MUSIC FOR ALL, INC.
AND AFFILIATE

COMBINED FINANCIAL STATEMENTS

Together with Independent Auditors' Report

FEBRUARY 29, 2012

GREENWALT CPAs

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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 statement of financial position of Music for All, Inc. and Affiliate as of February 29, 2012, and the related combined statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organizations' management. Our responsibility is to express an opinion on these financial statements based on our audits. The prior year summarized comparative information has been derived from the Organizations' 2011 financial statements and, in our report dated July 27, 2011, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 29, 2012, 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.

The accompanying financial statements have been prepared assuming that the Organizations will continue as a going concern. As discussed in Note 12 to the financial statements, the Organizations have a net deficit in unrestricted and total net assets. This condition could raise substantial doubt about the Organizations' ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 12. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Greenwalt CPAs, Inc.

June 20, 2012

MUSIC FOR ALL, INC. AND AFFILIATE
COMBINED STATEMENTS OF FINANCIAL POSITION
FEBRUARY 29, 2012 AND FEBUARY 28, 2011

ASSETS	2012	2011
CURRENT ASSETS		
Cash	$ 684,311	$ 560,206
Accounts receivable, net of allowance for doubtful accounts of $52,400 in 2012 and 2011	788,919	896,870
Inventory	9,653	8,971
Prepaid expenses	149,665	118,130
Total current assets	1,632,548	1,584,177
INVESTMENTS		
Marketable securities	139,213	136,879
PROPERTY AND EQUIPMENT		
Property and equipment	1,415,882	1,524,628
Accumulated depreciation	(1,281,900)	(1,300,647)
Net property and equipment	133,982	223,981
OTHER ASSETS		
Trademark	20,000	20,000
	$ 1,925,743	$ 1,965,037

LIABILITIES AND NET ASSETS (ACCUMULATED DEFICIT)	2012	2011
CURRENT LIABILITIES		
Accounts payable	$ 23,643	$ 19,966
Accrued expenses	78,364	158,285
Prepaid event income	1,848,332	1,991,065
Total current liabilities	1,950,339	2,169,316
LONG-TERM LIABILITIES		
Deferred trust liability	40,610	41,692
Reserve for license fees	39,165	37,019
Total long-term liabilities	79,775	78,711
Total liabilities	2,030,114	2,248,027
COMMITMENTS (Notes 10 and 11)		
NET ASSETS (ACCUMULATED DEFICIT)		
Unrestricted	(315,010)	(486,297)
Temporarily restricted	68,851	62,589
Permanently restricted	141,788	140,718
Total accumulated deficit	(104,371)	(282,990)
	$ 1,925,743	$ 1,965,037

MUSIC FOR ALL, INC. AND AFFILIATE
COMBINED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED FEBRUARY 29, 2012
WITH SUMMARIZED COMPARATIVE INFORMATION FOR THE YEAR ENDED FEBRUARY 28, 2011

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	2012 TOTAL	2011 TOTAL
REVENUE					
Program fees	$ 600,172	$ -	$ -	$ 600,172	$ 736,124
Housing and meal fees	932,296	-	-	932,296	946,749
Ticket fees	1,856,068	-		1,856,068	1,755,040
Band fees	408,450	-	-	408,450	406,370
Relocation revenue	-	-	-	-	20,849
Merchandise sales	41,495	-	-	41,495	59,953
Program book sales	121,525	-	-	121,525	115,955
Photography commissions	46,321	-	-	46,321	71,797
Video commissions and fees	189,442	-	-	189,442	168,482
Merchandise commissions	221,760	-	-	221,760	196,612
Sponsorships	715,152	-	-	715,152	710,537
Contributions	106,474	1,238	1,070	108,782	58,900
In-kind contributions	263,895	-	-	263,895	257,766
Grants	95,837	10,000	-	105,837	41,735
Interest	388	-	-	388	1,172
Loss on disposal of assets	(602)	-	-	(602)	-
Realized and unrealized gain on investments	3,498	-	-	3,498	20,648
Miscellaneous	31,924	-	-	31,924	34,399
Net assets released from restrictions	4,976	(4,976)	-	-	-
Total revenue	5,639,071	6,262	1,070	5,646,403	5,603,088
EXPENSES					
Program	4,903,440	-	-	4,903,440	4,940,447
Fundraising	171,735	-	-	171,735	291,170
General and administrative	392,609	-	-	392,609	585,779
Total expenses	5,467,784	-	-	5,467,784	5,817,396
CHANGE IN NET ASSETS	171,287	6,262	1,070	178,619	(214,308)
NET ASSETS (ACCUMULATED DEFICIT), BEGINNING OF YEAR	(486,297)	62,589	140,718	(282,990)	(68,682)
NET ASSETS (ACCUMULATED DEFICIT), END OF YEAR	$ (315,010)	$ 68,851	$ 141,788	$ (104,371)	$ (282,990)

See accompanying notes to financial statements.

MUSIC FOR ALL, INC. AND AFFILIATE
COMBINED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED FEBRUARY 29, 2012
WITH SUMMARIZED COMPARATIVE INFORMATION FOR THE YEAR ENDED FEBRUARY 28, 2011

	PROGRAM EXPENSES	FUNDRAISING EXPENSES	GENERAL AND ADMINISTRATIVE EXPENSES	2012 TOTAL	2011 TOTAL
PROGRAMS					
Awards and trophies	$ 71,197	$ -	$ -	$ 71,197	$ 109,498
Scholarships	7,837	-	-	7,837	9,213
Clinicians' and judges' fees	584,243	-	-	584,243	604,721
Copyright fees	102,408	-	-	102,408	106,989
Cost of merchandise sold	177,176	-	-	177,176	192,446
Equipment rental	79,481	-	127	79,608	88,419
Program promotion	81,392	7,946	18,018	107,356	99,190
Facility rental	616,744	-	-	616,744	620,077
Participants' housing and meals	883,694	-	-	883,694	898,710
Outside services	702,854	-	14,474	717,328	657,268
Other program expenses	182,879	-	1,406	184,285	216,012
Total programs and activities	3,489,905	7,946	34,025	3,531,876	3,602,543
PERSONNEL RELATED					
Salaries and contract employees	768,550	122,040	189,637	1,080,227	1,128,877
Salaries - payroll taxes	51,528	9,032	12,882	73,442	67,830
403(b) contribution	8,746	359	2,186	11,291	16,098
Staff travel, housing and meals	4,694	781	1,285	6,760	8,356
Group insurance	56,264	5,695	14,066	76,025	62,280
Other personnel related expenses	4,272	80	1,048	5,400	9,599
Total personnel related	894,054	137,987	221,104	1,253,145	1,293,040
BUILDING AND FACILITY					
Depreciation and amortization	84,325	-	21,081	105,406	103,901
Rental - office building	192,816	-	48,204	241,020	241,155
Repairs and maintenance	15,393	-	3,428	18,821	20,334
Telephone and utilities	25,353	-	6,285	31,638	17,449
Total building and facility	317,887	-	78,998	396,885	382,839
OFFICE AND ADMINISTRATIVE					
Board of director's expense	6,465	-	1,616	8,081	3,815
Computer services and supplies	36,003	6,008	14,736	56,747	67,402
Business insurance	59,168	-	14,792	73,960	69,764
Interest	10,207	-	2,552	12,759	9,289
Franchise, sales, and income taxes	9,949	-	-	9,949	10,950
Other office and administrative	79,802	19,794	24,786	124,382	167,762
Non-recurring reorganization expenses	-	-	-	-	209,992
Total office and administrative	201,594	25,802	58,482	285,878	538,974
	$ 4,903,440	$ 171,735	$ 392,609	$ 5,467,784	$ 5,817,396

INCREASE (DECREASE) IN CASH

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from program activities and contributors	$ 5,343,360	$ 5,357,184
Cash paid to suppliers and employees	(5,192,039)	(5,393,990)
Interest expense	(12,759)	(9,289)
Interest income	388	1,172
Net cash provided by (used in) operating activities	138,950	(44,923)
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(16,009)	(24,145)
Proceeds from sale of investments	12,474	102,850
Purchases of investments	(11,310)	(102,704)
Net cash used in investing activities	(14,845)	(23,999)
INCREASE (DECREASE) IN CASH	124,105	(68,922)
CASH, BEGINNING OF YEAR	560,206	629,128
CASH, END OF YEAR	$ 684,311	$ 560,206

RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES

	2012	2011
CHANGE IN NET ASSETS	$ 178,619	$ (214,308)
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Depreciation and amortization	105,406	103,901
Loss on disposal of fixed assets	602	-
Realized and unrealized gain on investments	(3,498)	(20,648)
(Increase) decrease in operating assets.		
Accounts receivable	107,951	(232,930)
Inventory	(682)	2,531
Prepaid expenses	(31,535)	76,323
Increase (decrease) in operating liabilities.		
Accounts payable	3,677	(95,708)
Accrued expenses	(79,921)	57,149
Prepaid event income	(142,733)	279,620
Deferred trust liability	(1,082)	(1,008)
Reserve for license fees	2,146	155
Total adjustments	(39,669)	169,385
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	$ 138,950	$ (44,923)

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 whose mission is to create, provide and expand positively life-changing experiences through music for all. The Organization 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 the Organization's 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 Consolidation and 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 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, 2011, from which the summarized information was derived.

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.

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 $50,019 at February 29, 2012.

TEMPORARILY RESTRICTED NET ASSETS

The temporarily restricted net asset class includes assets of 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 designated 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 29, 2012 and February 28, 2011:

	2012	2011
National Association of Uniform Manufacturers and Distributors	$ 1,000	$ 1,000
Mark Jolesch Scholarship	1,373	3,373
McLeroy Scholarship Fund	982	882
Camp Scholarship Fund	1,000	292
The Paynter Project	2,908	2,909
Mark Williams Fund	1,588	1,450
Guitar Center, Inc. – teacher education fund	50,000	50,000
Lilly Endowment, Inc. - fundraising	-	2,683
Lacy Foundation – drum circles	10,000	-
	$ 68,851	$ 62,589

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 29, 2012 and February 28, 2011:

	2012	2011
Honor Band Chair Endowment	$ 50,750	$ 50,750
L.J. Hancock Memorial Endowment	33,423	32,853
Sandy Feldstein Legacy Fund	35,532	35,432
Fred J Miller Scholarship Fund	21,000	21,000
Foundation Endowment	1,083	683
	$ 141,788	$ 140,718

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 29, 2012 and February 28, 2011.

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.

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 or market on a first-in, first-out (FIFO) basis.

1. Nature of Activities and Summary of Significant Accounting Policies, Continued

Property and Equipment

Property and equipment are recorded at cost and depreciation is computed using straight-line and accelerated methods 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.

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 sales for the past three years on video tapes of special events sold to the general public, but not for tapes sold prior to the three year period. Provisions to the reserve are based on total audio/video sales during the year.

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.

In-Kind Contributions

During the years ended February 29, 2012 and February 28, 2011, contributed services, goods, and use of facilities were received by the Organizations. The fair market value of these services, goods and facilities of $263,895 and $257,766 (of which $241,020 is rent for each year) for the years ended February 29, 2012 and February 28, 2011, has been reflected in the accompanying financial statements. Accordingly, these transactions have been treated as non-cash transactions and are properly excluded from the statement of cash flows.

1. Nature of Activities and Summary of Significant Accounting Policies, Continued

Expense Allocation

Expenses have been classified as event expenses (program services), 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 $27,226 and $21,543 in advertising expense for the years ended February 29, 2012 and February 28, 2011, respectively. These costs were expensed as incurred.

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 29, 2012 and February 28, 2011 are as follows:

1. Nature of Activities and Summary of Significant Accounting Policies, Continued

2012	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual funds				
Growth	$ 35,774	$ 35,774	$ -	$ -
Value	30,821	30,821	-	-
Blended	26,218	26,218	-	-
Diversified emerging markets	2,948	2,948	-	-
Fixed income				
Bond	38,226	38,226	-	-
Bank loan	5,226	5,226	-	-
	$ 139,213	$ 139,213	$ -	$ -

2011	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual funds				
Growth	$ 37,517	$ 37,517	$ -	$ -
Value	28,800	28,800	-	-
Blended	24,376	24,376	-	-
Diversified emerging markets	2,530	2,530	-	-
Fixed income				
Bond	38,344	38,344	-	-
Bank loan	5,312	5,312	-	-
	$ 136,879	$ 136,879	$ -	$ -

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

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 29, 2012 or February 28, 2011.

SUBSEQUENT EVENTS

Subsequent events have been evaluated by Management through June 20, 2012, 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.

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.

2. ENDOWMENT FUNDS, CONTINUED

Changes in Endowment Net Assets for the year ended February 29, 2012 and February 28, 2011:

	2012	2011
Endowment net assets, beginning of year	$ 140,718	$ 139,385
Donations	1,070	1,333
Expenditures	-	-
Endowment net assets, end of year	$ 141,788	$ 140,718

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.

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.

3. INVESTMENTS, CONTINUED

Cost and fair value of investments at February 29, 2012 and February 28, 2011 are as follows:

	2012 Fair Value	2012 Cost	2011 Fair Value	2011 Cost
Marketable Securities	$ 139,213	$ 125,539	$ 136,879	$ 119,470

4. PROPERTY AND EQUIPMENT

Property and equipment at February 29, 2012 and February 28, 2011 is as follows:

	2012	2011
Leasehold improvements	$ 763,638	$ 763,638
Capitalized software	12,000	12,000
Furniture and equipment	640,244	748,990
	1,415,882	1,524,628
Accumulated depreciation	(1,281,900)	(1,300,647)
	$ 133,982	$ 223,981

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 29, 2012 and February 28, 2011 was $1,848,332 and $1,991,065, respectively.

6. BANK LINE OF CREDIT

Music for All maintained a $620,000 line of credit with a bank that expired in April 2012. The line of credit bore interest at the LIBOR rate plus 4.0% with a 5.0% minimum (5.0% at February 29, 2012). Music for All had no outstanding balance on the line of credit at February 29, 2012 and February 28, 2011, respectively. The line of credit was secured by Music for All's assets.

In April 2012, Music for All renewed its line of credit agreement. The new line of credit agreement allows for a $620,000 line of credit which matures in April 2013. The new line of credit bears interest at LIBOR plus 4.0%, with a minimum interest rate of 5.0% and 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 $40,610 and $41,692 at February 29, 2012 and February 28, 2011, 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 2008 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 29, 2012 and February 28, 2011 totaled $11,291 and $16,098, respectively.

10. Leases

Music for All has a lease with the Redevelopment Commission of the City of Indianapolis, Indiana (lessor) for office space. The lease expires June 2012 but will be renewed for an additional year. Music for All is responsible for paying the utilities and is required to comply with certain programmatic commitments to the City of Indianapolis. If Music for All does not comply, it must pay base rent at the rate of $12 per square foot per year.

The lessor has certain rights to terminate the lease if it receives a certain offer by another tenant. Music for All may elect to match the offer and remain in the space or vacate the space and receive $40,000 for each year remaining on the lease. The estimated fair market value of this lease is approximately $20,000 per month. Accordingly, the annual fair market value of the lease is $241,020, as noted in Note 1, which is recorded as an in-kind contribution for the leased office space.

During the year ended February 28, 2011, Music for All extended its lease with the Redevelopment Commission with the City of Indianapolis, Indiana. The lease extends from July 2013 through June 2023. The straight-line payments are $16,738 per month.

Music for All also leases office equipment under various operating leases expiring March 2017. Equipment rental expense for the years ended February 29, 2012 and February 28, 2011 for these leases amounted to $15,538 and $16,380, respectively. Music for All rents other equipment on a temporary basis for camps and other activities.

10. Leases, Continued

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

2012	$	18,358
2013		152,428
2014		219,378
2015		216,630
2016		202,890
Thereafter		1,272,220
	$	2,081,904

11. Commitments

Music for All has contracted with the Capital Improvement Board of Managers of Marion County, Indiana to host its Grand National competition at Lucas Oil Stadium annually through 2012. The agreement has an exit clause, but requires a percentage of the booking fee to be paid upon cancellation of the event. The Grand National competition held in Indianapolis will be held in Lucas Oil Stadium at a rate of $334,589 for November 2012.

Music for All has contracted through September 30, 2013, with CopyCat Music Licensing of La Crosse, Wisconsin, to assist and obtain rights to use various copyrighted music for sponsored competitions, DVDs, audio downloads and CDs. CopyCat Music Licensing is to be paid $69,025 and $40,425 for the years ending, February 28, 2013 and February 28, 2014.

12. Going Concern

As shown in the accompanying financial statements, the Organizations' current liabilities exceeded its current assets at February 29, 2012 by approximately $317,000, and the Organizations had a net deficit in their Unrestricted Net Assets and total Net Assets. While those factors create some uncertainty about the Organizations' ability to continue as a going concern, the Organizations continue to pursue and stay on plan to improve the financial position and eliminate their accumulated deficit. The budget for fiscal year 2013 shows an increase in net assets of approximately $208,000.

13. Retroactive Reclassification

Certain items in the 2011 financial statements have been retroactively reclassified to conform to the 2012 presentation. These reclassifications had no impact on total net assets at February 28, 2011.

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GREENWALT CPAs

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INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

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

Our audit of the February 29, 2012 combined financial statements were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. Our report on the basic financial statements appears on page one. The accompanying information shown in Exhibits I through VI is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The combining information for the year ended February 29, 2012 has not been subjected to the auditing procedures applied in the audit of basic financial statements.

Greenwalt CPAs, Inc.

June 20, 2012

MUSIC FOR ALL, INC. AND AFFILIATE
COMBINING STATEMENTS OF FINANCIAL POSITION
FEBRUARY 29, 2012 AND FEBUARY 28, 2011

Exhibit I

	MUSIC FOR ALL	MUSIC FOR ALL FOUNDATION	ELIMINATIONS	2012 TOTAL	2011 TOTAL
ASSETS					
CURRENT ASSETS					
Cash	$ 680,390	$ 3,921	$ -	$ 684,311	$ 560,206
Accounts receivable, net of allowance for doubtful accounts of $52,400 in 2012 and 2011	788,850	69	-	788,919	896,870
Accounts receivable - related party	2,541	3,910	(6,451)	-	-
Inventory	9,653	-	-	9,653	8,971
Prepaid expenses	149,665	-	-	149,665	118,130
Total current assets	1,631,099	7,900	(6,451)	1,632,548	1,584,177
INVESTMENTS					
Marketable securities	-	139,213	-	139,213	136,879
PROPERTY AND EQUIPMENT					
Property and equipment	1,408,033	7,849	-	1,415,882	1,524,628
Accumulated depreciation and amortization	(1,274,051)	(7,849)	-	(1,281,900)	(1,300,647)
Net property and equipment	133,982	-	-	133,982	223,981
OTHER ASSETS					
Trademark	20,000	-	-	20,000	20,000
	$ 1,785,081	$ 147,113	$ (6,451)	$ 1,925,743	$ 1,965,037
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES					
Accounts payable	$ 23,643	$ -	$ -	$ 23,643	$ 19,966
Accounts payable - related party	3,910	2,541	(6,451)	-	-
Accrued expenses	74,364	4,000	-	78,364	158,285
Prepaid event income	1,848,332	-	-	1,848,332	1,991,065
Total current liabilities	1,950,249	6,541	(6,451)	1,950,339	2,169,316
LONG-TERM LIABILITIES					
Deferred trust liability	40,610	-	-	40,610	41,692
Reserve for license fees	39,165	-	-	39,165	37,019
Total long-term liabilities	79,775	-	-	79,775	78,711
Total liabilities	2,030,024	6,541	(6,451)	2,030,114	2,248,027
NET ASSETS (ACCUMULATED DEFICIT)					
Unrestricted	(304,943)	(10,067)	-	(315,010)	(486,297)
Temporarily restricted	60,000	8,851	-	68,851	62,589
Permanently restricted	-	141,788	-	141,788	140,718
	(244,943)	140,572	-	(104,371)	(282,990)
	$ 1,785,081	$ 147,113	$ (6,451)	$ 1,925,743	$ 1,965,037

MUSIC FOR ALL, INC. AND AFFILIATE
COMBINING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED FEBRUARY 29, 2012
WITH SUMMARIZED COMPARATIVE INFORMATION FOR THE YEAR ENDED FEBRUARY 28, 2011

Exhibit II

	UNRESTRICTED			TEMPORARILY RESTRICTED		PERMANENTLY RESTRICTED		
	MUSIC FOR ALL	MUSIC FOR ALL FOUNDATION	TOTAL	MUSIC FOR ALL	MUSIC FOR ALL FOUNDATION	MUSIC FOR ALL FOUNDATION	2012 TOTAL	2011 TOTAL
REVENUE								
Program fees	$ 600,172	$ -	$ 600,172	$ -	$ -	$ -	$ 600,172	$ 736,124
Housing and meal fees	932,296	-	932,296	-	-	-	932,296	946,749
Ticket fees	1,856,068	-	1,856,068	-	-	-	1,856,068	1,755,040
Band fees	408,450	-	408,450	-	-	-	408,450	406,370
Relocation revenue	-	-	-	-	-	-	-	20,849
Merchandise sales	41,495	-	41,495	-	-	-	41,495	59,953
Program book sales	121,525	-	121,525	-	-	-	121,525	115,955
Photography commissions	46,321	-	46,321	-	-	-	46,321	71,797
Video commissions and fees	189,442	-	189,442	-	-	-	189,442	168,482
Merchandise commissions	221,760	-	221,760	-	-	-	221,760	196,612
Sponsorships	715,152	-	715,152	-	-	-	715,152	710,537
Contributions	104,474	2,000	106,474	-	1,238	1,070	108,782	58,900
In-kind contributions	263,895	-	263,895	-	-	-	263,895	257,766
Grants	95,837	-	95,837	10,000	-	-	105,837	41,735
Interest	288	100	388	-	-	-	388	1,172
Loss on disposal of assets	(602)	-	(602)	-	-	-	(602)	-
Realized and unrealized gain on investments	-	3,498	3,498	-	-	-	3,498	20,648
Miscellaneous	31,924	-	31,924	-	-	-	31,924	34,399
Net assets released from restrictions	2,684	2,292	4,976	(2,684)	(2,292)	-	-	-
Total revenue	5,631,181	7,890	5,639,071	7,316	(1,054)	1,070	5,646,403	5,603,088
EXPENSES								
Program	4,896,603	6,837	4,903,440	-	-	-	4,903,440	4,940,447
Fundraising	171,735	-	171,735	-	-	-	171,735	291,170
General and administrative	389,308	3,301	392,609	-	-	-	392,609	585,779
Total expenses	5,457,646	10,138	5,467,784	-	-	-	5,467,784	5,817,396
CHANGE IN NET ASSETS	173,535	(2,248)	171,287	7,316	(1,054)	1,070	178,619	(214,308)
NET ASSETS (DEFICIT), BEGINNING OF PERIOD	(478,478)	(7,819)	(486,297)	52,684	9,905	140,718	(282,990)	(68,682)
NET ASSETS (DEFICIT), END OF PERIOD	$ (304,943)	$ (10,067)	$ (315,010)	$ 60,000	$ 8,851	$ 141,788	$ (104,371)	$ (282,990)

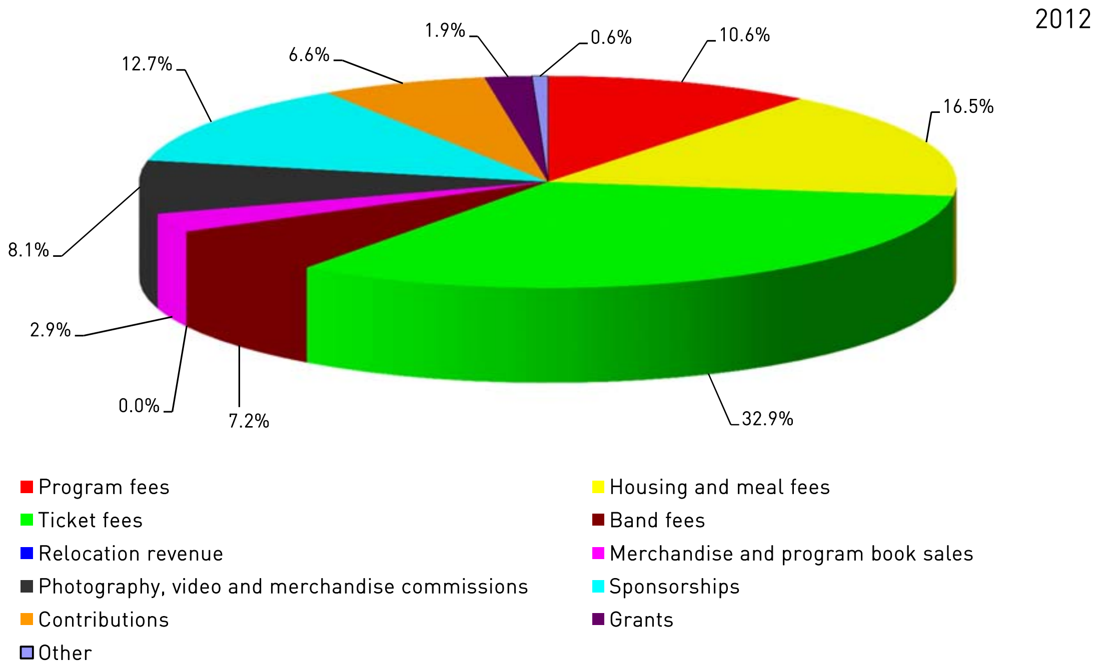
See accompanying independent auditors' report on supplementary information.

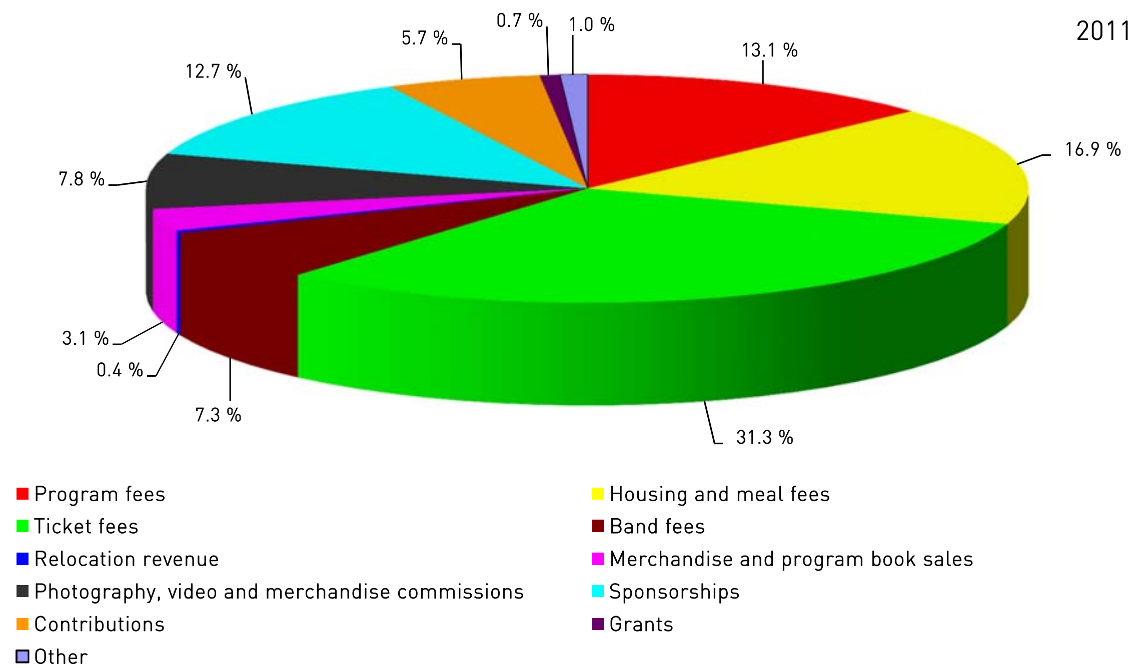
MUSIC FOR ALL, INC. AND AFFILIATE
COMBINING SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED FEBRUARY 29, 2012
WITH SUMMARIZED COMPARATIVE INFORMATION FOR THE YEAR ENDED FEBRUARY 28, 2011

Exhibit III

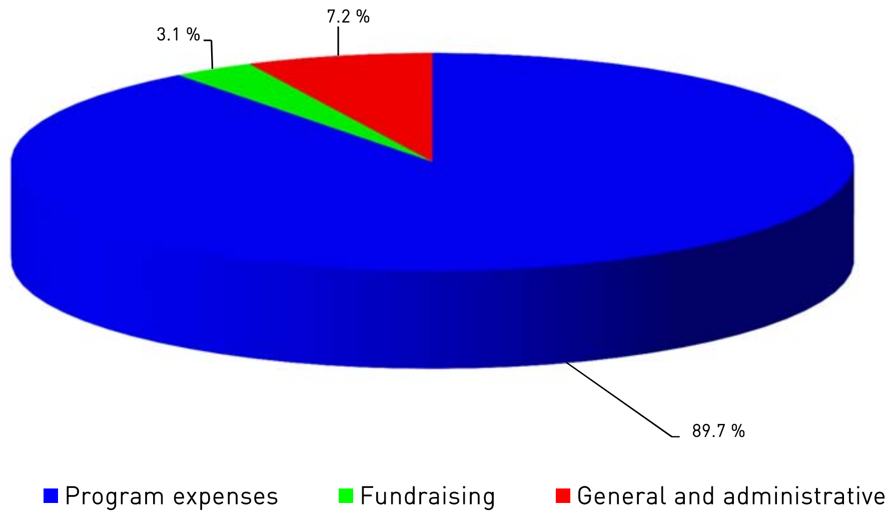
	MUSIC FOR ALL				MUSIC FOR ALL FOUNDATION		
	PROGRAM	FUNDRAISING	GENERAL & ADMINISTRATIVE EXPENSES	TOTAL	FDN EXPENSES	2012 TOTAL	2011 TOTAL
PROGRAMS							
Awards and trophies	$ 71,197	$ -	$ -	$ 71,197	$ -	$ 71,197	$ 109,498
Scholarships	1,000	-	-	1,000	6,837	7,837	9,213
Clinicians and judges fees	584,243	-	-	584,243	-	584,243	604,721
Copyright fees	102,408	-	-	102,408	-	102,408	106,989
Cost of merchandise sold	177,176	-	-	177,176	-	177,176	192,446
Equipment rental	79,481	-	127	79,608	-	79,608	88,419
Program promotion	81,392	7,946	18,018	107,356	-	107,356	99,190
Facility rental	616,744	-	-	616,744	-	616,744	620,077
Participants' housing and meals	883,694	-	-	883,694	-	883,694	898,710
Outside services	702,854	-	11,971	714,825	2,503	717,328	657,268
Other program expenses	182,879	-	1,406	184,285	-	184,285	216,012
Total programs and activities	3,483,068	7,946	31,522	3,522,536	9,340	3,531,876	3,602,543
PERSONNEL RELATED							
Salaries and contract employees	768,550	122,040	189,637	1,080,227	-	1,080,227	1,128,877
Salaries - payroll taxes	51,528	9,032	12,882	73,442	-	73,442	67,830
403(b) contribution	8,746	359	2,186	11,291	-	11,291	16,098
Staff travel, housing and meals	4,694	781	1,285	6,760	-	6,760	8,356
Group insurance	56,264	5,695	14,066	76,025	-	76,025	62,280
Other personnel related expenses	4,272	80	1,048	5,400	-	5,400	9,599
Total personnel related	894,054	137,987	221,104	1,253,145	-	1,253,145	1,293,040
BUILDING AND FACILITY							
Depreciation and amortization	84,325	-	21,081	105,406	-	105,406	103,901
Rental - office building	192,816	-	48,204	241,020	-	241,020	241,155
Repairs and maintenance	15,393	-	3,428	18,821	-	18,821	20,334
Telephone and utilities	25,353	-	6,285	31,638	-	31,638	17,449
Total building and facility	317,887	-	78,998	396,885	-	396,885	382,839
OFFICE AND ADMINISTRATIVE							
Board of director's expense	6,465	-	1,616	8,081	-	8,081	3,815
Computer services and supplies	36,003	6,008	14,736	56,747	-	56,747	67,402
Business insurance	59,168	-	14,792	73,960	-	73,960	69,764
Interest	10,207	-	2,552	12,759	-	12,759	9,289
Franchise, sales, and income taxes	9,949	-	-	9,949	-	9,949	10,950
Other office and administrative	79,802	19,794	23,988	123,584	798	124,382	167,762
Non-recurring reorganization expenses	-	-	-	-	-	-	209,992
Total office and administrative	201,594	25,802	57,684	285,080	798	285,878	538,974
	$ 4,896,603	$ 171,735	$ 389,308	$ 5,457,646	$ 10,138	$ 5,467,784	$ 5,817,396

	2012				2011			
	MUSIC FOR ALL	MUSIC FOR ALL FOUNDATION	ELIMINATIONS	TOTAL	MUSIC FOR ALL	MUSIC FOR ALL FOUNDATION	Eliminations	TOTAL
REVENUE								
Program fees	$ 600,172	$ -	$ -	$ 600,172	$ 736,124	$ -	$ -	$ 736,124
Housing and meal fees	932,296	-	-	932,296	946,749	-	-	946,749
Ticket fees	1,856,068	-	-	1,856,068	1,755,040	-	-	1,755,040
Band fees	408,450	-	-	408,450	406,370	-	-	406,370
Relocation revenue	-	-	-	-	20,849	-	-	20,849
Merchandise sales	41,495	-	-	41,495	59,953	-	-	59,953
Program book sales	121,525	-	-	121,525	115,955	-	-	115,955
Photography commissions	46,321	-	-	46,321	71,797	-	-	71,797
Video commissions and fees	189,442	-	-	189,442	168,482	-	-	168,482
Merchandise commissions	221,760	-	-	221,760	196,612	-	-	196,612
Sponsorships	715,152	-	-	715,152	710,537	-	-	710,537
Contributions	104,474	4,308	-	108,782	56,774	2,126	-	58,900
In-kind contributions	263,895	-	-	263,895	257,766	-	-	257,766
Grants	105,837	-	-	105,837	41,735	-	-	41,735
Interest	288	100	-	388	1,170	2	-	1,172
Loss on sale of assets	(602)	-	-	(602)	-	-	-	-
Realized and unrealized gain on investments	-	3,498	-	3,498	-	20,648	-	20,648
Miscellaneous	31,924	-	-	31,924	34,399	-	-	34,399
Total revenue	5,638,497	7,906	-	5,646,403	5,580,312	22,776	-	5,603,088
EXPENSES								
Program	4,896,603	6,837	-	4,903,440	4,931,234	9,213	-	4,940,447
Fundraising	171,735	-	-	171,735	291,170	-	-	291,170
General and administrative	389,308	3,301	-	392,609	584,082	1,697	-	585,779
Total expenses	5,457,646	10,138	-	5,467,784	5,806,486	10,910	-	5,817,396
CHANGE IN NET ASSETS	180,851	(2,232)	-	178,619	(226,174)	11,866	-	(214,308)
NET ASSETS (ACCUMULATED DEFICIT), BEGINNING OF PERIOD	(425,794)	142,804	-	(282,990)	(199,620)	130,938	-	(68,682)
NET ASSETS (ACCUMULATED DEFICIT), END OF PERIOD	$ (244,943)	$ 140,572	$ -	$ (104,371)	$ (425,794)	$ 142,804	$ -	$ (282,990)

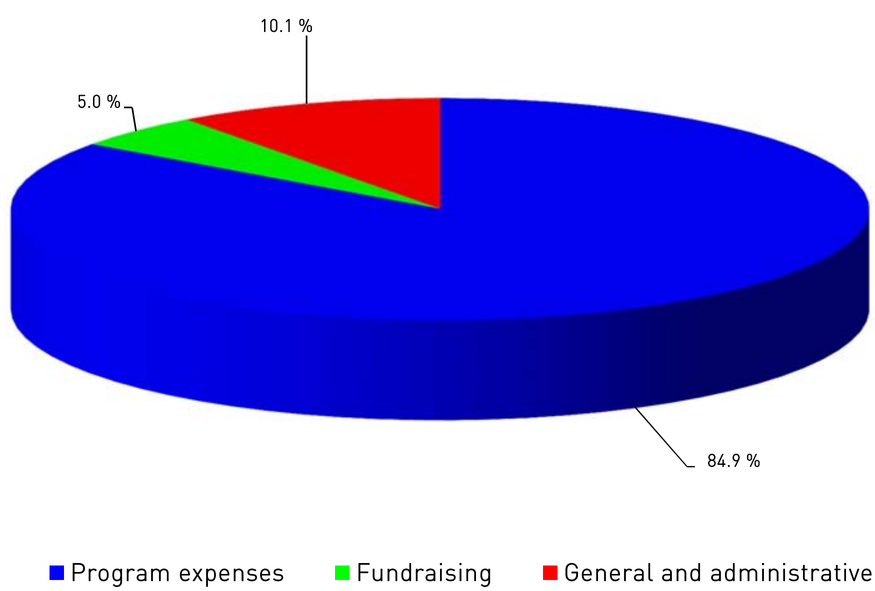

2012
1.9%
0.6%
10.6%
6.6%
12.7%
16.5%
8.1%
2.9%
0.0%
7.2%
32.9%
Program fees
Housing and meal fees
Ticket fees
Band fees
Relocation revenue
Merchandise and program book sales
Photography, video and merchandise commissions
Sponsorships
Contributions
Grants
Other


2011
0.7 %
1.0 %
5.7 %
13.1 %
12.7 %
16.9 %
7.8 %
3.1 %
0.4 %
7.3 %
31.3 %
Program fees
Housing and meal fees
Ticket fees
Band fees
Relocation revenue
Merchandise and program book sales
Photography, video and merchandise commissions
Sponsorships
Contributions
Grants
Other

2012


3.1 %
7.2 %
89.7 %
Program expenses
Fundraising
General and administrative

2011


10.1 %
5.0 %
84.9 %
Program expenses
Fundraising
General and administrative