

**Audited Financial Statements**



THE

**MR. HOLLAND'S OPUS**  
FOUNDATION

June 30, 2022

**Quigley & Miron**

**The Mr. Holland's Opus Foundation**  
**Audited Financial Statements**  
**Table of Contents**  
**June 30, 2022**

Page  
Number

<b>Independent Auditor's Report</b> .....	1
<b>Audited Financial Statements</b>	
Statement of Financial Position.....	3
Statement of Activities .....	4
Statement of Functional Expenses.....	5
Statement of Cash Flows.....	6
Notes to Financial Statements.....	7

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## Independent Auditor's Report

Board of Directors  
**The Mr. Holland's Opus Foundation**  
Studio City, California

### Opinion

We have audited the accompanying financial statements of The Mr. Holland's Opus Foundation (MHOF), a nonprofit organization, which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of MHOF as of June 30, 2022, and the changes in its net assets and cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

### Basis of Opinion

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

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of MHOF's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about MHOF's ability to continue as a going concern for a reasonable period of time.

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



**The Mr. Holland's Opus Foundation**  
**Statement of Financial Position**  
**June 30, 2022**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 1,935,753	\$ 28,487	\$ 1,964,240
Restricted cash—instrument distribution		1,049,330	1,049,330
Restricted cash—Music Rising		275,275	275,275
Investments—Note 3	2,990,109		2,990,109
Prepaid expenses	5,722		5,722
Contributions receivable—Note 4		149,090	149,090
Property, net—Note 5	10,995		10,995
<b>Total Assets</b>	<b><u>\$ 4,942,579</u></b>	<b><u>\$ 1,502,182</u></b>	<b><u>\$ 6,444,761</u></b>
<b>Liabilities and Net Assets</b>			
<b>Liabilities</b>			
Accounts payable	\$ 18,240	\$	\$ 18,240
Employee benefits payable	64,026		64,026
Capital lease liability—Note 6	4,217		4,217
<b>Total Liabilities</b>	<b><u>86,483</u></b>		<b><u>86,483</u></b>
<b>Net Assets</b>			
Without donor restrictions	4,856,096		4,856,096
With donor restrictions—Note 7		1,502,182	1,502,182
<b>Total Net Assets</b>	<b><u>4,856,096</u></b>	<b><u>1,502,182</u></b>	<b><u>6,358,278</u></b>
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 4,942,579</u></b>	<b><u>\$ 1,502,182</u></b>	<b><u>\$ 6,444,761</u></b>

See notes to financial statements.

**The Mr. Holland's Opus Foundation**  
**Statement of Activities**  
**Year Ended June 30, 2022**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Public Support and Revenue</b>			
Corporate contributions	\$ 96,120	\$ 41,121	\$ 137,241
Foundation contributions	25,850	650,876	676,726
Government grants	85,355		85,355
Individual contributions	4,098,059	72,202	4,170,261
Music Rising grants and contributions—Note 8		19,824	19,824
Interest and dividends	25,422		25,422
	<u>4,330,806</u>	<u>784,023</u>	<u>5,114,829</u>
<b>Total Public Support and Revenue</b>			
Net assets released from restrictions	580,330	(580,330)	
	<u>4,911,136</u>	<u>203,693</u>	<u>5,114,829</u>
<b>Total Support, Revenue, and Reclassifications</b>			
<b>Expenses</b>			
Program services			
Mr. Holland's Opus Foundation	755,469		755,469
Music Rising—Note 8	8,927		8,927
	<u>764,396</u>		<u>764,396</u>
<b>Total Program Services</b>			
Management and general	210,002		210,002
Fund development	148,293		148,293
	<u>1,122,691</u>		<u>1,122,691</u>
<b>Total Expenses</b>			
<b>Change in Net Assets from Operations</b>	<b>3,788,445</b>	<b>203,693</b>	<b>3,992,138</b>
<b>Nonoperating Activities</b>			
Investment return, net	(243,939)		(243,939)
	<u>(243,939)</u>		<u>(243,939)</u>
<b>Total Nonoperating Activities</b>			
<b>Change in Net Assets</b>	<b>3,544,506</b>	<b>203,693</b>	<b>3,748,199</b>
<b>Net Assets at Beginning of Year</b>	<b>1,311,590</b>	<b>1,298,489</b>	<b>2,610,079</b>
	<u>1,311,590</u>	<u>1,298,489</u>	<u>2,610,079</u>
<b>Net Assets at End of Year</b>	<b>\$ 4,856,096</b>	<b>\$ 1,502,182</b>	<b>\$ 6,358,278</b>
	<u>\$ 4,856,096</u>	<u>\$ 1,502,182</u>	<u>\$ 6,358,278</u>

See notes to financial statements.

**The Mr. Holland's Opus Foundation**  
**Statement of Functional Expenses**  
**Year Ended June 30, 2022**

Expenses	Program Services			Management and General	Fund Development	Total
	MHOF	Music Rising	Total			
Salaries	\$ 274,001	\$	\$ 274,001	\$ 117,922	\$ 99,910	\$ 491,833
Payroll taxes	22,321		22,321	10,334	8,680	41,335
Employee benefits	14,984		14,984	6,937	5,827	27,748
<b>Total Personnel</b>	<b>311,306</b>		<b>311,306</b>	<b>135,193</b>	<b>114,417</b>	<b>560,916</b>
Distributed instruments and accessories	314,200	8,927	323,127			323,127
Outside services	85,087		85,087	2,575	2,506	90,168
Rent	19,716		19,716	10,562	4,929	35,207
Legal and accounting				33,959		33,959
Computer and internet expenses	10,477		10,477	5,499	4,890	20,866
Bank and merchant fees				11,100	7,615	18,715
Insurance	5,715		5,715	2,076	969	8,760
Depreciation	3,729		3,729	1,998	932	6,659
Postage and mailing	161		161	942	5,261	6,364
Printing and reproduction					5,713	5,713
Office expense				4,637	35	4,672
Travel and mileage	3,960		3,960	149		4,109
Licenses and permits				880	715	1,595
Telephone and fax	805		805	432	201	1,438
Public relations and marketing costs	291		291			291
Professional development	22		22		110	132
<b>Total Expenses</b>	<b>\$ 755,469</b>	<b>\$ 8,927</b>	<b>\$ 764,396</b>	<b>\$ 210,002</b>	<b>\$ 148,293</b>	<b>\$ 1,122,691</b>

See notes to financial statements.

**The Mr. Holland's Opus Foundation**  
**Statement of Cash Flows**  
**Year Ended June 30, 2022**

**Cash Flows from Operating Activities**

Change in net assets	\$ 3,748,199
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	6,659
Investment losses	234,589
Changes in operating assets and liabilities:	
Prepaid expenses	(267)
Contributions receivable	(49,745)
Musical instrument inventory	16,345
Accounts payable	(29,405)
Employee benefits payable	(3,038)
PPP advance	(85,355)

**Net Cash Provided by Operating Activities** 3,837,982

**Cash Flows from Investing Activities**

Purchases of investments	(3,224,698)
Purchases of property	(4,429)

**Net Cash Used in Investing Activities** (3,229,127)

**Cash Flows from Financing Activities**

Principal payments on capital lease liability	(2,410)
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**Net Cash Used in Financing Activities** (2,410)

**Increase in Cash, Cash Equivalents, and Restricted Cash** 606,445

**Cash, Cash Equivalents, and Restricted Cash at the Beginning of Year** 2,682,400

**Cash, Cash Equivalents, and Restricted Cash at the End of Year** \$ 3,288,845

**Supplementary Disclosures**

Interest paid	\$ <u>                    </u>
Income taxes paid	\$ <u>                    </u>

See notes to financial statements.



**The Mr. Holland's Opus Foundation**  
**Notes to Financial Statements**  
**June 30, 2022**

**Note 1—Organization and Summary of Significant Accounting Policies**

Organization—The Mr. Holland’s Opus Foundation (MHOF) keeps music alive in our schools by providing vital support services to school districts, and donating new musical instruments to music programs nationwide, giving under-represented youth access to music education, leading them to success in school, and inspiring creativity and expression through playing music. Over 26 years, MHOF has donated over 36,000 instruments, played by hundreds of thousands of grateful students across the nation.

During the fiscal year ending June 30, 2022, MHOF donated a total of 1,197 new instruments and 560 new accessories, such as mouthpieces, method books, and music stands, to 49 schools across the country. Over the life of the instruments, an estimated 11,970 plus students will be impacted. The donations allow students in those schools who can’t afford to rent or buy an instrument, and/or that are on waiting lists, an opportunity to join the music program and play quality instruments. This improves their experience, inspires confidence and increases skills and overall academic engagement.

MHOF hosted two Instrument Repair Workshops serving 132 music educators in Houston and San Francisco as part of our Music Education District Support Services® (MEDSS). MHOF provided ongoing support to our partner districts resulting in the implementation of new music programs and equitable access to quality music education programs for thousands of students. MEDSS has proven to play a pivotal role in working collaboratively and successfully with school districts that are committed to the process that will help deliver strong, accountable, and sustainable music education in their schools.

After seeing the impact that MEDSS was making in individual school districts, the Country Music Association Foundation funded a statewide effort to perform MEDSS in every school district in the state of Tennessee. Working in partnership with the TN Department of Education, MHOF is currently assessing all arts disciplines in all participating districts, presenting findings and recommendations leading to equity and access for all students attending public schools in the state.

Financial Statement Presentation—The financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. MHOF’s net assets are classified based on the existence or absence of donor-imposed restrictions. As such, the net assets of MHOF and changes therein are presented and reported as follows:

Net assets without donor restrictions—Net assets that are not subject to donor-imposed stipulations and that may be expended for any purpose in performing the primary objectives of MHOF. These net assets may be used at the discretion of MHOF’s management and the board of directors.

Net assets with donor restrictions—Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; such restrictions that may or will be met either by actions of MHOF and/or the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated that the funds be maintained in perpetuity. Generally, the donors of such assets permit MHOF to use all or part of the income earned on related investments for general or specific purposes.

**The Mr. Holland's Opus Foundation**  
**Notes to Financial Statements—Continued**

**Note 1—Organization and Summary of Significant Accounting Policies—Continued**

Donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restriction. When a time restriction expires or a purpose restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statement of activities as net assets released from restrictions. It is the policy of MHOF to record contributions that are restricted by the donor as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized.

Measure of Operations—The statement of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of MHOF’s musical instrument and accessory distribution programs; interest and dividends earned on investments, etc. Nonoperating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual or nonrecurring nature; MHOF did not engage in any reportable nonoperating activities during the years ended June 30, 2022.

Income Taxes—MHOF is exempt under Section 501(c)(3) of the Internal Revenue Code (Code). Accordingly, no provision for federal or state income taxes is included in the accompanying financial statements. In addition, MHOF has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Code.

Accounting standards require an organization to evaluate its tax positions and provide for a liability for any positions that would not be considered ‘*more likely than not*’ to be upheld under a tax authority examination. Management has evaluated its tax positions and has concluded that a provision for a tax liability is not necessary at June 30, 2022. Generally, MHOF’s information returns remain open for examination for a period of three (federal) or four (state of California) years from the date of filing.

Cash, Cash Equivalents, and Restricted Cash—MHOF considers highly liquid investments with a maturity of less than three months to be cash equivalents. Cash consists of balances in checking and savings accounts at banks. Restricted cash consists of cash restricted for instrument distribution and cash restricted for the Music Rising program (Note 8).

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported in the statement of financial position to the sum of total cash, cash equivalents, and restricted cash reported in the statement of cash flows at June 30, 2022:

**Cash Accounts Reported in Statement of  
Financial Position**

Cash and cash equivalents	\$	1,964,240
Restricted cash—instrument distribution		1,049,330
Restricted cash— <i>Music Rising</i> program		275,275

**Total Cash, Cash Equivalents, and Restricted Cash  
Reported in Statement of Cash Flows** \$ 3,288,845

**The Mr. Holland's Opus Foundation**  
**Notes to Financial Statements—Continued**

**Note 1—Organization and Summary of Significant Accounting Policies—Continued**

Investments—Investments in securities are initially recorded at cost, if purchased, or fair market value, if received as a contribution. Subsequent to acquisition, investments in securities are reported at fair value. Investment income, gains and losses are reported as income without donor restriction unless use of the earnings is restricted by the donor. Dividend and interest income earned on investments is recognized when received and is reported on the statement of activities under the same caption. Gains and losses on investments are recognized as changes in their fair market values occur in the period reported and are reflected on the statement of activities under the investment, net caption.

Property and Equipment—Property and equipment are stated at purchased cost or fair value at the date of donation. MHOF capitalizes assets with an initial purchase price of \$500 or more. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

Concentrations of Credit Risk—Financial instruments which potentially subject MHOF to concentrations of credit risk consist of cash and cash equivalents, and contributions receivable. MHOF places its cash with a high credit quality financial institution where the funds are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per institution. At times, such cash and cash equivalent balances are in excess of the FDIC insurance limits. Management regularly reviews the financial stability of its cash and money market fund depositories and deems the risk of loss due to these concentrations to be minimal.

Contributions receivable consist of balances from local foundations and corporations. MHOF has analyzed these receivables and determined that no allowance for potential losses due to uncollectible receivables was necessary at June 30, 2022.

Contributions and grants—Contributions and grants are reported as support revenue in the period received and as increases in net assets without donor restriction unless use of the related assets is limited by donor-imposed restrictions. Expiration of donor restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions in the accompanying statement of activities.

In-kind Contributions/Donated Musical Instruments—All donated musical instruments and accessories are recorded as revenue at fair market value at the time of donation. Purchased musical instruments distributed through MHOF's programs are bought at a discounted price and are recorded as program expense at cost.

Donated Services—Donated services are not reflected in the accompanying financial statements as they do not meet the requirements of generally accepted accounting principles; however, a substantial number of volunteers have donated a significant number of hours to MHOF's program services, management and fundraising activities.

**The Mr. Holland's Opus Foundation**  
**Notes to Financial Statements—Continued**

**Note 1—Organization and Summary of Significant Accounting Policies—Continued**

Functional Expenses—The costs of providing the various program and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated between the program services and supporting services benefitted. Rent and insurance are allocated on the basis of square footage. Salaries, employee benefits, payroll taxes, professional services, office expense, travel and mileage, bank and merchant fees, depreciation, postage and mailing, printing and reproduction, telephone and fax, and equipment rental and maintenance are allocated on the basis of estimates of time and effort. All other functional expenses are charged directly to either programs or fund development.

Use of Estimates—The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Note 2—Availability and Liquidity**

MHOF's goal is generally to maintain financial assets to meet 360 days of operating expenses (approximately \$1,500,000). As part of its liquidity plan, excess cash is invested in short-term investments, including money market accounts and certificates of deposit.

The following represents the availability and liquidity of MHOF's financial assets at June 30, 2022 to cover operating expenses for the next fiscal year:

Financial assets:

Cash, cash equivalents, and restricted cash	\$	3,288,845
Contributions receivable		149,090
		<hr/>
<b>Total Financial Assets</b>		<b>3,437,935</b>

Less noncurrent net assets with donor restrictions:

Net assets subject to purpose restrictions		1,353,092
		<hr/>
<b>Total Noncurrent Net Assets with Donor Restrictions</b>		<b>1,353,092</b>

<b>Financial Assets Available to Meet General Expenditures Within One Year</b>	<b>\$</b>	<b><u>2,084,843</u></b>
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**The Mr. Holland's Opus Foundation**  
**Notes to Financial Statements—Continued**

**Note 3—Investments and Fair Value Measurements**

In determining the fair value of investments, MHOF utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. MHOF determines fair value based on assumptions that market participants would use in pricing an asset or liability in the principal or most advantageous market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are characterized in one of the following levels:

Level 1—Unadjusted quoted prices in active markets for identical assets or liabilities accessible to MHOF at the measurement date.

Level 2—Valuations based on observable inputs (other than Level 1), such as quoted prices for similar assets at the measurement date, quoted prices in markets that are not active, or other inputs that are observable, either directly or indirectly.

Level 3—Valuations based on inputs that are unobservable and significant to the overall fair value measurement, and involve management judgment.

MHOF may utilize a practical expedient for the estimation of the fair value of investments in investment companies for which the investment does not have a readily determinable fair value. The practical expedient used by MHOF to value private investments is the Net Asset Value (NAV) per share, or its equivalent. In some instances, the NAV may not equal the fair value that would be calculated under fair value accounting standards. MHOF had no assets or liabilities classified at NAV as a practical expedient during the year ended June 30, 2022. Assets measured at fair value on a recurring basis at June 30, 2022 consist of the following:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Equities	\$ 1,129,542	\$ 1,129,542	\$	\$
Fixed income funds	1,128,964	1,128,964		
Mutual funds	731,604	731,604		
<b>Totals</b>	<b><u>\$ 2,990,110</u></b>	<b><u>\$ 2,990,110</u></b>	<b><u>\$</u></b>	<b><u>\$</u></b>

Return on investments for the year ended June 30, 2022 is as follows:

Unrealized loss on investments	\$ (234,589)
Investment management fees	<u>(9,350)</u>
<b>Investment Return, Net</b>	<b>(243,939)</b>
Investment interest and dividends	<u>20,696</u>
<b>Total Return on Investments</b>	<b><u>\$ (223,243)</u></b>

**Note 4—Contributions Receivable**

Contributions receivable at June 30, 2022 consist of receivables from corporations and foundations due within one year, totaling \$149,090.

**The Mr. Holland's Opus Foundation**  
**Notes to Financial Statements—Continued**

**Note 5—Property, Net**

Net property consists of the following at June 30, 2022:

Office equipment	\$	84,518
Less accumulated depreciation		(73,523)
		<hr/>
<b>Net</b>	<b>\$</b>	<b><u>10,995</u></b>

**Note 6—Capital Lease Liability**

MHOF entered into a capital lease agreement for equipment it acquired during the year ended June 30, 2019. The lease requires monthly payments of \$200 for a term of 60 months. The following illustrates the future maturities of the capital lease liability at June 30, 2022:

<u>Year Ending June 30,</u>		
2023	\$	2,207
2024		2,010
		<hr/>
<b>Total</b>	<b>\$</b>	<b><u>4,217</u></b>

**Note 7—Net Assets with Donor Restrictions**

Net assets with donor restrictions at June 30, 2022 consist of the following:

Subject to purpose restrictions:		
Instrument distribution	\$	1,077,445
<i>Music Rising</i> program		275,647
		<hr/>
<b>Total Subject to Purpose Restrictions</b>		<b>1,353,092</b>
Time-restricted for future periods		149,090
		<hr/>
<b>Total Net Assets with Donor Restrictions</b>	<b>\$</b>	<b><u>1,502,182</u></b>

Net assets released from donor restrictions for the year ended June 30, 2022 are as follows:

Satisfaction of purpose restrictions:		
Instrument distribution	\$	472,058
<i>Music Rising</i> program		8,927
		<hr/>
<b>Total Satisfaction of Purpose Restrictions</b>		<b>480,985</b>
Satisfaction of time restrictions		99,345
		<hr/>
<b>Total Net Assets Released from Donor Restrictions</b>	<b>\$</b>	<b><u>580,330</u></b>

**The Mr. Holland's Opus Foundation**  
**Notes to Financial Statements—Continued**

**Note 8—Music Rising Program**

In January 2014, MHOF assumed the operations of the *Music Rising* program from the Gibson Foundation, the program's primary stakeholder. *Music Rising* is a national program that rebuilds music education programs in the aftermath of a natural or financial disaster. In exchange for MHOF agreeing to carry out the responsibilities and operations of the program, the remaining funds in the program were transferred from the Gibson Foundation to MHOF and classified as donor restricted. For clarity of reporting, these program funds are on deposit in a separate bank account from which all *Music Rising* activity is processed.

A reconciliation of activities related to the *Music Rising* program's donor-restricted net assets for the year ended June 30, 2022 are as follows:

<b>Balance, Beginning of Fiscal Year</b>	<b>\$ 264,726</b>
Contributions	19,494
Interest income	330
Functional expenses, <i>Music Rising</i> program	<u>(8,903)</u>
<b>Balance, End of Fiscal Year</b>	<b><u>\$ 275,647</u></b>

**Note 9—Operating Lease**

In April 2021, MHOF signed a three-year operating lease for office space commencing on July 1, 2021 and ending on June 30, 2024, after amicably terminating their previous lease with their current lessor. The new office space exists within the same building as their previous lease. The lease requires monthly payments of \$2,804 for the first year of the term, with a three percent increase in base rent on the anniversary date of the lease. Future minimum payments on this lease are as follows:

<u>Year Ending June 30,</u>	
2023	\$ 34,668
2024	<u>35,700</u>
<b>Total</b>	<b><u>\$ 70,368</u></b>

**The Mr. Holland's Opus Foundation**  
**Notes to Financial Statements—Continued**

**Note 10—Recent Accounting Pronouncements**

Leases—In February 2016, Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*, which requires organizations that lease assets (lessees) to recognize the assets and related liabilities for the rights and obligations created by the leases on the statement of financial position for leases with terms exceeding 12 months. ASU No. 2016-02 defines a lease as a contract or part of a contract that conveys the right to control the use of identified assets for a period of time in exchange for consideration. The lessee in a lease will be required to initially measure the right-of-use asset and the lease liability at the present value of the remaining lease payments, as well as capitalize initial direct costs as part of the right-of-use asset. ASU No. 2016-02 is to be applied using the modified retrospective approach and is effective for nonprofit organizations with fiscal years beginning after December 15, 2021, with early adoption permitted. MHOF is currently evaluating the impact that the adoption of ASU No. 2016-02 will have on its financial statements.

Gifts-in-Kind—In September 2020, FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires increased transparency around the use and valuation of contributed nonfinancial assets (also known as gifts-in-kind) received by not-for-profit entities. Under the updated guidance, gifts-in-kind are required to be presented as a separate line item in the statement of activities, apart from contributions of cash or other financial assets, and to be disaggregated in the notes to the financial statements by the category that depicts the type of contributed nonfinancial assets. There are additional required disclosures regarding qualitative information denoting whether the gifts-in-kind were monetized or utilized during the reporting period; the entity's policy, if any, about monetizing rather than utilizing contributed nonfinancial assets; and the valuation techniques and inputs used to arrive at a fair value measure. ASU No. 2020-07 is to be applied retrospectively and is effective for annual reporting periods beginning after June 15, 2021, and interim periods within annual reporting periods beginning after June 15, 2022. Early adoption is permitted. MHOF is currently evaluating the impact that the adoption of ASU 2020-07 will have on its financial statements.

**Note 11—Risks and Uncertainties**

In early March 2020, the COVID-19 virus was declared a global pandemic. Since then, business continuity, including supply chains and consumer demand across a broad range of industries and countries, has been, and continues to be, severely impacted, as governments and their citizens take significant and unprecedented measures to mitigate the consequences of the pandemic. MHOF is continuing to conduct its activities primarily on a remote basis, and to monitor the ongoing impact of the pandemic response on its overall operations. At the time of this reporting, the cumulative financial impact of the pandemic on MHOF, if any, cannot be fully determined, therefore no related adjustment has been made to these financial statements.



**The Mr. Holland's Opus Foundation**  
**Notes to Financial Statements—Continued**

**Note 12—Subsequent Events**

Management evaluated all activities of The Mr. Holland's Opus Foundation through September 30, 2022, which is the date the financial statements were available to be issued, and concluded that no material subsequent events have occurred that would require adjustment to the financial statements or disclosure in the notes to the financial statements.