

Audited Financial Statements



THE

MR. HOLLAND'S OPUS
FOUNDATION

June 30, 2023

Quigley & Miron

The Mr. Holland's Opus Foundation
Audited Financial Statements
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Suite 1660
3550 Wilshire Boulevard
Los Angeles, California 90010

Telephone: (213) 639-3550
Facsimile: (213) 639-3555

Suite 700
1999 South Bascom Avenue
Campbell, California 95008

Telephone: (408) 869-6108
Facsimile: (213) 639-3555

Independent Auditor's Report

Board of Directors
The Mr. Holland's Opus Foundation
Burbank, 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, 2023, 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, 2023, 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.

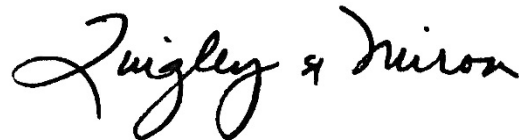
Auditor's Responsibilities for the Audit of the Financial Statements

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.

A handwritten signature in black ink that reads "Zugley & Miron". The signature is written in a cursive, flowing style.

Los Angeles, California
March 14, 2024

The Mr. Holland's Opus Foundation
Statement of Financial Position
June 30, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 1,383,329	\$ 61,723	\$ 1,445,052
Restricted cash—instrument distribution		1,313,437	1,313,437
Restricted cash—Music Rising		339,625	339,625
Investments—Note 3	3,342,303		3,342,303
Prepaid expenses	17,619		17,619
Contributions receivable—Note 4		217,719	217,719
Property, net—Note 5	12,332		12,332
Total Assets	<u>\$ 4,755,583</u>	<u>\$ 1,932,504</u>	<u>\$ 6,688,087</u>
Liabilities and Net Assets			
Liabilities			
Accounts payable	\$ 51,412	\$	\$ 51,412
Employee benefits payable	73,307		73,307
Finance lease liability—Note 6	1,368		1,368
Total Liabilities	<u>126,087</u>		<u>126,087</u>
Net Assets			
Without donor restrictions	4,629,496		4,629,496
With donor restrictions—Note 7		1,932,504	1,932,504
Total Net Assets	<u>4,629,496</u>	<u>1,932,504</u>	<u>6,562,000</u>
Total Liabilities and Net Assets	<u>\$ 4,755,583</u>	<u>\$ 1,932,504</u>	<u>\$ 6,688,087</u>

See notes to financial statements.

The Mr. Holland's Opus Foundation
Statement of Activities
Year Ended June 30, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Public Support and Revenue			
Corporate contributions	\$ 34,409	\$ 26,558	\$ 60,967
Foundation contributions	25,458	1,057,179	1,082,637
Individual contributions	652,442	41,887	694,329
Music Rising grants and contributions—Note 8		102,531	102,531
Interest and dividends	109,752		109,752
Other income	153		153
Total Public Support and Revenue	822,214	1,228,155	2,050,369
Net assets released from restrictions	797,833	(797,833)	
Total Support, Revenue, and Releases from Restrictions	1,620,047	430,322	2,050,369
Expenses			
Program services			
Mr. Holland's Opus Foundation	1,534,985		1,534,985
Music Rising—Note 8	38,580		38,580
Total Program Services	1,573,565		1,573,565
Management and general Fund development	209,984		209,984
	141,750		141,750
Total Expenses	1,925,299		1,925,299
Change in Net Assets from Operations	(305,252)	430,322	125,070
Nonoperating Activities			
Investment return, net	78,652		78,652
Total Nonoperating Activities	78,652		78,652
Change in Net Assets	(226,600)	430,322	203,722
Net Assets at Beginning of Year	4,856,096	1,502,182	6,358,278
Net Assets at End of Year	<u>\$ 4,629,496</u>	<u>\$ 1,932,504</u>	<u>\$ 6,562,000</u>

See notes to financial statements.

The Mr. Holland's Opus Foundation
Statement of Functional Expenses
Year Ended June 30, 2023

Expenses	Program Services			Management and General	Fund Development	Total
	MHOF	Music Rising	Total			
Salaries	\$ 338,398	\$	\$ 338,398	\$ 117,868	\$ 84,245	\$ 540,511
Payroll taxes	24,958		24,958	11,555	9,706	46,219
Employee benefits	23,216		23,216	10,748	9,028	42,992
Total Personnel	386,572		386,572	140,171	102,979	629,722
Distributed instruments and accessories	1,050,559	29,071	1,079,630			1,079,630
Computer and internet expenses	27,144		27,144	3,485	7,791	38,420
Outside services	28,720		28,720	3,171	4,485	36,376
Legal and accounting				35,462		35,462
Rent	18,704		18,704	9,945	4,641	33,290
Bank and merchant fees	26	4	30	3,720	10,253	14,003
Printing and reproduction	157	7,729	7,886	195	4,452	12,533
Travel and mileage	11,159		11,159	453		11,612
Insurance	6,618		6,618	2,212	453	9,283
Meetings				6,428		6,428
Postage and mailing	115	1,776	1,891	425	3,697	6,013
Depreciation	3,042		3,042	1,630	761	5,433
Professional development	1,515		1,515		447	1,962
Licenses and permits				305	1,634	1,939
Office expense				1,885		1,885
Telephone and fax	654		654	497	157	1,308
Total Expenses	\$ 1,534,985	\$ 38,580	\$ 1,573,565	\$ 209,984	\$ 141,750	\$ 1,925,299

See notes to financial statements.

The Mr. Holland's Opus Foundation
Statement of Cash Flows
Year Ended June 30, 2023

Cash Flows from Operating Activities		
Change in net assets		\$ 203,722
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation		5,433
Investment gains		(102,636)
Changes in operating assets and liabilities:		
Prepaid expenses		(11,897)
Contributions receivable		(68,629)
Accounts payable		33,172
Employee benefits payable		9,281
	Net Cash Provided by Operating Activities	68,446
Cash Flows from Investing Activities		
Purchases of investments		(249,558)
Purchases of property		(6,770)
	Net Cash Used in Investing Activities	(256,328)
Cash Flows from Financing Activities		
Principal payments on finance lease liability		(2,849)
	Net Cash Used in Financing Activities	(2,849)
	Decrease in Cash, Cash Equivalents, and Restricted Cash	(190,731)
	Cash, Cash Equivalents, and Restricted Cash at the Beginning of Year	3,288,845
	Cash, Cash Equivalents, and Restricted Cash at the End of Year	\$ 3,098,114
Supplementary Disclosures		
Interest paid		\$
Income taxes paid		\$

See notes to financial statements.

The Mr. Holland's Opus Foundation
Notes to Financial Statements
June 30, 2023

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. Hundreds of thousands of students across the country have benefited.

During the fiscal year ending June 30, 2023, MHOF donated a total of 1,972 new instruments and 894 new accessories, such as mouthpieces, method books, and music stands, to 103 schools across the country. Over the life of the instruments, an estimated 19,720 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.

Music Education District Support Services (MEDSS®) is a revolutionary district wide assessment and consulting service that utilizes data and teacher voices to identify and address the challenges and barriers creating inequities for student access and participation in quality, sequential and sustainable music and arts programming at every school.

Tennessee school districts are seeing the incredible impact of their participation in the Tennessee: State of the Arts Study, powered by MHOF’s MEDSS® and funded by the CMA Foundation. Of the 23 participating Tennessee school districts, MHOF discovered that 77% of districts have a higher percentage of music and arts students who scored proficient in reading compared to the schoolwide averages at the majority of the more than 500 schools included in the assessment. Similarly, 70% of districts have a higher percentage of music and arts students who scored proficient in math compared to the schoolwide averages at the majority of schools. Further, the average districtwide attendance rate for all districts is 85%; however, when looking at only those students enrolled in music and arts courses, the average attendance rate jumps to 93%. We applaud Coffee County Schools and Chester County Schools who each hired a new music teacher for their district in response to MEDSS findings. We’re thrilled to see that students will now have sequential music program offerings.

At the district's request, a second MEDSS assessment is underway in the Los Angeles Unified School District. LAUSD Superintendent Alberto M. Carvalho noted that MEDSS results and recommendations will inform the district's strategy to address arts education inequities and challenges throughout 900 schools that serve over 500,000 students in the second largest district in the nation. Additionally, MHOF is hard at work this school year conducting second assessments requested by D.C. Public Schools, Atlanta Public Schools, San Diego Unified and San Francisco Unified. We are also excited to provide MEDSS services to our newest partner district, Orange County Public Schools in Florida.

MHOF administers the Music Rising fund, a national relief fund for schools affected by natural disasters in the United States and U.S. Territories, and works closely with schools requesting help with replacing instruments and supplies lost and damaged by natural disasters. Through the generous support of the country artist Chris and Morgane Stapleton’s Outlaw State of Kind charitable fund, MHOF worked with three schools across Eastern Kentucky that lost instruments and supplies because of devastating floods, donating and replacing 92 musical instruments, 680 reeds, six ligatures, twelve cases, and two storage cabinets valued at more than \$126,723.

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

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

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.

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.

Recently Adopted Accounting Principles

Leases—In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2016-02 (ASU 2016-02), *Leases (Topic 842)*. This standard is applicable to leases with terms exceeding 12 months and requires lessees to recognize the assets and related liabilities that arise from leases in the statement of financial position. Additionally, in July 2018, FASB issued ASU 2018-11 *Leases (Topic 842)—Targeted Improvements*, which, among other things, provides an additional transition method that would allow entities to not apply the guidance in ASU 2016-02 in the comparative periods presented in the financial statements and instead recognize a cumulative effect adjustment to the opening balance of net assets without donor restrictions in the period of adoption. Since MHOF has no leases with terms exceeding one year as of the year ended June 30, 2023, MHOF has adopted ASU No. 2016-02 and its related amendments on a prospective basis, with no resulting impact on the financial statement presentation.

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. Additional disclosures are required 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. MHOF has adopted ASU No. 2020-07 for the year ended June 30, 2023 on a retrospective basis, which resulted in no change to revenue previously reported and no effect on revenue reported for the year ended June 30, 2023.

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

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

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.

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, 2023. 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, 2023:

Cash Accounts Reported in Statement of Financial Position	
Cash and cash equivalents	\$ 1,445,052
Restricted cash—instrument distribution	1,313,437
Restricted cash— <i>Music Rising</i> program	339,625
	<hr/>
Total Cash, Cash Equivalents, and Restricted Cash Reported in Statement of Cash Flows	<u>\$ 3,098,114</u>

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.

Concentration of Credit Risk—Financial instruments which potentially subject MHOF to concentrations of credit risk consist of cash and cash equivalents, investments in securities, and receivables.

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

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

MHOF places its cash and cash equivalents with high credit quality financial institutions where the funds are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per institution. At times, such cash balances may exceed FDIC insurance limits during the normal course of business.

Cash held in investment accounts at investment custodians is insured by the Securities Investors Protection Corporation (SIPC) up to \$250,000 and the investments in securities are insured up to \$500,000, per institution. SIPC insurance protects the custody function of the investment custodian; it does not provide protection against fluctuations in market value. At times, such balances may exceed SIPC insurance limits during the normal course of business.

While MHOF is subject to credit risk to the extent any financial institution with which it conducts business is unable to fulfill contractual obligations on its behalf, MHOF's management has assessed the credit risk associated with its cash deposits and investments at June 30, 2023 and believes it is not exposed to any significant credit risk with its cash and cash equivalents and investments. However, due to the current risk and uncertainties affecting financial institutions (see Note 10), the potential related impact cannot be reasonably estimated at this time.

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, 2023.

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.

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.

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

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, 2023 to cover operating expenses for the next fiscal year:

Financial assets:		
Cash, cash equivalents, and restricted cash	\$	3,098,114
Investments		3,342,303
Contributions receivable		217,719
		<hr/>
	Total Financial Assets	6,658,136
Less noncurrent net assets with donor restrictions:		
Net assets subject to purpose restrictions		1,714,784
		<hr/>
	Total Noncurrent Net Assets with Donor Restrictions	1,714,784
		<hr/>
	Financial Assets Available to Meet General Expenditures Within One Year	\$ 4,943,352

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, 2023.

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

Note 3—Investments and Fair Value Measurements—Continued

Assets measured at fair value on a recurring basis at June 30, 2023 consist of the following:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Equities	\$ 1,251,630	\$ 1,251,630	\$	\$
Fixed income funds	1,125,695	1,125,695		
Mutual funds	964,978	964,978		
Totals	<u>\$ 3,342,303</u>	<u>\$ 3,342,303</u>	<u>\$</u>	<u>\$</u>

Return on investments for the year ended June 30, 2023 is as follows:

Unrealized gain on investments	\$ 102,636
Investment management fees	(23,984)
Investment Return, Net	<u>78,652</u>
Investment interest and dividends	104,503
Total Return on Investments	<u>\$ 183,155</u>

Note 4—Contributions Receivable

Contributions receivable at June 30, 2023 consist of receivables from corporations and foundations due within one year, totaling \$217,719.

Note 5—Property, Net

Net property consists of the following at June 30, 2023:

Office equipment	\$ 91,288
Less accumulated depreciation	(78,956)
Net	<u>\$ 12,332</u>

Depreciation expense totaled \$5,433 for the year ended June 30, 2023.

Note 6—Finance Lease Liability

MHOF entered into a finance 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 finance lease liability at June 30, 2023:

<u>Year Ending June 30,</u>	
2024	\$ 1,368
Total	<u>\$ 1,368</u>

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

Note 7—Net Assets with Donor Restrictions

Net assets with donor restrictions at June 30, 2023 consist of the following:

Subject to purpose restrictions:		
Instrument distribution	\$	1,375,159
<i>Music Rising</i> program		339,625
		1,714,784
Total Subject to Purpose Restrictions		1,714,784
Time-restricted for future periods		217,720
		217,720
Total Net Assets with Donor Restrictions	\$	<u>1,932,504</u>

Net assets released from donor restrictions for the year ended June 30, 2023 are as follows:

Satisfaction of purpose restrictions:		
Instrument distribution	\$	759,253
<i>Music Rising</i> program		38,580
		797,833
Total Net Assets Released from Donor Restrictions	\$	<u>797,833</u>

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, 2023 are as follows:

Balance, Beginning of Fiscal Year	\$	275,647
Contributions		102,531
Interest income		27
Functional expenses, <i>Music Rising</i> program		(38,580)
		339,625
Balance, End of Fiscal Year	\$	<u>339,625</u>

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. The lease required 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. On December 31, 2023, subsequent to year-end, MHOF terminated its lease early, agreeing to pay out half of the remaining lease amount, totaling \$8,668.

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

Note 9—Operating Lease—Continued

In October 2023, subsequent to year-end, MHOF signed a six-year operating lease for office space commencing April 1, 2024 and ending on August 31, 2029. The lease requires monthly payments of \$7,692 for the first year of the term, with a 3% increase in base rent each year on the anniversary date of the lease. Future minimum payments on the new lease are as follows:

<u>Year Ending June 30,</u>	
2024	\$ 23,077
2025	93,000
2026	95,790
2027	98,664
2028	101,623
Thereafter	122,507
	<hr/>
Total	\$ <u>534,661</u>

Note 10—Risks and Uncertainties

In March 2023, the shut-down of certain financial institutions raised economic concerns over disruption in the U.S. banking system. The U.S. government took certain actions to strengthen public confidence in the U.S. banking system, however, there can be no certainty that the actions taken by the U.S. government will be effective in mitigating the effects of financial institution failures on the economy, which may include limits on access to short-term liquidity in the near term or other adverse effects. As disclosed in Note 1, at times, MHOF maintains cash and cash equivalents and investment balances in excess of federally-insured limits. Given the uncertainty of the situation, the potential related financial impact cannot be reasonably estimated at this time.

Note 11—Subsequent Events

Management evaluated all activities of The Mr. Holland's Opus Foundation through March 14, 2024, which is the date the financial statements were available to be issued, and concluded that, other than the lease cancellation and new lease described in Note 9, no other material subsequent events have occurred that would require adjustment to the financial statements or disclosure in the notes to the financial statements.