STATUS**

Music for All and the Foundation are not-for-profit organizations, exempt from income taxes under Section 501(c)(3) of the U. S. Internal Revenue Code and have been classified as organizations that are not private foundations under Section 509(a) of the Internal Revenue Code.

Accounting Standards for Income Taxes provide detailed guidance for financial statement recognition, measurement, and disclosure of uncertain tax positions recognized in an enterprise's financial statements. The Organizations individually evaluate their activities to determine that they are in compliance with their tax-exempt purposes. For those activities that the Organizations determine to be unrelated business income, the Organizations record the resulting unrelated business income tax liability, if any. All tax periods prior to 2010 are no longer subject to examination.

**9. EMPLOYEE BENEFIT PLAN**

Music for All maintains a Section 403(b) salary reduction retirement plan. The plan covers essentially all salaried employees who have completed one year of service. The plan agreement provides for discretionary employer matching contributions. The discretionary match is at an amount not to exceed 3% of the employee's annual salary. The matching contributions are subject to a six-year graded vesting schedule that provides 20% vesting after two years of service and 20% per year thereafter (100% vested after six years of service). Music for All's contributions for the years ended February 28, 2014 and 2013 totaled \$19,496 and \$19,119, respectively.

**10. LEASES**

Music for All has a lease for office space. Music for All signed a lease extension that expires June 2023. Rent during the extension term varies. The straight-line rent payments are \$5,652 per month. Total lease expense under the extended lease was \$45,212 for the year ended February 28, 2014. Under the lease that expired during the fiscal year, Music for All was not required to make lease payments. The estimated fair market value of this lease was approximately \$20,000 per month. Accordingly, the fair market value of the lease recognized in fiscal year 2014 was \$80,340, as noted in Note 1, which is recorded as an in-kind contribution for the leased office space.



**MUSIC FOR ALL, INC. AND AFFILIATE**  
NOTES TO COMBINED FINANCIAL STATEMENTS  
FEBRUARY 28, 2014 AND 2013

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**10. LEASES, CONTINUED**

Music for All also leases office equipment under various operating leases expiring March 2017. Equipment rental expense for the years ended February 28, 2014 and 2013 for these leases amounted to \$19,785 and \$18,358, respectively. Music for All rents other equipment on a temporary basis for camps and other activities.

Future minimum lease payments required under these leases are as follows for the years ending February 28:

2015	\$	30,585
2016		39,893
2017		35,196
2018		48,397
2019		66,312
Thereafter		<u>494,323</u>
	\$	<u>714,706</u>

**11. COMMITMENTS**

Music for All has contracted to hold a portion of its programming activities at two venues through February 2016 and June 2023, respectively. Minimum annual amounts due under these contracts are \$395,000.



Greenwalt CPAs, Inc.  
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Indianapolis, IN 46224  
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INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

To the Boards of Directors of  
Music for All, Inc. and Affiliate:

We have audited the combined financial statements of Music for All, Inc. and Affiliate as of and for the year ended February 28, 2014, and our report thereon dated June 18, 2014, which expressed an unmodified opinion on those combined financial statements, appears on page one. We also have previously audited, in accordance with auditing standards generally accepted in the United States of America, the combined statement of financial position of Music for All, Inc. and Affiliate as of February 2, 2013 and the related combined statements of activities, functional expenses and cash flows for the year then ended and we expressed an unmodified opinion on those financial statements. Our audits were conducted for the purpose of forming an opinion on the combined financial statements as a whole. The information in Exhibits I through VI, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the combined financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the combined financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

*Greenwalt CPAs, Inc.*

June 18, 2014

**MUSIC FOR ALL, INC. AND AFFILIATE**

COMBINING STATEMENTS OF FINANCIAL POSITION

FEBRUARY 28, 2014

WITH COMPARATIVE TOTALS AS OF FEBRUARY 28, 2013

Exhibit I

	<u>MUSIC FOR ALL</u>	<u>MUSIC FOR ALL FOUNDATION</u>	<u>ELIMINATIONS</u>	<u>2014 TOTAL</u>	<u>2013 TOTAL</u>
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
Cash	\$ 1,969,305	\$ 5,223	\$ -	\$ 1,974,528	\$ 1,429,522
Accounts receivable, net of allowance for doubtful accounts of \$75,400 and \$53,100 in 2014 and 2013, respectively	526,204	879	-	527,083	455,209
Accounts receivable - related party	10,709	5,655	(16,364)	-	-
Inventory	17,984	-	-	17,984	13,384
Prepaid expenses	217,768	-	-	217,768	210,004
<i>Total current assets</i>	<u>2,741,970</u>	<u>11,757</u>	<u>(16,364)</u>	<u>2,737,363</u>	<u>2,108,119</u>
<b>INVESTMENTS</b>					
Marketable securities	-	267,291	-	267,291	148,465
<b>PROPERTY AND EQUIPMENT</b>					
Property and equipment	1,442,291	7,849	-	1,450,140	1,424,644
Accumulated depreciation and amortization	(1,394,245)	(7,849)	-	(1,402,094)	(1,373,714)
<i>Net property and equipment</i>	<u>48,046</u>	<u>-</u>	<u>-</u>	<u>48,046</u>	<u>50,930</u>
<b>OTHER ASSETS</b>					
Trademark	20,000	-	-	20,000	20,000
	<u>\$ 2,810,016</u>	<u>\$ 279,048</u>	<u>\$ (16,364)</u>	<u>\$ 3,072,700</u>	<u>\$ 2,327,514</u>
<b>LIABILITIES AND NET ASSETS</b>					
<b>CURRENT LIABILITIES</b>					
Accounts payable	\$ 19,356	\$ -	\$ -	\$ 19,356	\$ 52,838
Accounts payable - related party	5,655	10,709	(16,364)	-	-
Accrued expenses	131,671	2,000	-	133,671	157,192
Prepaid event income	2,124,967	-	-	2,124,967	1,903,071
<i>Total current liabilities</i>	<u>2,281,649</u>	<u>12,709</u>	<u>(16,364)</u>	<u>2,277,994</u>	<u>2,113,101</u>
<b>LONG-TERM LIABILITIES</b>					
Deferred trust liability	38,204	-	-	38,204	39,509
Reserve for license fees	34,247	-	-	34,247	34,669
<i>Total long-term liabilities</i>	<u>72,451</u>	<u>-</u>	<u>-</u>	<u>72,451</u>	<u>74,178</u>
<i>Total liabilities</i>	<u>2,354,100</u>	<u>12,709</u>	<u>(16,364)</u>	<u>2,350,445</u>	<u>2,187,279</u>
<b>NET ASSETS</b>					
Unrestricted	405,916	11,799	-	417,715	(79,815)
Temporarily restricted	50,000	110,161	-	160,161	76,951
Permanently restricted	-	144,379	-	144,379	143,099
	<u>455,916</u>	<u>266,339</u>	<u>-</u>	<u>722,255</u>	<u>140,235</u>
	<u>\$ 2,810,016</u>	<u>\$ 279,048</u>	<u>\$ (16,364)</u>	<u>\$ 3,072,700</u>	<u>\$ 2,327,514</u>

**MUSIC FOR ALL, INC. AND AFFILIATE**

COMBINING STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED FEBRUARY 28, 2014

WITH SUMMARIZED COMPARATIVE INFORMATION FOR THE YEAR ENDED FEBRUARY 28, 2013

Exhibit II

	UNRESTRICTED			TEMPORARILY RESTRICTED		PERMANENTLY RESTRICTED	2014 TOTAL	2013 TOTAL
	MUSIC FOR ALL	MUSIC FOR ALL FOUNDATION	TOTAL	MUSIC FOR ALL	MUSIC FOR ALL FOUNDATION	MUSIC FOR ALL FOUNDATION		
<b>REVENUE</b>								
Program fees	\$ 753,576	\$ -	\$ 753,576	\$ -	\$ -	\$ -	\$ 753,576	\$ 1,511,420
Housing and meal fees	1,064,314	-	1,064,314	-	-	-	1,064,314	878,111
Ticket fees	2,214,506	-	2,214,506	-	-	-	2,214,506	1,905,752
Band fees	472,725	-	472,725	-	-	-	472,725	428,575
Merchandise sales	44,047	-	44,047	-	-	-	44,047	90,020
Program book sales	125,916	-	125,916	-	-	-	125,916	116,451
Merchandise commissions and sales	534,457	-	534,457	-	-	-	534,457	499,150
Sponsorships	971,856	-	971,856	-	-	-	971,856	802,195
Contributions	93,747	1,771	95,518	-	103,210	1,280	200,008	123,151
In-kind contributions	90,523	-	90,523	-	-	-	90,523	255,088
Grants	111,499	50	111,549	-	-	-	111,549	81,100
Interest	124	-	124	-	-	-	124	140
Realized and unrealized gain on investments	-	21,135	21,135	-	-	-	21,135	11,310
Miscellaneous	38,681	-	38,681	-	-	-	38,681	33,785
Net assets released from restrictions	20,000	-	20,000	(20,000)	-	-	-	-
<i>Total revenue</i>	<u>6,535,971</u>	<u>22,956</u>	<u>6,558,927</u>	<u>(20,000)</u>	<u>103,210</u>	<u>1,280</u>	<u>6,643,417</u>	<u>6,736,248</u>
<b>EXPENSES</b>								
Program	5,455,130	4,149	5,459,279	-	-	-	5,459,279	5,930,265
Fundraising	212,097	-	212,097	-	-	-	212,097	201,673
General and administrative	387,556	2,465	390,021	-	-	-	390,021	359,704
<i>Total expenses</i>	<u>6,054,783</u>	<u>6,614</u>	<u>6,061,397</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,061,397</u>	<u>6,491,642</u>
<b>CHANGE IN NET ASSETS</b>	481,188	16,342	497,530	(20,000)	103,210	1,280	582,020	244,606
<b>NET ASSETS (DEFICIT), BEGINNING OF YEAR</b>	<u>(75,272)</u>	<u>(4,543)</u>	<u>(79,815)</u>	<u>70,000</u>	<u>6,951</u>	<u>143,099</u>	<u>140,235</u>	<u>(104,371)</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 405,916</u>	<u>\$ 11,799</u>	<u>\$ 417,715</u>	<u>\$ 50,000</u>	<u>\$ 110,161</u>	<u>\$ 144,379</u>	<u>\$ 722,255</u>	<u>\$ 140,235</u>

See accompanying independent auditors' report on supplementary information.

**MUSIC FOR ALL, INC. AND AFFILIATE**

COMBINING SCHEDULE OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED FEBRUARY 28, 2014

WITH SUMMARIZED COMPARATIVE INFORMATION FOR THE YEAR ENDED FEBRUARY 28, 2013

Exhibit III

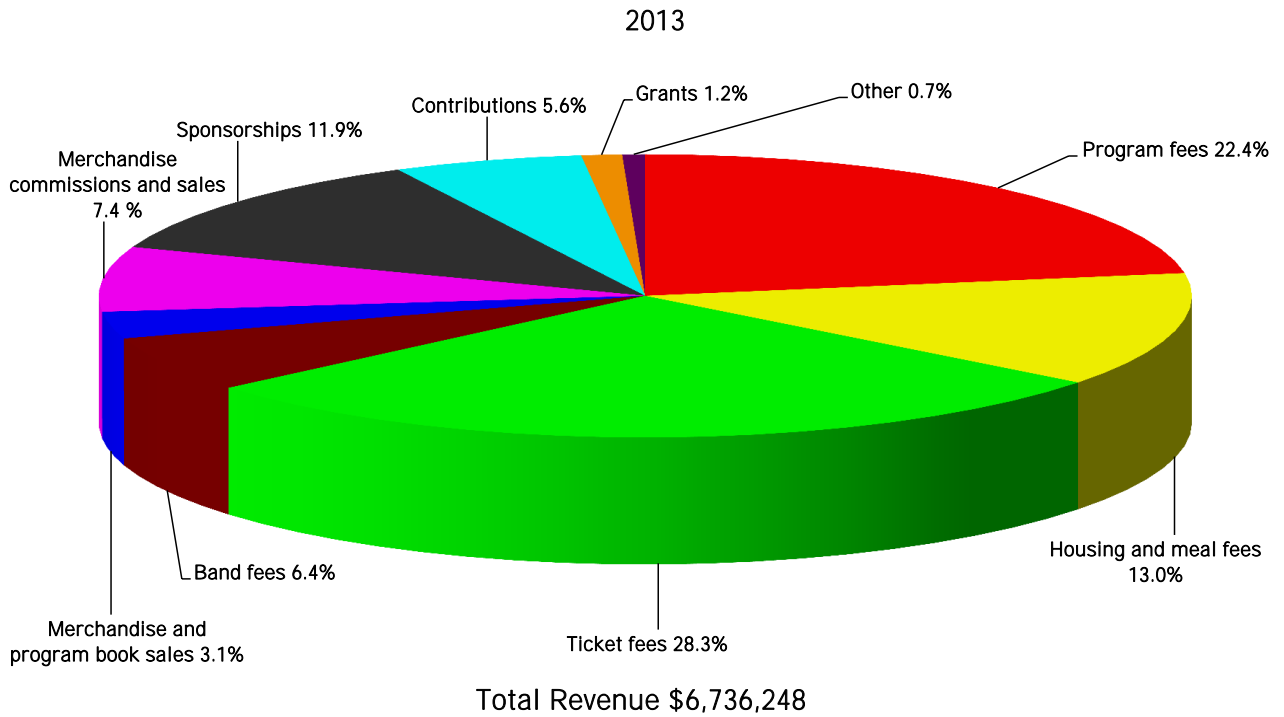
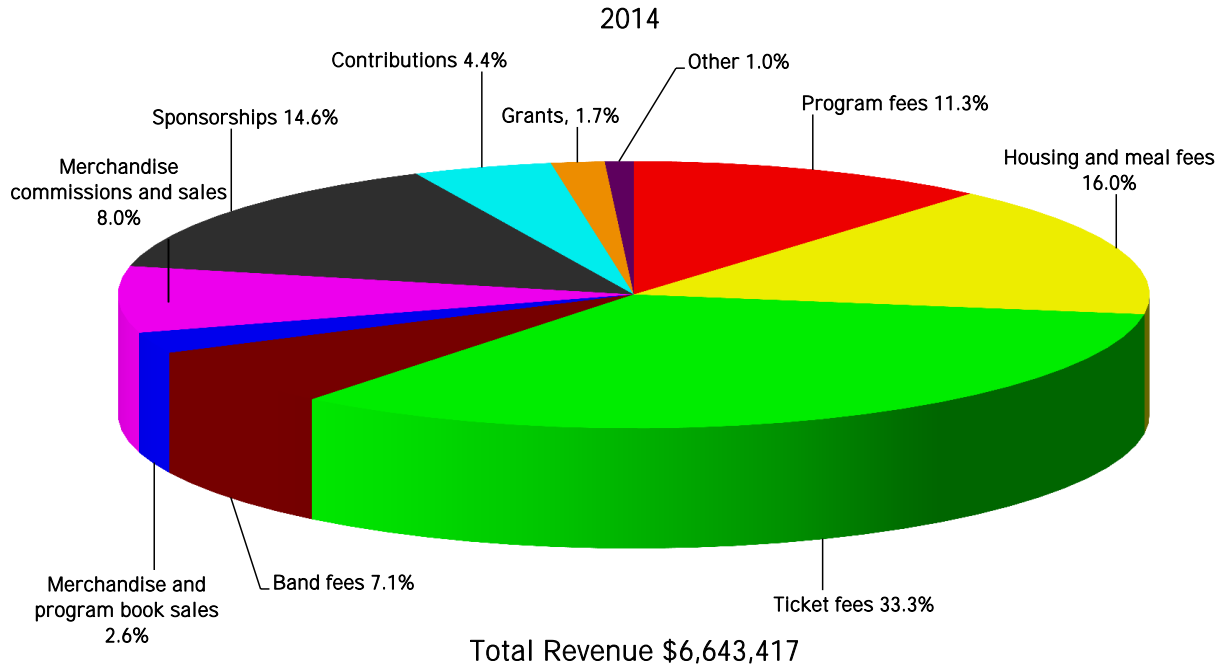
	MUSIC FOR ALL				MUSIC FOR ALL FOUNDATION		
	PROGRAM	FUNDRAISING	GENERAL & ADMINISTRATIVE EXPENSES	TOTAL	FDN EXPENSES	2014 TOTAL	2013 TOTAL
<b>PROGRAMS</b>							
Awards and trophies	\$ 78,308	\$ -	\$ -	\$ 78,308	\$ -	\$ 78,308	\$ 83,838
Scholarships and grants	2,150	-	-	2,150	4,149	6,299	8,600
Clinicians' and judges' fees	643,370	-	-	643,370	-	643,370	640,461
Copyright fees	98,773	-	-	98,773	-	98,773	95,564
Cost of merchandise sold	199,704	-	-	199,704	-	199,704	203,954
Equipment rental	111,121	-	-	111,121	-	111,121	95,973
Program promotion	120,936	11,013	22,825	154,774	-	154,774	113,229
Facility rental	696,599	-	-	696,599	-	696,599	660,045
Participants' housing and meals	1,043,181	-	-	1,043,181	-	1,043,181	856,318
Outside services	799,536	5,938	6,758	812,232	2,392	814,624	1,502,101
Other program expenses	321,749	-	6,183	327,932	-	327,932	299,854
<i>Total programs and activities</i>	<u>4,115,427</u>	<u>16,951</u>	<u>35,766</u>	<u>4,168,144</u>	<u>6,541</u>	<u>4,174,685</u>	<u>4,559,937</u>
<b>PERSONNEL RELATED</b>							
Salaries and contract employees	800,980	146,373	197,726	1,145,079	-	1,145,079	1,053,991
Salaries - payroll taxes	54,769	9,097	13,692	77,558	-	77,558	71,481
403(b) contribution	14,624	1,216	3,656	19,496	-	19,496	19,119
Staff travel, housing and meals	4,441	1,239	-	5,680	-	5,680	3,862
Group insurance	69,172	6,328	17,293	92,793	-	92,793	83,419
Other personnel related expenses	4,877	447	1,219	6,543	-	6,543	7,852
<i>Total personnel related</i>	<u>948,863</u>	<u>164,700</u>	<u>233,586</u>	<u>1,347,149</u>	<u>-</u>	<u>1,347,149</u>	<u>1,239,724</u>
<b>BUILDING AND FACILITY</b>							
Depreciation and amortization	22,033	839	5,508	28,380	-	28,380	91,814
Rental - office building	97,448	3,987	24,244	125,679	-	125,679	241,020
Repairs and maintenance	17,652	575	3,297	21,524	-	21,524	17,797
Telephone and utilities	33,240	1,234	8,196	42,670	-	42,670	37,553
<i>Total building and facility</i>	<u>170,373</u>	<u>6,635</u>	<u>41,245</u>	<u>218,253</u>	<u>-</u>	<u>218,253</u>	<u>388,184</u>
<b>OFFICE AND ADMINISTRATIVE</b>							
Board of director's expense	12,044	570	3,011	15,625	-	15,625	8,893
Computer services and supplies	37,902	4,655	16,740	59,297	-	59,297	65,457
Business insurance	50,858	1,915	12,715	65,488	-	65,488	67,409
Interest	3,002	-	750	3,752	-	3,752	3,388
Franchise, sales, and income taxes	10,750	-	-	10,750	-	10,750	10,936
Other office and administrative	105,911	16,671	43,743	166,325	73	166,398	147,714
<i>Total office and administrative</i>	<u>220,467</u>	<u>23,811</u>	<u>76,959</u>	<u>321,237</u>	<u>73</u>	<u>321,310</u>	<u>303,797</u>
	<u>\$ 5,455,130</u>	<u>\$ 212,097</u>	<u>\$ 387,556</u>	<u>\$ 6,054,783</u>	<u>\$ 6,614</u>	<u>\$ 6,061,397</u>	<u>\$ 6,491,642</u>

See accompanying independent auditors' report on supplementary information.

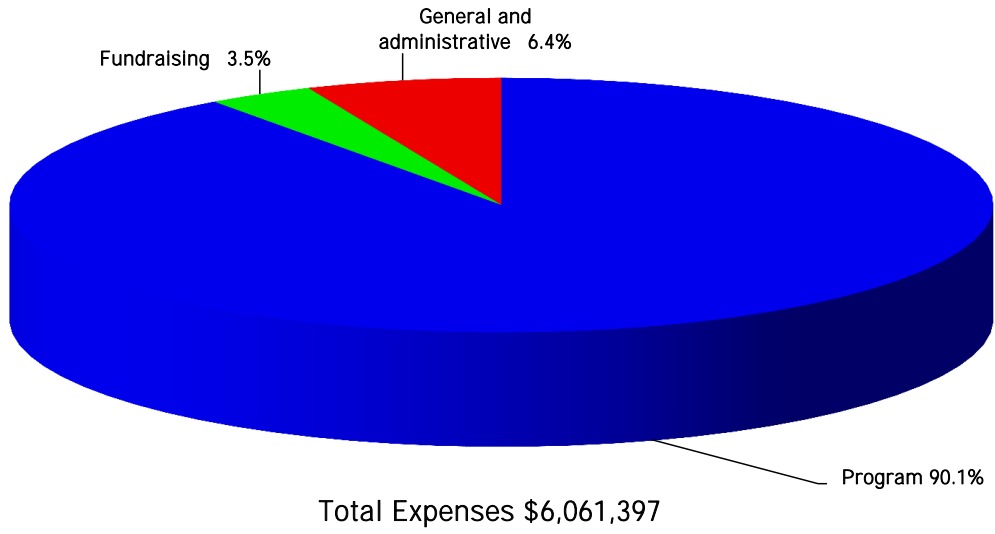
MUSIC FOR ALL, INC. AND AFFILIATE  
 COMBINING STATEMENTS OF ACTIVITIES  
 FOR THE YEARS ENDED FEBRUARY 28, 2014 AND 2013

Exhibit IV

	2014				2013			
	MUSIC FOR ALL	MUSIC FOR ALL FOUNDATION	ELIMINATIONS	TOTAL	MUSIC FOR ALL	MUSIC FOR ALL FOUNDATION	ELIMINATIONS	TOTAL
<b>REVENUE</b>								
Program fees	\$ 753,576	\$ -	\$ -	\$ 753,576	\$ 1,511,420	\$ -	\$ -	\$ 1,511,420
Housing and meal fees	1,064,314	-	-	1,064,314	878,111	-	-	878,111
Ticket fees	2,214,506	-	-	2,214,506	1,905,752	-	-	1,905,752
Band fees	472,725	-	-	472,725	428,575	-	-	428,575
Merchandise sales	44,047	-	-	44,047	90,020	-	-	90,020
Program book sales	125,916	-	-	125,916	116,451	-	-	116,451
Merchandise commissions	534,457	-	-	534,457	499,150	-	-	499,150
Sponsorships	971,856	-	-	971,856	802,195	-	-	802,195
Contributions	93,747	106,261	-	200,008	120,740	2,411	-	123,151
In-kind contributions	90,523	-	-	90,523	255,088	-	-	255,088
Grants	111,499	50	-	111,549	81,100	-	-	81,100
Interest	124	-	-	124	140	-	-	140
Realized and unrealized gain on investments	-	21,135	-	21,135	-	11,310	-	11,310
Miscellaneous	38,681	-	-	38,681	33,785	-	-	33,785
<i>Total revenue</i>	<u>6,515,971</u>	<u>127,446</u>	<u>-</u>	<u>6,643,417</u>	<u>6,722,527</u>	<u>13,721</u>	<u>-</u>	<u>6,736,248</u>
<b>EXPENSES</b>								
Program	5,455,130	4,149	-	5,459,279	5,923,665	6,600	-	5,930,265
Fundraising	212,097	-	-	212,097	201,673	-	-	201,673
General and administrative	387,556	2,465	-	390,021	357,518	2,186	-	359,704
<i>Total expenses</i>	<u>6,054,783</u>	<u>6,614</u>	<u>-</u>	<u>6,061,397</u>	<u>6,482,856</u>	<u>8,786</u>	<u>-</u>	<u>6,491,642</u>
<b>CHANGE IN NET ASSETS</b>	461,188	120,832	-	582,020	239,671	4,935	-	244,606
<b>NET ASSETS (ACCUMULATED DEFICIT), BEGINNING OF YEAR</b>	<u>(5,272)</u>	<u>145,507</u>	<u>-</u>	<u>140,235</u>	<u>(244,943)</u>	<u>140,572</u>	<u>-</u>	<u>(104,371)</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 455,916</u>	<u>\$ 266,339</u>	<u>\$ -</u>	<u>\$ 722,255</u>	<u>\$ (5,272)</u>	<u>\$ 145,507</u>	<u>\$ -</u>	<u>\$ 140,235</u>



2014



2013

