

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

*Financial Statements*

*TOGETHER WITH INDEPENDENT AUDITORS' REPORT*

*February 28, 2009 and February 29, 2008*

**Greenwalt Sponsel & Co., Inc.**

We Deliver Peace of Mind

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# GS&CO Greenwalt Sponsel & Co., Inc.

Business & Financial Advisors

Certified Public Accountants

## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying combined statements of financial position of Music for All, Inc. and Affiliate as of February 28, 2009 and February 29, 2008, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. 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 audits provide a reasonable basis for our opinion.

In our opinion, the 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, 2009 and February 29, 2008, and the results of their operations and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States.

The accompanying financial statements have been prepared assuming that the Organizations will continue as a going concern. As discussed in Note 11 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 11. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

*Greenwalt Sponsel & Co., Inc.*

July 28, 2009

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**MUSIC FOR ALL, INC. AND AFFILIATE**
*Combined Statements of Financial Position*
*February 28, 2009 and February 29, 2008*

			<b>LIABILITIES AND</b>		
<b><u>ASSETS</u></b>	<b><u>2009</u></b>	<b><u>2008</u></b>	<b><u>NET ASSETS (ACCUMULATED DEFICIT)</u></b>	<b><u>2009</u></b>	<b><u>2008</u></b>
<b>Current Assets</b>			<b>Current Liabilities</b>		
Cash and cash equivalents	\$ 896,345	\$ 538,155	Line of credit	\$ 489,494	\$ 497,494
Accounts receivable, net of allowance for doubtful accounts of \$26,900 and \$35,800 in 2009 and 2008	999,654	714,504	Current portion of notes payable	-	80,000
Inventory	10,318	88,797	Accounts payable	66,467	607,038
Prepaid expenses	78,330	152,106	Accounts payable - related party	-	104
			Accrued expenses	150,277	125,426
			Prepaid event income	2,045,237	919,743
<i>Total current assets</i>	<u>1,984,647</u>	<u>1,493,562</u>	<i>Total current liabilities</i>	<u>2,751,475</u>	<u>2,229,805</u>
<b>Investments</b>			<b>Long-Term Liabilities</b>		
Marketable securities	<u>83,086</u>	<u>66,876</u>	Deferred trust liability	43,639	44,514
<b>Property and Equipment</b>			Reserve for license fees	<u>35,196</u>	<u>45,905</u>
Property and equipment	1,599,628	1,590,228	<i>Total long-term liabilities</i>	<u>78,835</u>	<u>90,419</u>
Accumulated depreciation	<u>(1,163,964)</u>	<u>(1,033,147)</u>	<i>Total liabilities</i>	<u>2,830,310</u>	<u>2,320,224</u>
<i>Net property and equipment</i>	<u>435,664</u>	<u>557,081</u>	<b>Commitments and Contingency</b>		
<b>Other Assets</b>			<b>(Notes 9 and 11)</b>		
Trademark	<u>20,000</u>	<u>20,000</u>	<b>Net Assets (Accumulated Deficit)</b>		
<i>Total other assets</i>	<u>20,000</u>	<u>20,000</u>	Unrestricted	(682,104)	(847,309)
			Temporarily restricted	293,688	584,592
			Permanently restricted	<u>81,503</u>	<u>80,012</u>
			<i>Total accumulated deficit</i>	<u>(306,913)</u>	<u>(182,705)</u>
	<u>\$ 2,523,397</u>	<u>\$ 2,137,519</u>		<u>\$ 2,523,397</u>	<u>\$ 2,137,519</u>

See accompanying notes to financial statements.

**MUSIC FOR ALL, INC. AND AFFILIATE***Combined Statements of Activities**For the Years Ended February 28, 2009 and February 29, 2008*

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2009 Total</u>	<u>2008 Total</u>
<b>Revenue</b>					
Event fees	\$ 685,201	\$ -	\$ -	\$ 685,201	\$ 1,093,519
Housing and meal fees	1,380,268	-	-	1,380,268	1,472,910
Ticket fees	1,830,258	-	-	1,830,258	1,908,352
Band fees	430,728	-	-	430,728	508,823
Relocation revenue	29,529	-	-	29,529	31,533
Merchandise sales	121,133	-	-	121,133	97,486
Program book sales	91,812	-	-	91,812	169,231
Photography commissions	88,000	-	-	88,000	91,001
Video commissions and fees	80,624	-	-	80,624	205,204
Merchandise commissions	184,433	-	-	184,433	219,223
Sponsorships	700,753	-	-	700,753	824,498
Contributions	417,846	61,115	1,491	480,452	157,218
In-kind contributions	257,087	-	-	257,087	276,814
Grants	43,160	115,000	-	158,160	761,600
Interest	9,620	-	-	9,620	7,702
Realized and unrealized loss on investments	(28,491)	-	-	(28,491)	(3,207)
Miscellaneous	61,636	-	-	61,636	70,270
Net assets released from restrictions	467,019	(467,019)	-	-	-
<i>Total revenue</i>	<u>6,850,616</u>	<u>(290,904)</u>	<u>1,491</u>	<u>6,561,203</u>	<u>7,892,177</u>
<b>Expenses</b>					
Event	5,691,761	-	-	5,691,761	6,708,359
Fundraising	431,318	-	-	431,318	273,791
General and administrative	562,332	-	-	562,332	849,458
<i>Total expenses</i>	<u>6,685,411</u>	<u>-</u>	<u>-</u>	<u>6,685,411</u>	<u>7,831,608</u>
<b>Change in Net Assets</b>	165,205	(290,904)	1,491	(124,208)	60,569
<b>Net Assets (Accumulated Deficit), Beginning of Year</b>	<u>(847,309)</u>	<u>584,592</u>	<u>80,012</u>	<u>(182,705)</u>	<u>(243,274)</u>
<b>Net Assets (Accumulated Deficit), End of Year</b>	<u>\$ (682,104)</u>	<u>\$ 293,688</u>	<u>\$ 81,503</u>	<u>\$ (306,913)</u>	<u>\$ (182,705)</u>

**MUSIC FOR ALL, INC. AND AFFILIATE***Combined Statements of Functional Expenses**For the Years Ended February 28, 2009 and February 29, 2008*

	<b>Event Expenses</b>	<b>Fundraising Expenses</b>	<b>General and Administrative Expenses</b>	<b>2009 Total</b>	<b>2008 Total</b>
<b>Events</b>					
Awards and trophies	\$ 117,658	\$ -	\$ -	\$ 117,658	\$ 147,484
Scholarships	-	-	7,600	7,600	9,000
Clinicians and judges fees	608,686	-	-	608,686	688,146
Copyright fees	65,152	-	-	65,152	37,269
Cost of merchandise sold	172,195	-	-	172,195	247,141
Fair value adjustment of inventory	-	-	68,783	68,783	76,035
Equipment rental	87,422	-	497	87,919	141,489
Event promotion	118,096	32,169	12,502	162,767	231,506
Facility rental	375,041	-	-	375,041	403,009
Participants' housing and meals	1,226,143	-	-	1,226,143	1,478,912
Outside services	1,039,568	6,867	18,475	1,064,910	1,374,207
Other events expenses	204,711	19,602	440	224,753	324,318
<i>Total events and activities</i>	<u>4,014,672</u>	<u>58,638</u>	<u>108,297</u>	<u>4,181,607</u>	<u>5,158,516</u>
<b>Personnel Related</b>					
Salaries and contract employees	894,126	337,153	220,547	1,451,826	1,354,690
Salaries - payroll taxes	71,900	9,124	17,723	98,747	95,282
403(b) contribution	13,585	-	3,396	16,981	32,115
Staff travel, housing and meals	6,090	7,951	14,211	28,252	24,286
Group insurance	74,900	3,114	18,664	96,678	95,043
Other personnel related expenses	8,551	2,373	2,138	13,062	26,858
<i>Total personnel related</i>	<u>1,069,152</u>	<u>359,715</u>	<u>276,679</u>	<u>1,705,546</u>	<u>1,628,274</u>
<b>Building and Facility</b>					
Depreciation and amortization	104,653	1,840	24,323	130,816	174,545
Rental - office building	192,816	3,872	44,332	241,020	241,020
Repairs and maintenance	30,796	482	6,917	38,195	37,866
Telephone and utilities	34,783	530	6,525	41,838	44,439
<i>Total building and facility</i>	<u>363,048</u>	<u>6,724</u>	<u>82,097</u>	<u>451,869</u>	<u>497,870</u>
<b>Office and Administrative</b>					
Advisory board	-	-	-	-	9,392
Board of directors expense	-	870	7,830	8,700	6,971
Computer services and supplies	47,955	550	9,230	57,735	82,120
Business insurance	54,912	-	13,728	68,640	56,545
Interest	20,803	-	5,201	26,004	19,299
Franchise, sales, and income taxes	10,859	-	-	10,859	25,281
Other office and administrative	110,360	4,821	59,270	174,451	170,632
Fair vale adjusment of master tapes	-	-	-	-	176,708
<i>Total office and administrative</i>	<u>244,889</u>	<u>6,241</u>	<u>95,259</u>	<u>346,389</u>	<u>546,948</u>
	<u>\$ 5,691,761</u>	<u>\$ 431,318</u>	<u>\$ 562,332</u>	<u>\$ 6,685,411</u>	<u>\$ 7,831,608</u>

**MUSIC FOR ALL, INC. AND AFFILIATE***Combined Statement of Cash Flows**For the Years Ended February 28, 2009 and February 29, 2008**Page 1 of 2***INCREASE IN CASH AND CASH EQUIVALENTS**

	<b><u>2009</u></b>	<b><u>2008</u></b>
<b>Cash Flows from Operating Activities</b>		
Cash received from program activities and contributors	\$ 7,171,293	\$ 6,679,257
Cash paid to suppliers and employees	(6,654,619)	(6,527,491)
Interest expense	(26,004)	(19,299)
Interest income	9,620	7,702
	<u>500,290</u>	<u>140,169</u>
<i>Net cash provided by operating activities</i>		
<b>Cash Flows from Investing Activities</b>		
Capital expenditures	(9,399)	(24,939)
Proceeds from sale of investments	65,772	33,786
Purchases of investments	(110,473)	(18,793)
	<u>(54,100)</u>	<u>(9,946)</u>
<i>Net cash used in investing activities</i>		
<b>Cash Flows from Financing Activities</b>		
Principal payments on notes payable	(80,000)	(195,000)
Net borrowings (repayments) on line of credit	(8,000)	446,251
	<u>(88,000)</u>	<u>251,251</u>
<i>Net cash provided by (used in) financing activities</i>		
<b>Net Increase in Cash and Cash Equivalents</b>	358,190	381,474
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>538,155</u>	<u>156,681</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 896,345</u>	<u>\$ 538,155</u>

**MUSIC FOR ALL, INC. AND AFFILIATE***Combined Statement of Cash Flows, Continued**For the Years Ended February 28, 2009 and February 29, 2008**Page 2 of 2***RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH  
PROVIDED BY OPERATING ACTIVITIES**

	<b><u>2009</u></b>	<b><u>2008</u></b>
<b>Change in Net Assets</b>	<b>\$ (124,208)</b>	<b>\$ 60,569</b>
<b>Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities</b>		
Depreciation and amortization	130,816	174,545
Fair value adjustment of master tapes	-	176,708
Realized and unrealized loss on investments	28,491	3,207
<i>(Increase) decrease in operating assets:</i>		
Accounts receivable	(285,150)	(31,699)
Inventory	78,479	78,956
Prepaid expenses	73,776	4,621
<i>Increase (decrease) in operating liabilities:</i>		
Accounts payable	(540,571)	453,206
Accounts payable - related party	(104)	(40,874)
Accrued expenses	24,851	121,401
Prepaid event income	1,125,494	(908,988)
Deferred trust liability	(875)	44,514
Reserve for license fees	(10,709)	4,003
<i>Total adjustments</i>	<b>624,498</b>	<b>79,600</b>
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 500,290</b>	<b>\$ 140,169</b>

# MUSIC FOR ALL, INC. AND AFFILIATE

*Notes to Combined Financial Statements*

*February 28, 2009 and February 29, 2008*

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## 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 committed to expanding access to, and the role and value of music in, education, and to creating a positive environment for music and the arts through societal change.

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 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.

### *Contributions*

The Organizations have adopted SFAS No. 116, *Accounting for Contributions Received and Contributions Made*. In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted or permanently restricted, depending on the existence or nature of any donor restrictions. 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.

### *Net Asset Classifications*

The financial statements have been prepared in accordance with Statements of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. SFAS No. 117 requires that the financial statements report 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.



# MUSIC FOR ALL, INC. AND AFFILIATE

Notes to Combined Financial Statements

February 28, 2009 and February 29, 2008

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

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.

### 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 28, 2009 and February 29, 2008:

	<u>2009</u>	<u>2008</u>
National Association of Uniform Manufacturers and Distributors	\$ 1,000	\$ 2,000
Mark Jolesch Scholarship	7,372	9,372
Fred J Miller Scholarship Fund	19,000	13,000
Yamaha Scholarship Fund	2,000	-
Summer Symposium	1,930	1,930
The Paynter Project	2,517	2,517
Sandy Feldstein Music Education Fund	29,439	59,189
Mark Williams Fund	1,430	565
New Jersey Arts Education Project	-	85,033
Inergy	-	16,022
New Hampshire Arts Council	-	1,532
Wisconsin Arts Council	-	6,000
Lilly Endowment, Inc. - fundraising	179,000	387,432
Guitar Center, Inc.	50,000	-
	<u>\$ 293,688</u>	<u>\$ 584,592</u>

### 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, 2009 and February 29, 2008:

	<u>2009</u>	<u>2008</u>
Honor Band Chair Endowment	\$ 50,750	\$ 50,750
L.J. Hancock Memorial Endowment	30,753	29,262
	<u>\$ 81,503</u>	<u>\$ 80,012</u>

# MUSIC FOR ALL, INC. AND AFFILIATE

Notes to Combined Financial Statements

February 28, 2009 and February 29, 2008

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

### *Cash and Cash Equivalents*

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 have maintained cash balances in excess of Federal Deposit Insurance Corporation limits at February 28, 2009 and February 29, 2008, and from time to time during the periods.

### *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 attire, recordings, trophies and related items, has been valued at the lower of cost or market on a first-in, first-out (FIFO) basis.

### *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, equipment, and vehicles). 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.

# MUSIC FOR ALL, INC. AND AFFILIATE

Notes to Combined Financial Statements

February 28, 2009 and February 29, 2008

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

### *Revenue Recognition, Continued*

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 year ended February 28, 2009 and February 29, 2008 contributed services, goods, and use of facilities were received by the Organizations. The fair market value of these services, goods and facilities of \$257,087 and \$276,814 (of which \$241,020 is rent) for the years ended February 28, 2009 and February 29, 2008 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.

### *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 \$30,578 and \$62,473 in advertising expense for the year ended February 28, 2009 and February 29, 2008, respectively. These costs were expensed as incurred.

### *Fair Value Measurements*

Effective March 1, 2008, the Organizations have adopted SFAS No. 157, *Fair Value Measurements*, which defines fair value as the price that would be received for an asset or paid to transfer a liability (exit price) in an orderly transaction between market participants at the measurement date. SFAS 157 also establishes a three-level fair value hierarchy for disclosure that prioritizes valuations based on whether the significant inputs used to estimate fair value are observable, giving highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and lowest priority to valuations primarily based on unobservable inputs (level 3 measurements).

Investments in nonmarketable debt and equity securities are unsecured and measured using level 3 inputs. Factors such as historical and projected financial results, economic conditions, financial condition of investee, and other factors and events subject to change are considered in the determination of fair value. Because of the inherent uncertainty in level 3 inputs, the values of assets required to be valued in this manner are subject to a higher degree of uncertainty and variability.

Fair values measured on a recurring basis at February 28, 2009 are as follows:

	<u>Fair Value</u>	Quoted Prices in Active Markets for Identical Assets ( <u>Level 1</u> )	Significant Other Observable Inputs ( <u>Level 2</u> )	Significant Unobservable Inputs ( <u>Level 3</u> )
Marketable Securities	\$ 83,086	\$ 83,086	\$ -	\$ -

## MUSIC FOR ALL, INC. AND AFFILIATE

Notes to Combined Financial Statements

February 28, 2009 and February 29, 2008

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### 2. INVESTMENTS

The Organizations have adopted SFAS No. 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations*. Under SFAS No. 124, investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the combined 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 statements of activities. Fair market value is determined by the New York Stock Exchange.

Cost and fair value of investments at February 28, 2009 and February 29, 2008 are as follows:

	2009 <u>Fair Value</u>	2009 <u>Cost</u>	2008 <u>Fair Value</u>	2008 <u>Cost</u>
Marketable Securities	\$ 83,086	\$ 95,577	\$ 66,876	\$ 66,140

### 3. PROPERTY AND EQUIPMENT

Property and equipment at February 28, 2009 and February 29, 2008 is as follows:

	<u>2009</u>	<u>2008</u>
Leasehold improvements	\$ 763,638	\$ 763,638
Automobiles	49,973	49,973
Furniture and equipment	786,017	776,617
	<u>1,599,628</u>	<u>1,590,228</u>
Accumulated depreciation	<u>(1,163,964)</u>	<u>(1,033,147)</u>
	<u>\$ 435,664</u>	<u>\$ 557,081</u>

### 4. 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, 2009 and February 29, 2008 was \$2,045,237 and \$919,743, respectively.

### 5. BANK LINES OF CREDIT AND NOTE PAYABLE

Music for All maintained a \$500,000 line of credit with a bank that expired in April 2009. The line of credit bore interest at the prime rate plus .75% (4.00% at February 28, 2009). Music for All had \$489,494 and \$497,494 outstanding on the line of credit at February 28, 2009 and February 29, 2008, respectively. The line of credit was secured by Music for All's assets.

In April 2009, Music for All entered into a line of credit agreement with a new bank. The new line of credit agreement allows for a \$500,000 line of credit which matures in April 2010. The new line of credit will bear interest at LIBOR plus 4.0%, with a minimum interest rate of 5.0% and is secured by Music For All's assets.

During 2007, Music for All reached a settlement on litigation with 800 Video for \$320,000. The remaining \$80,000 balance, was paid in full during the year ended February 28, 2009.

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

*Notes to Combined Financial Statements*

*February 28, 2009 and February 29, 2008*

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### **6. 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 \$43,639 and \$44,514 at February 28, 2009 and February 29, 2008, respectively.

### **7. TAX STATUS**

Music for All and the Foundation are not-for-profit corporations, other than private foundations, and are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable federal unemployment taxes.

In June 2006, the FASB issued Interpretation No. 48 (FIN 48), *Accounting for Uncertainty in Income Taxes*. FIN 48 provides detailed guidance for the financial statement recognition, measurement and disclosure of uncertain tax positions recognized in an enterprise's financial statements in accordance with SFAS No. 109.

On December 30, 2008, the FASB issued FASB Staff Position (FSP) FIN 48-3 which allows deferral of FIN 48 for nonpublic enterprises included within this FSP's scope to the annual financial statements for fiscal years beginning after December 15, 2008. The Organizations have elected to defer implementation of FIN 48 to their year ending on February 28, 2010. The Organizations do not expect that the adoption of FIN 48 will have a material effect on their financial position, results of operations or cash flows.

### **8. 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 in an amount equivalent to the employee's salary reduction contribution, not exceeding 4% of the 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, 2009 and February 29, 2008 totaled \$16,981 and \$32,115 respectively.

### **9. 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. 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 Footnote 1, is recorded as an in-kind contribution for the leased office space.

Music for All also leases office equipment under various operating leases expiring March 2013.

## MUSIC FOR ALL, INC. AND AFFILIATE

*Notes to Combined Financial Statements*

*February 28, 2009 and February 29, 2008*

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### 9. LEASES, CONTINUED

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

2010	\$	16,020
2011		16,020
2012		16,020
2013		16,020
		<hr/>
	\$	64,080

Equipment rental expense for the year ended February 28, 2009 and February 29, 2008 for these leases amounted to \$21,141 and \$16,963, respectively. Music for All rents other equipment on a temporary basis for camps and other activities.

### 10. FAIR VALUE ADJUSTMENT OF MASTER TAPES AND INVENTORY

Since the 2006 merger of Bands of America, Inc. and Music for All Foundation to form Music for All, Inc., the Organization has continued to reprioritize its organizational objectives to support its “cause related” research, advocacy and program delivery, and place less emphasis and dependence on its former strategies of souvenir and other merchandize goods sold in support of its operations. As a result, in accordance with generally accepted accounting principles, the Organization adjusted the value of inventory and master tapes to reflect those changes. An adjustment for a combined approximate total of \$252,700 (\$76,000 of inventory and \$176,700 of master tapes) was made as a one time write off for the entire cost of the master tapes and excess quantities of remaining inventory in the year ended February 29, 2008.

### 11. GOING CONCERN

As shown in the accompanying financial statements, the Organization incurred an increase in unrestricted net assets of approximately \$165,000 for the year ended February 28, 2009, but as of that date, the Organizations’ current liabilities exceeded its current assets by approximately \$766,800 and the Organizations had a net deficit in its 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 are adjusting their strategic plans to improve the financial position. For 2009, management continues to update and execute the plan created in fiscal year 2006 to achieve positive operational results from program operations and to sustain and generate additional grants and gifts in support of the Organizations.

# GS&CO Greenwalt Sponsel & Co., Inc.

Business & Financial Advisors

Certified Public Accountants

## INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

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

Our audit of the February 28, 2009 and February 29, 2008 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 V is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The combining information for the years ended February 28, 2009 and February 29, 2008 has not been subjected to the auditing procedures applied in the audit of basic financial statements.

*Greenwalt Sponsel & Co., Inc.*

July 28, 2009

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**MUSIC FOR ALL, INC. AND AFFILIATE**
*Combining Statements of Financial Position*
*February 28, 2009 and February 29, 2008*
*Exhibit I*

	<b>Music for All</b>	<b>Music for All Foundation</b>	<b>Eliminations</b>	<b>2009 Total</b>	<b>2008 Total</b>
<b>Assets</b>					
<b>Current Assets</b>					
Cash and cash equivalents	\$ 852,958	\$ 43,387	\$ -	\$ 896,345	\$ 538,155
Accounts receivable, net of allowance for doubtful accounts of \$26,900 and \$35,800 in 2009 and 2008	999,654	-	-	999,654	714,504
Accounts receivable - related party	30,000	-	(30,000)	-	-
Inventory	10,318	-	-	10,318	88,797
Prepaid expenses	78,330	-	-	78,330	152,106
<i>Total current assets</i>	<u>1,971,260</u>	<u>43,387</u>	<u>(30,000)</u>	<u>1,984,647</u>	<u>1,493,562</u>
<b>Investments</b>					
Marketable securities	-	83,086	-	83,086	66,876
<b>Property and Equipment</b>					
Property and equipment	1,591,779	7,849	-	1,599,628	1,590,228
Accumulated depreciation and amortization	(1,156,115)	(7,849)	-	(1,163,964)	(1,033,147)
<i>Net property and equipment</i>	<u>435,664</u>	<u>-</u>	<u>-</u>	<u>435,664</u>	<u>557,081</u>
<b>Other Assets</b>					
Trademark	20,000	-	-	20,000	20,000
<i>Total other assets</i>	<u>20,000</u>	<u>-</u>	<u>-</u>	<u>20,000</u>	<u>20,000</u>
	<u>\$ 2,426,924</u>	<u>\$ 126,473</u>	<u>\$ (30,000)</u>	<u>\$ 2,523,397</u>	<u>\$ 2,137,519</u>
<b>Liabilities and Net Assets</b>					
<b>Current Liabilities</b>					
Line of credit	\$ 489,494	\$ -	\$ -	\$ 489,494	\$ 497,494
Current portion of notes payable	-	-	-	-	80,000
Accounts payable	66,417	50	-	66,467	607,038
Accounts payable - related party	-	30,000	(30,000)	-	104
Accrued expenses	150,277	-	-	150,277	125,426
Prepaid event income	2,045,237	-	-	2,045,237	919,743
<i>Total current liabilities</i>	<u>2,751,425</u>	<u>30,050</u>	<u>(30,000)</u>	<u>2,751,475</u>	<u>2,229,805</u>
<b>Long-Term Liabilities</b>					
Deferred trust liability	43,639	-	-	43,639	44,514
Reserve for license fees	35,196	-	-	35,196	45,905
<i>Total long-term liabilities</i>	<u>78,835</u>	<u>-</u>	<u>-</u>	<u>78,835</u>	<u>90,419</u>
<i>Total liabilities</i>	<u>2,830,260</u>	<u>30,050</u>	<u>(30,000)</u>	<u>2,830,310</u>	<u>2,320,224</u>
<b>Net Assets (Accumulated Deficit)</b>					
Unrestricted	(632,336)	(49,768)	-	(682,104)	(847,309)
Temporarily restricted	229,000	64,688	-	293,688	584,592
Permanently restricted	-	81,503	-	81,503	80,012
	<u>(403,336)</u>	<u>96,423</u>	<u>-</u>	<u>(306,913)</u>	<u>(182,705)</u>
	<u>\$ 2,426,924</u>	<u>\$ 126,473</u>	<u>\$ (30,000)</u>	<u>\$ 2,523,397</u>	<u>\$ 2,137,519</u>



**MUSIC FOR ALL, INC. AND AFFILIATE**
*Combining Statements of Activities*
*For the Year Ended February 28, 2009, with Comparative Totals for the Year Ended February 29, 2008*
*Exhibit II*

	Unrestricted				Temporarily Restricted	Temporarily Restricted	Permanently Restricted		
	Music for All	Music for All Foundation	Eliminations	Total	Music for All	Music for All Foundation	Music for All Foundation	2009 Total	2008 Total
<b>Revenue</b>									
Event fees	\$ 685,201	\$ -	-	\$ 685,201	\$ -	\$ -	\$ -	\$ 685,201	\$ 1,093,519
Housing and meal fees	1,380,268	-	-	1,380,268	-	-	-	1,380,268	1,472,910
Ticket fees	1,830,258	-	-	1,830,258	-	-	-	1,830,258	1,908,352
Band fees	430,728	-	-	430,728	-	-	-	430,728	508,823
Relocation revenue	29,529	-	-	29,529	-	-	-	29,529	31,533
Merchandise sales	121,133	-	-	121,133	-	-	-	121,133	97,486
Program book sales	91,812	-	-	91,812	-	-	-	91,812	169,231
Photography commissions	88,000	-	-	88,000	-	-	-	88,000	91,001
Video commissions and fees	80,624	-	-	80,624	-	-	-	80,624	205,204
Merchandise commissions	184,433	-	-	184,433	-	-	-	184,433	219,223
Sponsorships	700,753	-	-	700,753	-	-	-	700,753	824,498
Contributions	446,549	1,297	(30,000)	417,846	50,000	11,115	1,491	480,452	157,218
In-kind contributions	257,087	-	-	257,087	-	-	-	257,087	276,814
Grants	43,160	-	-	43,160	115,000	-	-	158,160	761,600
Interest	8,780	840	-	9,620	-	-	-	9,620	7,702
Realized and unrealized loss on investments	-	(28,491)	-	(28,491)	-	-	-	(28,491)	(3,207)
Miscellaneous	61,584	52	-	61,636	-	-	-	61,636	70,270
Net assets released from restrictions	432,019	35,000	-	467,019	(432,019)	(35,000)	-	-	-
<i>Total revenue</i>	<u>6,871,918</u>	<u>8,698</u>	<u>(30,000)</u>	<u>6,850,616</u>	<u>(267,019)</u>	<u>(23,885)</u>	<u>1,491</u>	<u>6,561,203</u>	<u>7,892,177</u>
<b>Expenses</b>									
Event	5,691,761	-	-	5,691,761	-	-	-	5,691,761	6,708,359
Fundraising	431,318	-	-	431,318	-	-	-	431,318	273,791
General and administrative	552,926	39,406	(30,000)	562,332	-	-	-	562,332	849,458
<i>Total expenses</i>	<u>6,676,005</u>	<u>39,406</u>	<u>(30,000)</u>	<u>6,685,411</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,685,411</u>	<u>7,831,608</u>
<b>Change in Net Assets</b>	195,913	(30,708)	-	165,205	(267,019)	(23,885)	1,491	(124,208)	60,569
<b>Net Assets and Retained Earnings (Deficit), Beginning of Period</b>	<u>(828,249)</u>	<u>(19,060)</u>	<u>-</u>	<u>(847,309)</u>	<u>496,019</u>	<u>88,573</u>	<u>80,012</u>	<u>(182,705)</u>	<u>(243,274)</u>
<b>Net Assets and Retained Earnings (Deficit) End of Period</b>	<u>\$ (632,336)</u>	<u>\$ (49,768)</u>	<u>\$ -</u>	<u>\$ (682,104)</u>	<u>\$ 229,000</u>	<u>\$ 64,688</u>	<u>\$ 81,503</u>	<u>\$ (306,913)</u>	<u>\$ (182,705)</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, 2009, with Comparative Totals for the Year Ended February 29, 2008*
*Exhibit III*

	Music for All				Music for All Foundation				Eliminations	2009 Total	2008 Total
	Event	Fundraising	General & Administrative Expenses	Total	Event	Fundraising	General & Administrative Expenses	Total			
<b>Events and Contests</b>											
Awards and trophies	\$ 117,658	\$ -	\$ -	\$ 117,658	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 117,658	\$ 147,484
Scholarships	-	-	-	-	-	-	7,600	7,600	-	7,600	9,000
Clinicians and judges fees	608,686	-	-	608,686	-	-	-	-	-	608,686	688,146
Copyright fees	65,152	-	-	65,152	-	-	-	-	-	65,152	37,269
Cost of merchandise sold	172,195	-	-	172,195	-	-	-	-	-	172,195	247,141
Fair value adjustment of inventory	-	-	68,783	68,783	-	-	-	-	-	68,783	76,035
Equipment rental	87,422	-	497	87,919	-	-	-	-	-	87,919	141,489
Event promotion	118,096	32,169	12,502	162,767	-	-	30,000	30,000	(30,000)	162,767	231,506
Facility rental	375,041	-	-	375,041	-	-	-	-	-	375,041	403,009
Participants' housing and meals	1,226,143	-	-	1,226,143	-	-	-	-	-	1,226,143	1,478,912
Outside services	1,039,568	6,867	17,255	1,063,690	-	-	1,220	1,220	-	1,064,910	1,374,207
Other events expenses	204,711	19,602	440	224,753	-	-	-	-	-	224,753	324,318
<i>Total events and contests</i>	<u>4,014,672</u>	<u>58,638</u>	<u>99,477</u>	<u>4,172,787</u>	<u>-</u>	<u>-</u>	<u>38,820</u>	<u>38,820</u>	<u>(30,000)</u>	<u>4,181,607</u>	<u>5,158,516</u>
<b>Personnel Related</b>											
Salaries and contract employees	894,126	337,153	220,547	1,451,826	-	-	-	-	-	1,451,826	1,354,690
Salaries - payroll taxes	71,900	9,124	17,723	98,747	-	-	-	-	-	98,747	95,282
403(b) contribution	13,585	-	3,396	16,981	-	-	-	-	-	16,981	32,115
Staff travel, housing and meals	6,090	7,951	14,211	28,252	-	-	-	-	-	28,252	24,286
Group insurance	74,900	3,114	18,664	96,678	-	-	-	-	-	96,678	95,043
Other personnel related expenses	8,551	2,373	2,138	13,062	-	-	-	-	-	13,062	26,858
<i>Total personnel related</i>	<u>1,069,152</u>	<u>359,715</u>	<u>276,679</u>	<u>1,705,546</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,705,546</u>	<u>1,628,274</u>
<b>Building and Facility</b>											
Depreciation and amortization	104,653	1,840	24,323	130,816	-	-	-	-	-	130,816	174,545
Rental - office building	192,816	3,872	44,332	241,020	-	-	-	-	-	241,020	241,020
Repairs and maintenance	30,796	482	6,917	38,195	-	-	-	-	-	38,195	37,866
Telephone and utilities	34,783	530	6,525	41,838	-	-	-	-	-	41,838	44,439
<i>Total building and facility</i>	<u>363,048</u>	<u>6,724</u>	<u>82,097</u>	<u>451,869</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>451,869</u>	<u>497,870</u>
<b>Office and Administrative</b>											
Advisory board	-	-	-	-	-	-	-	-	-	-	9,392
Board of directors expense	-	870	7,830	8,700	-	-	-	-	-	8,700	6,971
Computer services and supplies	47,955	550	9,230	57,735	-	-	-	-	-	57,735	82,120
Business insurance	54,912	-	13,728	68,640	-	-	-	-	-	68,640	56,545
Interest	20,803	-	5,201	26,004	-	-	-	-	-	26,004	19,299
Franchise, sales, and income taxes	10,859	-	-	10,859	-	-	-	-	-	10,859	25,281
Other office and administrative	110,360	4,821	58,684	173,865	-	-	586	586	-	174,451	170,632
Fair value adjustment of master tapes	-	-	-	-	-	-	-	-	-	-	176,708
<i>Total office and administrative</i>	<u>244,889</u>	<u>6,241</u>	<u>94,673</u>	<u>345,803</u>	<u>-</u>	<u>-</u>	<u>586</u>	<u>586</u>	<u>-</u>	<u>346,389</u>	<u>546,948</u>
	<u>\$ 5,691,761</u>	<u>\$ 431,318</u>	<u>\$ 552,926</u>	<u>\$ 6,676,005</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 39,406</u>	<u>\$ 39,406</u>	<u>\$ (30,000)</u>	<u>\$ 6,685,411</u>	<u>\$ 7,831,608</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, 2009 and February 29, 2008**Exhibit IV*

	2009				2008		
	Music for All	Music for All Foundation	Eliminations	Total	Music for All	Music for All Foundation	Total
<b>Revenue</b>							
Event fees	\$ 685,201	\$ -	\$ -	\$ 685,201	\$ 1,093,519	\$ -	\$ 1,093,519
Housing and meal fees	1,380,268	-	-	1,380,268	1,472,910	-	1,472,910
Ticket fees	1,830,258	-	-	1,830,258	1,908,352	-	1,908,352
Band fees	430,728	-	-	430,728	508,823	-	508,823
Relocation revenue	29,529	-	-	29,529	31,533	-	31,533
Merchandise sales	121,133	-	-	121,133	97,486	-	97,486
Program book sales	91,812	-	-	91,812	169,231	-	169,231
Photography commissions	88,000	-	-	88,000	91,001	-	91,001
Video commissions and fees	80,624	-	-	80,624	205,204	-	205,204
Merchandise commissions	184,433	-	-	184,433	219,223	-	219,223
Sponsorships	700,753	-	-	700,753	824,498	-	824,498
Contributions	496,549	13,903	(30,000)	480,452	83,376	73,842	157,218
In-kind contributions	257,087	-	-	257,087	276,814	-	276,814
Grants	158,160	-	-	158,160	761,600	-	761,600
Interest	8,780	840	-	9,620	6,184	1,518	7,702
Realized and unrealized loss on investments	-	(28,491)	-	(28,491)	-	(3,207)	(3,207)
Miscellaneous	61,584	52	-	61,636	70,270	-	70,270
<i>Total revenue</i>	<u>6,604,899</u>	<u>(13,696)</u>	<u>(30,000)</u>	<u>6,561,203</u>	<u>7,820,024</u>	<u>72,153</u>	<u>7,892,177</u>
<b>Expenses</b>							
Event	5,691,761	-	-	5,691,761	6,708,359	-	6,708,359
Fundraising	431,318	-	-	431,318	273,791	-	273,791
General and administrative	552,926	39,406	(30,000)	562,332	839,262	10,196	849,458
<i>Total expenses</i>	<u>6,676,005</u>	<u>39,406</u>	<u>(30,000)</u>	<u>6,685,411</u>	<u>7,821,412</u>	<u>10,196</u>	<u>7,831,608</u>
<b>Change in Net Assets</b>	(71,106)	(53,102)	-	(124,208)	(1,388)	61,957	60,569
<b>Net Assets (Accumulated Deficit), Beginning of Period</b>	<u>(332,230)</u>	<u>149,525</u>	<u>-</u>	<u>(182,705)</u>	<u>(330,842)</u>	<u>97,253</u>	<u>(233,589)</u>
<b>Net Assets (Accumulated Deficit), End of Period</b>	<u>\$ (403,336)</u>	<u>\$ 96,423</u>	<u>\$ -</u>	<u>\$ (306,913)</u>	<u>\$ (332,230)</u>	<u>\$ 159,210</u>	<u>\$ (173,020)</u>

See accompanying independent auditors' report on supplementary information.

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

*Combined Revenue Graphs*

*For the Years Ended February 28, 2009 and February 29, 2008*

*Exhibit IV*



