

HOLLAND SYMPHONY ORCHESTRA, INC.

FINANCIAL STATEMENTS

APRIL 30, 2022 AND 2021

Table of Contents

| | Page |
|---|-------------|
| Independent Accountants' Review Report | |
| Financial Statements | |
| Statements of Financial Position | 1 |
| Statements of Activities | 2 |
| Statements of Functional Expenses | 3 |
| Statements of Cash Flows..... | 4 |
| Notes to Financial Statements..... | 5-12 |



Independent Accountants' Review Report

July 21, 2022

Board of Directors
Holland Symphony Orchestra, Inc.
Holland, Michigan

We have reviewed the accompanying financial statements of Holland Symphony Orchestra, Inc. (a nonprofit organization) which comprise the statement of financial position as of April 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. A review includes primarily applying analytical procedures to management's financial data and making inquiries of entity management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Accountants' Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

We are required to be independent of Holland Symphony Orchestra, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

Accountants' Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Report of 2021 Financial Statements

The financial statements of Holland Symphony Orchestra as of April 30, 2021 were reviewed by Ferris, Busscher & Zwiers P.C., who merged with Hungerford Nichols CPAs + Advisors as of May 1, 2022, and whose report dated July 26, 2021 stated that based on their procedures, they are not aware of any material modifications that should be made to the financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Hungerford Nichols

Certified Public Accountants
Holland, Michigan

HOLLAND SYMPHONY ORCHESTRA, INC.
STATEMENTS OF FINANCIAL POSITION
APRIL 30, 2022 AND 2021

| | 2022 | 2021 |
|---|--------------|--------------|
| Assets | | |
| Current assets: | | |
| Cash | \$ 115,298 | \$ 157,856 |
| Investments | 1,130,809 | 1,206,965 |
| Accounts receivable | 10,500 | - |
| Prepaid expenses | 750 | - |
| Total current assets | 1,257,357 | 1,364,821 |
| Instruments, furniture and equipment, net | 15,093 | 18,159 |
| Investments restricted for long-term use | 153,273 | 166,438 |
| Total assets | \$ 1,425,723 | \$ 1,549,418 |
| Liabilities and Net Assets | | |
| Current liabilities: | | |
| Accounts payable | \$ 573 | \$ 1,894 |
| Accrued liabilities | 1,506 | 1,514 |
| Deferred revenue | 46,280 | 42,569 |
| Total current liabilities | 48,359 | 45,977 |
| Net assets: | | |
| Without donor restrictions: | | |
| Undesignated | 644,990 | 726,492 |
| Board designated | 634,797 | 690,872 |
| With donor restrictions | 97,577 | 86,077 |
| Total net assets | 1,377,364 | 1,503,441 |
| Total liabilities and net assets | \$ 1,425,723 | \$ 1,549,418 |

*See independent accountant's review report
See notes to financial statements*

HOLLAND SYMPHONY ORCHESTRA, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED APRIL 30, 2022 AND 2021

| | 2022 | | | 2021 | | |
|--|----------------------------------|-------------------------------|---------------------|----------------------------------|-------------------------------|---------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total |
| Revenue, Gains and Other Support | | | | | | |
| Contributions | \$ 177,366 | \$ 11,500 | \$ 188,866 | \$ 288,818 | \$ - | \$ 288,818 |
| Government grants | 30,805 | - | 30,805 | 10,450 | - | 10,450 |
| Concert tickets, net of discounts (see note 2) | 115,532 | - | 115,532 | - | - | - |
| Special events, net of direct expenses of \$0 and \$0, respectively | 3,881 | - | 3,881 | - | - | - |
| Miscellaneous income | 4,196 | - | 4,196 | 389 | - | 389 |
| Tuitions and registrations | 13,524 | - | 13,524 | 125 | - | 125 |
| Investment income | 59,387 | - | 59,387 | 50,910 | - | 50,910 |
| Investment income (loss), unrealized | (148,708) | - | (148,708) | 220,302 | - | 220,302 |
| PPP loan forgiveness | - | - | - | 13,000 | - | 13,000 |
| Net assets released from restrictions: | | | | | | |
| Expiration of time and purpose restrictions | - | - | - | 14,800 | (14,800) | - |
| Total revenue, gains, and other support | 255,983 | 11,500 | 267,483 | 598,794 | (14,800) | 583,994 |
| Expenses | | | | | | |
| Program services | 299,391 | - | 299,391 | 118,102 | - | 118,102 |
| Management and general | 70,267 | - | 70,267 | 60,070 | - | 60,070 |
| Fundraising | 23,902 | - | 23,902 | 22,093 | - | 22,093 |
| Total expenses | 393,560 | - | 393,560 | 200,265 | - | 200,265 |
| Change in net assets | (137,577) | 11,500 | (126,077) | 398,529 | (14,800) | 383,729 |
| Net assets at beginning of year | 1,417,364 | 86,077 | 1,503,441 | 1,018,835 | 100,877 | 1,119,712 |
| Net assets at end of year | <u>\$ 1,279,787</u> | <u>\$ 97,577</u> | <u>\$ 1,377,364</u> | <u>\$ 1,417,364</u> | <u>\$ 86,077</u> | <u>\$ 1,503,441</u> |

*See independent accountant's review report
See notes to financial statements*

HOLLAND SYMPHONY ORCHESTRA, INC.
 STATEMENTS OF FUNCTIONAL EXPENSES
 YEARS ENDED APRIL 30, 2022 AND 2021

| | 2022 | | | | 2021 | | | |
|---------------------------|---------------------|---------------------------|------------------|-------------------|---------------------|---------------------------|------------------|-------------------|
| | Program Services | Management and General | Fundraising | Total | Program Services | Management and General | Fundraising | Total |
| Concert production | \$ 226,863 | \$ 15,138 | \$ 1,083 | \$ 243,084 | \$ 60,757 | \$ 10,596 | \$ 1,042 | \$ 72,395 |
| Contract labor | 14,211 | 19,373 | 12,397 | 45,981 | 14,132 | 17,412 | 12,171 | 43,715 |
| Depreciation | 3,066 | - | - | 3,066 | 3,250 | - | - | 3,250 |
| Dues and memberships | - | 1,943 | - | 1,943 | - | 2,261 | - | 2,261 |
| Education programs | 22,620 | 2,601 | - | 25,221 | 18,428 | 2,386 | - | 20,814 |
| Insurance | 1,119 | 1,118 | - | 2,237 | 1,214 | 1,213 | - | 2,427 |
| Marketing | 19,613 | 6,496 | 6,579 | 32,688 | 9,076 | 5,922 | 5,900 | 20,898 |
| Miscellaneous | 4,177 | 3,423 | 2,101 | 9,701 | 4,274 | 1,378 | 1,528 | 7,180 |
| Postage | 454 | 468 | 454 | 1,376 | 513 | 529 | 513 | 1,555 |
| Professional fees | - | 2,700 | 300 | 3,000 | - | 2,700 | 300 | 3,000 |
| Rent | 6,280 | 15,990 | - | 22,270 | 5,819 | 15,016 | - | 20,835 |
| Supplies | 988 | 1,017 | 988 | 2,993 | 639 | 657 | 639 | 1,935 |
| Total functional expenses | <u>\$ 299,391</u> | <u>\$ 70,267</u> | <u>\$ 23,902</u> | <u>\$ 393,560</u> | <u>\$ 118,102</u> | <u>\$ 60,070</u> | <u>\$ 22,093</u> | <u>\$ 200,265</u> |

*See independent accountant's review report
 See notes to financial statements*

HOLLAND SYMPHONY ORCHESTRA, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED APRIL 30, 2022 AND 2021

| | 2022 | 2021 |
|---|--------------|------------|
| Cash Flows from Operating Activities | | |
| Change in net assets | \$ (126,077) | \$ 383,729 |
| Noncash items included in change in net assets: | | |
| Depreciation | 3,066 | 3,250 |
| Unrealized loss (gain) on investment | 148,708 | (220,302) |
| Investment income reinvested | (59,387) | (50,910) |
| PPP loan forgiveness | - | (13,000) |
| Change in operating assets and liabilities: | | |
| Decrease (increase) in accounts receivable, and prepaids | (11,250) | 9,400 |
| Increase in accounts payable, accrued liabilities, and deferred revenue | 2,382 | 5,410 |
| Net cash provided (used) by operating activities | (42,558) | 117,577 |
| Cash Flows from Investing Activities | | |
| Proceeds from sale of investments | - | 15,900 |
| Purchase of investments | - | (100,000) |
| Purchase of instruments, furniture and equipment | - | (2,013) |
| Net cash provided (used) by investing activities | - | (86,113) |
| Cash Flows from Financing Activities | | |
| Borrowings on note payable, PPP | - | 13,000 |
| Net cash provided by financing activities | - | 13,000 |
| Net increase (decrease) in cash | (42,558) | 44,464 |
| Cash balance - beginning of year | 157,856 | 113,392 |
| Cash balance - end of year | \$ 115,298 | \$ 157,856 |

*See independent accountant's review report
See notes to financial statements*

HOLLAND SYMPHONY ORCHESTRA, INC.
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2022 AND 2021

1. Nature of Activities and Summary of Significant Accounting Policies

Nature of Activities

The Holland Symphony Orchestra, Inc. is committed to engaging people in music to enrich the cultural life of the community. The purpose of the Organization is to create varied, quality symphonic concerts to entertain and inspire, provide educational programs to promote a lifelong interest in music, encourage the musical education of area youth, expand community collaborations and respond to community needs, increase audience and patron participation, and assure responsible stewardship of financial and human resources.

Basis of Accounting

The Organization prepares its financial statements using the accrual basis of accounting and accounting principles generally accepted in the United States of America.

Net Assets

The financial statements report net assets and changes in net assets in two classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

Net Assets Without Donor Restrictions

Net assets without donor restrictions are resources available to support operations. The only limits on the use of these net assets are the broad limits resulting for the nature of the Organization, the environment in which it operates, the purpose specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Net assets without donor restrictions that are board-designated are resources that have been set aside for the purpose of paying stipends to the Concertmasters and musicians. This fund (the Walvoord Fund) was established with annual contributions that were made in lieu of compensating the executive director in previous years.

Net Assets With Donor Restrictions

Net assets with donor restrictions are resources that are restricted by a donor for a particular purpose and/or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; the Organization must continue to use the resources in accordance with the donor's instructions.

The Organization's unspent contributions are included in this class if the donor limited their use.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

HOLLAND SYMPHONY ORCHESTRA, INC.
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2022 AND 2021

1. Nature of Activities and Summary of Significant Accounting Policies (Continued)

Cash and Equivalents

The Organization considers all short-term investments with an original maturity of three months or less to be cash equivalents. Occasionally, the Organization's cash balances may exceed the insured limit. The risk is mitigated by actively managing existing accounts in accordance with current FDIC limits, and by maintaining all deposits in high quality financial institutions.

Investments

Investments are stated at fair value in the statements of financial position. Equity securities with readily determinable fair values and all investments in debt securities are required to be measured at fair value in the statements of financial position.

Contract Balances

The following is a schedule of the beginning and ending balances of accounts receivable, contract assets and contract liabilities:

| | Accounts Receivable | Contract Assets | Contract Liabilities |
|--------------------------|--------------------------------|----------------------------|---------------------------------|
| Balance – May 1, 2021 | \$ - | \$ - | \$ 46,280 |
| Balance – April 30, 2022 | 10,500 | - | 42,569 |
| Balance – May 1, 2020 | \$ 2,100 | \$ - | \$ 37,157 |
| Balance – April 30, 2021 | - | - | 46,280 |

Promises to Give

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. At April 30, 2022 and 2021, the Organization had no promises to give.

Instruments, Furniture and Equipment

The Organization capitalizes assets over \$1,000 at cost and expenses small purchases and repairs below this threshold. Donated assets are capitalized at the estimated fair market value at time of receipt. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

Contributions

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

HOLLAND SYMPHONY ORCHESTRA, INC.
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2022 AND 2021

1. Nature of Activities and Summary of Significant Accounting Policies (Continued)

Classification of Transactions

All revenues and net gains are reported as increases in net assets without donor restrictions in the statements of activities unless the donor specified the use of the related resources for a particular purpose or in a future period. All expenses and net losses are reported as decreases in net assets without donor restrictions.

Donated Materials and Services

The Organization has many individuals who volunteer their time and perform a variety of tasks that assist the Organization with its program services. The value of these donated services has not been reflected in the financial statements, as they did not meet the criteria for recognition under ASC 958-605-20 nor is a value for these services readily determinable.

Expense Recognition and Allocation

The cost of providing the Organization's programs and other activities is summarized on a functional basis in the statements of activities and statements of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited using a reasonable allocation method that is consistently applied, as follows:

Payroll, contract labor and related expenses are allocated based on activities and tasks for specific job functions within the Organization.

Rent is allocated based on the programs and supporting activities occupying the space.

Management and general expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the Organization.

Fundraising costs are expensed as incurred, even though they may result in contributions received in future years. The Organization generally does not conduct its fundraising activities in conjunction with its other activities.

Advertising Costs

The Organization expenses all advertising costs as incurred. Advertising costs were \$32,688 and \$20,898 for the years ended April 30, 2022 and 2021, respectively.

Tax Status

The Organization is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3) and therefore, is not subject to federal income or Michigan corporate income tax.

The Organization evaluates tax positions taken on its federal Exempt Organization Business Income Tax Returns in accordance with accounting principles generally accepted in the United States of America, which require that tax positions taken be more-likely-than-not to be sustained. Management believes that the Organization has no significant unrecognized tax benefits under that criteria. Penalties and interest, if any, assessed by income taxing authorities are included in operating expenses. The Organization's federal Exempt Organization Business Income Tax Returns are generally subject to examination by taxing authorities for three years after they were filed.

HOLLAND SYMPHONY ORCHESTRA, INC.
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2022 AND 2021

1. Nature of Activities and Summary of Significant Accounting Policies (Continued)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. This will affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

Revenue Recognition

Revenue and expenses are recorded on the accrual basis. The Organization has analyzed the provisions of the FASB's ASC 606, *Revenue from Contracts with Customers*, and has concluded that no changes to the current policy are necessary to conform to the new standard.

The Organization recognizes revenue from ticket sales at the time of admission. The Organization recognizes season ticket sales over the concert season as concerts are performed. Tuition revenue is recognized over the tuition period. Special events revenue is recognized at the time of the event.

2. Covid-19 Impact

During 2020, the outbreak of the global Covid-19 pandemic significantly impacted the Organization. Following state and local guidance, all live performances scheduled in the year ended April 30, 2021 were cancelled. Season ticket subscribers were given the option to (a) donate their season ticket expenditures as a contribution to the Organization, (b) roll over their season tickets to the next season, or (c) request their season ticket expenditures be refunded. The following table summarizes the subscriber responses:

| <u>Subscriber Response</u> | |
|------------------------------|-----|
| Donation | 27% |
| Roll over to subsequent year | 69% |
| Refund | 4% |

The Organization was to able to perform a full concert season for the year ended April 30, 2022.

3. Liquidity and Availability

All cash and current receivables of the organization are available to meet general expenditures within one year. The investment committee of the Organization routinely meets to review and monitor the investment performance.

The Organization has total investments of \$1,284,082 at April 30, 2022, of which \$597,023 is available to meet general expenditures within one year, plus the \$10,500 of accounts receivable. The remaining \$687,059 of investments is comprised of \$52,262 of donor-restricted investments and \$634,797 of board-designated investments. The board-designated investments have been designated for musician stipends paid for through the Walvoord Endowment Fund.

The Organization had total investments of \$1,373,403 at April 30, 2021, of which \$633,074 was available to meet general expenditures within one year. The remaining \$740,329 of investments was comprised of \$49,457 of donor-restricted investments and \$690,872 of board-designated investments. The board-designated investments have been designated for musician stipends paid for through the Walvoord Endowment Fund.

HOLLAND SYMPHONY ORCHESTRA, INC.
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2022 AND 2021

4. Fair Value of Assets

The Organization adopted the Financial Accounting Standards Board's (FASB) standard regarding Fair Value Measurements. The standard establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Financial assets valued using level 1 inputs are based on unadjusted quoted market prices within active markets. Financial assets valued using level 2 inputs are based primarily on quoted prices for similar assets or liabilities in active or inactive markets.

Financial assets valued using level 3 inputs are based on pricing models, discounted cash flow methodologies or similar techniques where at least one significant model assumption or input is unobservable. Level 3 financial instruments also include those for which the determination of fair value requires significant management judgment or estimation. The fair value of the investments is based on unadjusted quoted market prices within active markets. Valuation techniques utilized to determine fair values are consistently applied.

| | | Fair Value Measurements Using: | | |
|---------------------------|---------------------|---|--|--|
| | | Quoted Prices in active markets for identical assets (Level 1) | Significant other observable inputs (Level 2) | Significant unobservable inputs (Level 3) |
| April 30, 2022 | Fair Value | | | |
| Exchange traded | | | | |
| products and mutual funds | <u>\$ 1,284,082</u> | <u>\$ 1,284,082</u> | <u>\$ -</u> | <u>\$ -</u> |
| Total | <u>\$ 1,284,082</u> | <u>\$ 1,284,082</u> | <u>\$ -</u> | <u>\$ -</u> |
| | | | | |
| April 30, 2021 | | | | |
| Exchange traded | | | | |
| products and mutual funds | <u>\$ 1,373,403</u> | <u>\$ 1,373,403</u> | <u>\$ -</u> | <u>\$ -</u> |
| Total | <u>\$ 1,373,403</u> | <u>\$ 1,373,403</u> | <u>\$ -</u> | <u>\$ -</u> |

Investments consist of the following at fair market value:

| | 2022 | 2021 |
|---------------------|---------------------------|---------------------------|
| Mutual funds: | | |
| Cash | \$ - | \$ 28,700 |
| Stock funds | 625,470 | 674,075 |
| Bond funds | 653,006 | 663,497 |
| Short-term reserves | <u>5,606</u> | <u>7,131</u> |
| Total | <u>\$1,284,082</u> | <u>\$1,373,403</u> |

The Organization also has an endowment with the Holland Zeeland Community Foundation. The assets in the Endowment Fund are owned by the Community Foundation and controlled by its Board of Directors. The fair market value of the Endowment Fund at April 30, 2022 and 2021 was \$72,726 and \$72,725, respectively.

HOLLAND SYMPHONY ORCHESTRA, INC.
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2022 AND 2021

5. Instruments, Furniture and Equipment

Instruments, furniture and equipment consist of the following at April 30:

| | 2022 | 2021 |
|--------------------------|------------------|------------------|
| Computer equipment | \$ 7,860 | \$ 7,860 |
| Furniture | 28,301 | 28,301 |
| Instruments | <u>75,869</u> | <u>75,869</u> |
| Total | 112,030 | 112,030 |
| Accumulated depreciation | <u>(96,937)</u> | <u>(93,871)</u> |
| Total | <u>\$ 15,093</u> | <u>\$ 18,159</u> |

The Organization also owns a library of music. Each piece of music is expensed when purchased as it is under the capitalization threshold. The library is not included on the statements of financial position and has a total cost of \$50,468 and \$47,436 at April 30, 2022 and 2021, respectively.

6. Net Assets With Donor Restrictions

At April 30, net assets with donor restrictions are available for the following purposes:

| | 2022 | 2021 |
|--|------------------|------------------|
| Purpose restrictions: | | |
| Mueller fund | \$ 7,816 | \$ 7,816 |
| Roossien endowment | 19,939 | 19,939 |
| Howard endowment | 16,802 | 16,802 |
| Walvoord fund | 41,520 | 41,520 |
| Accounts receivable | 10,500 | - |
| Restricted gift | <u>1,000</u> | <u>-</u> |
| Total net assets with donor restrictions | <u>\$ 97,577</u> | <u>\$ 86,077</u> |

The Mueller Fund was established to provide funding for annual prizes for the High School Concert Competition. This fund is not to be used for the general operations of the Organization.

The Roossien Endowment was established to provide additional funds to the general operations of the Organization. All dividends, interest and any other investment income received is deemed to be principal of the fund. The Organization is allowed to withdraw one half of the excess principal as of December 31 over the prior year's December 31 market value for unrestricted general operation funds.

The Howard Endowment was established to provide annual funding for music education programs of the Organization, including grants to enable youth musicians to obtain additional music education. All dividends, interest and any other investment income received is deemed to be principal of the fund. The Organization is allowed to withdraw 6% of the fair market value of the fund each year.

The Walvoord Fund was established to pay stipends to the Concertmasters and musicians

In accordance with donor specifications, the remaining net assets with donor restrictions will be used for purchases related to their listed purpose.

HOLLAND SYMPHONY ORCHESTRA, INC.
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2022 AND 2021

6. Net Assets With Donor Restrictions (Continued)

The Organization's intent is to comply with the provisions of the Uniform Prudent Management of Institutional Funds Act (UPMIFA), which was adopted by the State of Michigan in September 2009. To this end they have asked their finance and management team to study, address and propose endowment return objectives, spending policies, strategies for achieving objectives, valuation and disclosure issues. The team's recommendations will be considered by the Executive Committee of the Board for approval annually as follows:

Proposed Return Objectives and Risk Parameters

The primary investment objective for the funds is to invest to achieve growth in principal value over time sufficient to preserve or increase the purchasing power of funds, thus protecting the funds against inflation. A secondary objective is the maximization of earnings in a way that allows for immediate liquidity to meet ongoing spending criteria established by the original donors. These objectives are consistent with the Organization's objective of preserving the real purchasing power of principal and the maximization of investment income without undue exposure to risk. Therefore, the primary focus is on long-term capital appreciation with income generation as a secondary concern.

Proposed Strategies Employed for Achieving Objectives

The finance and investment committee of the Organization recommends ranges and types of investments for consideration by the Board and reviews investment performance. Within the parameters of the investment policy and with the advice of the finance and investment committee, the Board chair, executive director, and treasurer have the authority to invest the funds. At the present time authorized investments are only diversified, managed no load funds which were recommended by the investment committee. Portfolio allocations must be examined annually and evaluated for appropriateness given existing market conditions, the economic needs of the Holland Symphony Orchestra, Inc. and the size of the funds. A strategy that includes a diversified asset allocation that places a greater emphasis on equity-based investments would meet the objectives established.

Proposed Spending Policies

The Organization's investment policy recognizes the obligation to the original donors. Therefore, withdrawals will be made in accordance with designated purposes. However, the Board chair, executive director, and treasurer will have the authority to spend both principal and interest to meet granting requirements with Board approval. A specific spending policy that addresses a permissible invasion of principal and historical cost will be considered and must comply with requirements established by UPMIFA.

7. Long-term Debt

PPP Loans

The Organization received loan proceeds in the amount of \$6,500 under the Paycheck Protection Program (PPP) and \$6,500 under the Paycheck Protection Program 2 (PPP2). Established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act), the PPP provides loans to qualifying organizations in amounts up to 2.5 times the organization's average monthly payroll expenses. PPP loans and accrued interest are forgivable after a covered period of 8 to 24 weeks as long as the borrower maintains its payroll levels and uses the loan proceeds for eligible purposes, including payroll, benefits, rent, and utilities. The Organization initially recorded a note payable and subsequently recorded forgiveness when the loan obligation was legally released. The Organization recognized \$0 and \$13,000 of loan forgiveness income for the years ended April 30, 2022 and 2021, respectively.

HOLLAND SYMPHONY ORCHESTRA, INC.
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2022 AND 2021

8. Leases

The Organization had a lease for a copy machine requiring monthly payments. The lease expired in August 2021 and required monthly payments of \$191. The Organization has since entered into another lease agreement expiring in August 2026 requiring monthly payments of \$225.

The Organization leases office and rehearsal space at Midtown Center. The lease expired in February 2022 and required monthly payments of \$1,173 with annual increases of 3%, and an additional \$461 monthly for utilities and communications. The Organization has entered into another lease with Midtown Center expiring in February 2025 with monthly payments of \$1,245 with annual increases of 3%, and an additional \$461 monthly for utilities and communications.

Total lease expense was \$22,270 and \$20,835 for the years ended April 30, 2022 and 2021, respectively.

Future minimum lease payments under operating leases having remaining terms in excess of one year as of April 30 are as follows:

| | |
|------|-----------|
| 2023 | \$ 17,822 |
| 2024 | 18,200 |
| 2025 | 18,591 |

9. Subsequent Events

The Organization's management has evaluated subsequent events through July 21, 2022 the date on which the financial statements were available to be issued.