

Audited Financial Statements



THE

MR. HOLLAND'S OPUS
FOUNDATION

June 30, 2024

Quigley & Miron

The Mr. Holland's Opus Foundation
Audited Financial Statements
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June 30, 2024

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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, 2024, 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, 2024, 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 cursive script that reads "Ziegler & Miron".

Los Angeles, California
January 31, 2025

The Mr. Holland's Opus Foundation
Statement of Financial Position
June 30, 2024

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 1,508,273	\$	\$ 1,508,273
Restricted cash—instrument distribution		1,163,922	1,163,922
Restricted cash— <i>Music Rising</i> —Note 8		228,429	228,429
Investments—Note 3	3,461,657		3,461,657
Prepaid expenses	23,654		23,654
Contributions receivable—Note 4		84,176	84,176
Property, net—Note 5	30,900		30,900
Operating lease right-of-use asset—Note 6	407,285		407,285
Deposits	8,917		8,917
Total Assets	<u>\$ 5,440,686</u>	<u>\$ 1,476,527</u>	<u>\$ 6,917,213</u>
Liabilities and Net Assets			
Liabilities			
Accounts payable	\$ 76,130	\$	\$ 76,130
Employee benefits payable	73,496		73,496
Operating lease liability—Note 6	412,991		412,991
Total Liabilities	<u>562,617</u>		<u>562,617</u>
Net Assets			
Without donor restrictions	4,878,069		4,878,069
With donor restrictions—Note 7		1,476,527	1,476,527
Total Net Assets	<u>4,878,069</u>	<u>1,476,527</u>	<u>6,354,596</u>
Total Liabilities and Net Assets	<u>\$ 5,440,686</u>	<u>\$ 1,476,527</u>	<u>\$ 6,917,213</u>

See notes to financial statements.

The Mr. Holland's Opus Foundation
Statement of Activities
Year Ended June 30, 2024

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Public Support and Revenue			
Corporate contributions	\$ 51,856	\$ 11,962	\$ 63,818
Foundation contributions	334,319	424,038	758,357
Individual contributions	427,355	278,086	705,441
In-kind contributions—Note 9	6,108		6,108
Music Rising grants and contributions—Note 8		2,514	2,514
Interest and dividends	135,103	28	135,131
Other income	207		207
Total Public Support and Revenue	954,948	716,628	1,671,576
Net assets released from restrictions	1,172,605	(1,172,605)	
Total Public Support, Revenue, and Releases from Restrictions	2,127,553	(455,977)	1,671,576
Expenses			
Program services			
Mr. Holland's Opus Foundation	1,502,018		1,502,018
Music Rising—Note 8	113,738		113,738
Total Program Services	1,615,756		1,615,756
Management and general	192,307		192,307
Fund development	265,911		265,911
Total Expenses	2,073,974		2,073,974
Change in Net Assets from Operations	53,579	(455,977)	(402,398)
Nonoperating Activities			
Investment return, net	194,994		194,994
Total Nonoperating Activities	194,994		194,994
Change in Net Assets	248,573	(455,977)	(207,404)
Net Assets at Beginning of Year	4,629,496	1,932,504	6,562,000
Net Assets at End of Year	\$ 4,878,069	\$ 1,476,527	\$ 6,354,596

See notes to financial statements.

The Mr. Holland's Opus Foundation
Statement of Functional Expenses
Year Ended June 30, 2024

	Program Services			Management and General	Fund Development	Total
	MHOF	Music Rising	Total Program Services			
Expenses						
Salaries	\$ 454,026	\$	\$ 454,026	\$ 78,573	\$ 114,587	\$ 647,186
Payroll taxes	42,864		42,864	7,418	10,818	61,100
Employee benefits	47,016		47,016	8,137	11,866	67,019
Total Personnel	543,906		543,906	94,128	137,271	775,305
Distributed instruments and accessories	722,972	113,722	836,694			836,694
Outside services	63,406		63,406	54,344	29,056	146,806
Rent	38,206		38,206	8,133	11,960	58,299
Travel and mileage	52,221		52,221			52,221
Legal and accounting	10,178		10,178	22,479	9,755	42,412
Computer and internet expenses	20,419		20,419	765	14,795	35,979
PR/marketing expenses					34,173	34,173
Equipment rental and maintenance	18,192		18,192			18,192
Bank and merchant fees	858	16	874	2,619	13,970	17,463
Office expense	10,665		10,665	1,719	1,965	14,349
Insurance	6,666		6,666	2,858	1,936	11,460
Printing and reproduction	5,529		5,529		2,609	8,138
Depreciation	3,544		3,544	1,899	886	6,329
Professional development	2,608		2,608	869	869	4,346
Meetings	1,384		1,384	1,344	1,344	4,072
Postage and mailing	10		10	415	3,359	3,784
Licenses and permits	350		350	470	1,574	2,394
Telephone and fax	904		904	265	389	1,558
Total Expenses	\$ 1,502,018	\$ 113,738	\$ 1,615,756	\$ 192,307	\$ 265,911	\$ 2,073,974

See notes to financial statements.

The Mr. Holland's Opus Foundation
Statement of Cash Flows
Year Ended June 30, 2024

Cash Flows from Operating Activities

Change in net assets	\$ (207,404)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	6,329
Investment gains	(220,977)
Operating lease right-of-use asset	(407,285)
Changes in operating assets and liabilities:	
Prepaid expenses	(6,035)
Contributions receivable	133,543
Deposits	(8,917)
Accounts payable	24,718
Employee benefits payable	189
Increase in operating lease liability	412,991
Net Cash Used in Operating Activities	(272,848)

Cash Flows from Investing Activities

Proceeds from sales of investments	221,353
Purchases of investments	(119,730)
Purchases of property	(24,897)
Net Cash Provided by Investing Activities	76,726

Cash Flows from Financing Activities

Principal payments on finance lease liability	(1,368)
Net Cash Used in Financing Activities	(1,368)

Decrease in Cash, Cash Equivalents, and Restricted Cash (197,490)

Cash, Cash Equivalents, and Restricted Cash at the Beginning of Year 3,098,114

Cash, Cash Equivalents, and Restricted Cash at the End of Year \$ 2,900,624

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, 2024

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 musical instruments to underfunded music programs nationwide, giving under-represented youth access to the many benefits of 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, 2024, MHOF granted a total of 1,683 new instruments and 1,456 new accessories, such as mouthpieces, method books, and music stands, to 73 schools across the country. Donated instruments allow students who cannot provide their own instrument the ability to participate in their school’s music program, eliminate students sharing instruments (and mouthpieces), replace aged instruments beyond repair and eliminate the need for teachers to borrow instruments from other sources. Over the life of the instruments, an estimated 18,640 plus students will be impacted.

A new fundraising campaign named Adopt A School was announced by foundation supporter Wolfgang Van Halen in February 2024. The campaign allows donors to select and donate to schools within a community of their choice. During the last five months of the fiscal year ending June 30, 2024, seven schools were granted over \$100,000 worth of instruments.

MHOF also administers Music (and Arts) Education District Support Services (MEDSS™), a comprehensive assessment and consulting service designed to evaluate arts education across all schools within a district, encompassing dance, media arts, music, theater, and visual arts. MEDSS identifies systemic challenges and barriers that limit equitable student access to quality, sequential, and sustainable arts programming. By combining data analysis with educator insights, MEDSS not only highlights the obstacles but also pinpoints the underlying causes, enabling targeted solutions to foster inclusive and robust arts education throughout the district.

This fiscal year saw the completion of an extensive multi-year assessment of music and arts education programs across school districts throughout the state of Tennessee, facilitated by the MHOF’s MEDSS services. This initiative, generously funded by the CMA Foundation, was offered at no cost to school districts participating in the voluntary study. Twenty-three districts participated in this first-of-its kind arts education study, collectively representing 589 schools and nearly 400,000 students—approximately 41% of the state’s K-12 student population.

MHOF’s statewide MEDSS assessment fostered strategic improvements across multiple Tennessee school districts, who implemented transformative practices that address local needs, improve equitable arts access, and promote sustainable arts education. Examples of significant reforms include:

- Chester County Schools addressed a 10-year lapse in middle school music education by hiring a music teacher and launching a program supported by a \$50,000 instrument donation from MHOF and the CMA Foundation, ensuring sequential K–12 music education access.
- Coffee County Schools alleviated scheduling constraints by hiring additional elementary music staff and purchasing curriculum resources, responding to needs identified by teachers through MEDSS.
- Metro Nashville Public Schools used MEDSS data to secure \$4 million in federal COVID relief funds, enhancing K–12 sequential music education by expanding string programs and realigning instrument resources to match program requirements across 57 schools.
- Robertson County Schools leveraged MEDSS insights to establish recurring funding of \$70,000 for districtwide arts needs and \$115,000 in federal COVID relief funding, ensuring resources for instruments and addressing learning loss.

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

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

- Rutherford County Schools increased music access for English Language Learners by adjusting class schedules, serving as a model for inclusion. MHOF further supported this initiative with a donation of \$187,000 worth of instruments for high school music programs.
- Tullahoma City Schools committed \$50,000 to purchase instruments and art supplies, supplemented with \$98,000 worth of instrument and equipment grants from MHOF. The district also implemented measures to support English Language Learners and Special Education students and is establishing a centralized inventory system for arts resources.
- Wilson County Schools hired their first district fine arts specialist, providing district-level curriculum and instructional support for music and arts teachers.

In collaboration with the CMA Foundation, MHOF led the creation and publication of the *Tennessee State of the Arts Summary Report (2024)* and identified the following critical insights identified by MEDSS assessments:

1. Economically disadvantaged students, students in smaller districts, and those in certain locales (rural and remote) face significant barriers to arts education.
2. Participation in arts programs was associated with higher academic achievement (reading and math proficiency) and improved attendance.
3. Over half of the districts have one or more gaps in K–12 sequential arts programs, especially in secondary education, where feeder middle schools do not align with high school arts programs.
4. Almost 50% of districts reported low enrollment in secondary arts programs, particularly in media arts, theater, and dance, as well as low participation among English Language Learners, Special Education, and socioeconomically disadvantaged students.
5. A majority of art teachers report needing additional resources, including instruments, curriculum materials, and specialized equipment. Arts educators expressed a need for professional development and additional support to address instructional challenges, particularly for students with special needs or limited English proficiency.

The completion of this Statewide MEDSS project also led to the publication of *Face the Music: A Case Study for Expanding Music and Arts Education in School*, which utilizes the Tennessee MEDSS findings to advocate for the improvement of music and arts education throughout the country. The key recommendations focus on ensuring equal access to music and arts education, implementing accountability measures, and increasing participation through local strategic levers by addressing challenges and opportunities at the school, district, and state levels.

MEDSS assessments were also completed for San Diego Unified School District, Orange County Public Schools (Orlando, FL) and District of Columbia Public Schools.

MHOF administers the Music Rising fund, a national relief fund for schools affected by natural disasters in the United States and U.S. Territories. When natural disasters occur, MHOF works closely with impacted schools and supports their rebuild by replacing instruments and supplies lost or damaged. During the fiscal year ending June 30th, 2024, three schools were granted 180 instruments through the Music Rising fund, in response to hurricanes Ida and Ian as well as a levee break in Pajaro, CA.

MHOF underwent a leadership transition, with former Program Director, Tricia Williams, stepping into the role of President and CEO and Todd Shipley taking over as Program Director, amid Felice Mancini's retirement after a dedicated twenty-five-year tenure.

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 Principle—In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards (ASU) No. 2016-13, *Financial Instruments—Credit Losses (Topic 326)*, which requires organizations to measure all expected credit losses for financial instruments held at the reporting date based on historical experience, current conditions, and reasonable supportable forecasts. This standard replaces the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss (CECL) methodology. The new guidance affects organizations that hold financial assets and net investments in leases that are not accounted for at fair value with changes in fair value reported in net income, including loans, debt securities, trade receivables, net investments in leases, off-balance-sheet credit exposures, reinsurance receivables, and any other financial assets not excluded from the scope that have the contractual right to receive cash. MHOF adopted ASU No. 2016-13 on a retrospective basis for the year ended June 30, 2024 with no resulting impact on the financial statement presentation.

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, 2024. 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.

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

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

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, 2024:

Cash Accounts Reported in Statement of Financial Position	
Cash and cash equivalents	\$ 1,508,273
Restricted cash—instrument distribution	1,163,922
Restricted cash— <i>Music Rising</i>	<u>228,429</u>
Total Cash, Cash Equivalents, and Restricted Cash Reported in Statement of Cash Flows	
	<u>\$ 2,900,624</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.

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, 2024 and believes it is not exposed to any significant credit risk with its cash and cash equivalents and investments.

Contributions receivable consist of balances from local foundations and corporations. MHOF has analyzed these receivables and determined that no allowance for credit losses was necessary at June 30, 2024.

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

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

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—MHOF records the value of donated materials and services which include donated musical instruments and accessories at their fair value at the date of donation. In-kind services are recorded only if the services (a) create or enhance nonfinancial assets, or (b) require specialized skills that are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

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.

Advertising Expense—Advertising costs are expensed as incurred and amounted to \$34,173 for the year ended June 30, 2024.

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, 2024 to cover operating expenses for the next fiscal year:

Financial assets:		
Cash and cash equivalents	\$	1,508,273
Restricted cash—instrument distribution		1,163,922
Restricted cash— <i>Music Rising</i>		228,429
Investments		3,461,657
Contributions receivable		84,176
		<hr/>
	Total Financial Assets	6,446,457
Less noncurrent net assets with donor restrictions:		
Net assets subject to purpose restrictions		1,392,353
		<hr/>
	Total Noncurrent Net Assets with Donor Restrictions	1,392,353
		<hr/>
	Financial Assets Available to Meet General Expenditures Within One Year	\$ 5,054,104

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, 2024.

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, 2024 consist of the following:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Equities	\$ 1,400,226	\$ 1,400,226	\$	\$
Fixed income funds	1,170,025	1,170,025		
Mutual funds	685,705	685,705		
Commodities	205,701	205,701		
Totals	\$ 3,461,657	\$ 3,461,657	\$	\$

Return on investments for the year ended June 30, 2024 is as follows:

Unrealized gain on investments	\$ 252,406
Realized loss on investments	(31,429)
Investment management fees	(25,983)
Investment Return, Net	194,994
Investment interest and dividends	115,644
Total Return on Investments	\$ 310,638

Note 4—Contributions Receivable

Contributions receivable at June 30, 2024 consist of receivables from corporations and foundations due within one year, totaling \$84,176.

Note 5—Property, Net

Net property consists of the following at June 30, 2024:

Office equipment	\$ 116,185
Less accumulated depreciation	(85,285)
Net	\$ 30,900

Depreciation expense totaled \$6,329 for the year ended June 30, 2024.

Note 6—Commitments and Contingencies

In the normal course of operations, MHOF is subject to certain loss contingencies, such as litigation. In management's opinion, the liability, if any, for such contingencies will not have a material effect on MHOF's financial position.

Grants require the fulfillment of certain conditions as set forth in the instrument of the grant. Failure to fulfill the conditions could result in the return of the funds to the grantors. Although that is a possibility, management deems the contingency remote, since, by accepting the gift and its terms, it is acknowledging the requirements of the grantor at the time of receipt.

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

Note 6—Commitments and Contingencies—Continued

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 MHOF terminated its lease early, agreeing to pay out half of the remaining lease amount, totaling \$8,668.

In October 2023, 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 3% increase in base rent each year on the anniversary date of the lease. Future minimum annual rental commitments by year for this operating lease with a maturity greater than one year from June 30, 2024, are as follows:

<u>Year Ending June 30,</u>		
2025	\$	93,000
2026		95,790
2027		98,664
2028		101,623
2029		104,672
2030		17,835
		<hr/>
	Gross Rental Payments	511,584
Less effect of discounting		(98,593)
		<hr/>
	Total	\$ 412,991

Note 7—Net Assets with Donor Restrictions

Net assets with donor restrictions at June 30, 2024 consist of the following:

Subject to purpose restrictions:		
Instrument distribution	\$	1,163,924
<i>Music Rising</i> program		228,429
		<hr/>
	Total Subject to Purpose Restrictions	1,392,353
Time-restricted for future periods		84,174
		<hr/>
	Total Net Assets with Donor Restrictions	\$ 1,476,527

Net assets released from donor restrictions for the year ended June 30, 2024 are as follows:

Satisfaction of purpose restrictions:		
Instrument distribution	\$	925,323
<i>Music Rising</i> program		113,738
		<hr/>
	Total Satisfaction of Purpose Restrictions	
Satisfaction of time restrictions		133,544
		<hr/>
	Total Net Assets Released from Donor Restrictions	\$ 1,172,605

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, 2024 are as follows:

Balance, Beginning of Fiscal Year	\$ 339,625
Contributions	2,514
Interest income	28
Functional expenses, <i>Music Rising</i> program	<u>(113,738)</u>
Balance, End of Fiscal Year	<u>\$ 228,429</u>

Note 9—In-Kind Contributions

For the year ended June 30, 2024, in-kind contributions consisting of donated musical instruments and accessories are included in the statement of activities under public support and revenue valued at \$6,108. Donated musical instruments and accessories are fully utilized for MHOF's program services and are reported without donor restrictions. MHOF measures donated equipment using comparable retail prices for the items received. In-kind contributions are not monetized.

Note 10—Subsequent Events

Management evaluated all activities of The Mr. Holland's Opus Foundation through January 31, 2025, 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.