

# HOLLAND SYMPHONY ORCHESTRA, INC.

## FINANCIAL STATEMENTS

For the years ended  
April 30, 2023 and 2022

## TABLE OF CONTENTS

---

<b>INDEPENDENT ACCOUNTANTS' REVIEW REPORT .....</b>	<b>1</b>
<b>FINANCIAL STATEMENTS</b>	
Statements of Financial Position .....	4
Statements of Activities .....	5
Statements of Functional Expenses .....	7
Statements of Cash Flows .....	9
Notes to Financial Statements .....	10

**INDEPENDENT ACCOUNTANTS' REVIEW REPORT**

September 12, 2023

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

We have reviewed the accompanying financial statements of Holland Symphony Orchestra, Inc., which comprise the statements of financial position as of April 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years 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 company 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 engagements 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 ethical responsibilities, in accordance with the relevant ethical requirements related to our reviews.

**Accountants' Conclusion**

Based on our reviews, 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.

*Hungerford Nichols*

Certified Public Accountants  
Holland, Michigan

---

## **FINANCIAL STATEMENTS**

---

## STATEMENTS OF FINANCIAL POSITION

HOLLAND SYMPHONY ORCHESTRA, INC.

April 30, 2023 and 2022

	<b>2023</b>	<b>2022</b>
<b>Current Assets</b>		
Cash	\$ 65,624	\$ 115,298
Investments	1,283,674	1,130,809
Receivables		
Accounts receivable	400	10,500
Employee retention credit receivable	15,150	-
Prepaid expenses	-	750
<b>Total Current Assets</b>	<b>1,364,848</b>	<b>1,257,357</b>
Operating lease right-of-use assets	36,554	-
Instruments, furniture and equipment, net	12,410	15,093
Investments restricted for long-term use	163,148	153,273
<b>Total Assets</b>	<b>\$ 1,576,960</b>	<b>\$ 1,425,723</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ -	\$ 573
Accrued liabilities	1,654	1,506
Deferred revenue	21,875	46,280
Current portion of operating lease liabilities	17,830	-
<b>Total Current Liabilities</b>	<b>41,359</b>	<b>48,359</b>
Operating lease liabilities, net of current portion	19,184	-
<b>Total Liabilities</b>	<b>60,543</b>	<b>48,359</b>
<b>Net Assets</b>		
Without donor restrictions:		
Undesignated	645,441	644,990
Board designated	776,998	634,797
With donor restrictions	93,978	97,577
<b>Total Net Assets</b>	<b>1,516,417</b>	<b>1,377,364</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 1,576,960</b>	<b>\$ 1,425,723</b>

## STATEMENTS OF ACTIVITIES

HOLLAND SYMPHONY ORCHESTRA, INC.

For the year ended April 30, 2023

	Without Donor Restrictions	With Donor Restrictions	2023
<b>Revenue, Gains and Other Support</b>			
Contributions	\$ 352,643	\$ -	\$ 352,643
Government grants	34,050	-	34,050
Concert tickets, net of discounts (see note B)	113,886	-	113,886
Special events, net of direct expenses of \$0	1,697	-	1,697
Miscellaneous income	2,466	-	2,466
Tuitions and registrations	14,054	-	14,054
Employee retention credit	15,150	-	15,150
Investment income	65,709	-	65,709
Investment income (loss), unrealized	(41,436)	-	(41,436)
Contributions of nonfinancial assets	11,972	-	11,972
Net assets released from restrictions:			
Expiration of time and purpose restrictions	3,599	(3,599)	-
<b>Total Revenue, Gains and Other Support</b>	<b>573,790</b>	<b>(3,599)</b>	<b>570,191</b>
<b>Expenses</b>			
Program services	331,495	-	331,495
Management and general	77,871	-	77,871
Fundraising expenses	21,772	-	21,772
<b>Total Expenses</b>	<b>431,138</b>	<b>-</b>	<b>431,138</b>
<b>Change in Net Assets</b>	<b>142,652</b>	<b>(3,599)</b>	<b>139,053</b>
<b>Net Assets - beginning of year</b>	<b>1,279,787</b>	<b>97,577</b>	<b>1,377,364</b>
<b>Net Assets - end of year</b>	<b>\$ 1,422,439</b>	<b>\$ 93,978</b>	<b>\$ 1,516,417</b>

## STATEMENTS OF ACTIVITIES

HOLLAND SYMPHONY ORCHESTRA, INC.

For the year ended April 30, 2022

	Without Donor Restrictions	With Donor Restrictions	2022
<b>Revenue, Gains and Other Support</b>			
Contributions	\$ 177,366	\$ 11,500	\$ 188,866
Government grants	30,805	-	30,805
Concert tickets, net of discounts (see note 2)	115,532	-	115,532
Special events, net of direct expenses of \$0	3,881	-	3,881
Miscellaneous income	4,196	-	4,196
Tuitions and registrations	13,524	-	13,524
Investment income	59,387	-	59,387
Investment income (loss), unrealized	(148,708)	-	(148,708)
Net assets released from restrictions:			
Expiration of time and purpose restrictions	-	-	-
<b>Total Revenue, Gains and Other Support</b>	<b>255,983</b>	<b>11,500</b>	<b>267,483</b>
<b>Expenses</b>			
Program services	299,391	-	299,391
Management and general	70,267	-	70,267
Fundraising expenses	23,902	-	23,902
<b>Total Expenses</b>	<b>393,560</b>	<b>-</b>	<b>393,560</b>
<b>Change in Net Assets</b>	<b>(137,577)</b>	<b>11,500</b>	<b>(126,077)</b>
<b>Net Assets - beginning of year</b>	<b>1,417,364</b>	<b>86,077</b>	<b>1,503,441</b>
<b>Net Assets - end of year</b>	<b>\$ 1,279,787</b>	<b>\$ 97,577</b>	<b>\$ 1,377,364</b>



## STATEMENTS OF FUNCTIONAL EXPENSES

HOLLAND SYMPHONY ORCHESTRA, INC.

For the year ended April 30, 2023

	<b>Program</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>2023</b>
Salaries, wages and concert production	\$ 249,670	\$ 15,027	\$ 2,132	\$ 266,829
Contract labor	15,206	21,610	14,599	51,415
Depreciation	2,683	-	-	2,683
Dues and memberships	-	2,179	-	2,179
Education programs	24,837	3,000	-	27,837
Insurance	1,847	1,847	-	3,694
Marketing	17,415	13,702	3,117	34,234
Miscellaneous	10,968	751	164	11,883
Postage	427	441	428	1,296
Professional fees	-	2,700	300	3,000
Rent	7,410	15,550	-	22,960
Supplies	1,032	1,064	1,032	3,128
<b>Total Functional Expenses</b>	<b>\$ 331,495</b>	<b>\$ 77,871</b>	<b>\$ 21,772</b>	<b>\$ 431,138</b>

## STATEMENTS OF FUNCTIONAL EXPENSES

HOLLAND SYMPHONY ORCHESTRA, INC.

For the year ended April 30, 2022

	<b>Program</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>2022</b>
Salaries, wages and concert production	\$ 226,863	\$ 15,138	\$ 1,083	\$ 243,084
Contract labor	14,211	19,373	12,397	45,981
Depreciation	3,066	-	-	3,066
Dues and memberships	-	1,943	-	1,943
Education programs	22,620	2,601	-	25,221
Insurance	1,119	1,118	-	2,237
Marketing	19,613	6,496	6,579	32,688
Miscellaneous	4,177	3,423	2,101	9,701
Postage	454	468	454	1,376
Professional fees	-	2,700	300	3,000
Rent	6,280	15,990	-	22,270
Supplies	988	1,017	988	2,993
<b>Total Functional Expenses</b>	<b>\$ 299,391</b>	<b>\$ 70,267</b>	<b>\$ 23,902</b>	<b>\$ 393,560</b>

## STATEMENTS OF CASH FLOWS

HOLLAND SYMPHONY ORCHESTRA, INC.  
For the years ended April 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ 139,053	\$ (126,077)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	2,683	3,066
Unrealized loss on investment	41,436	148,708
Reduction in the carrying amount of right-of-use assets - operating leases	17,527	-
Change in operating assets and liabilities:		
Decrease (increase) in receivables and prepaid expenses	(4,300)	(11,250)
Increase (decrease) in accounts payable, accruals, deferred revenue and operating lease liabilities	(41,897)	2,382
<b>Net Cash Provided by Operating Activities</b>	<u>154,502</u>	<u>16,829</u>
<b>Cash Flows from Investing Activities</b>		
Proceeds from sale of investments	3,500	-
Purchase of investments	(207,676)	(59,387)
<b>Net Cash Used for Investing Activities</b>	<u>(204,176)</u>	<u>(59,387)</u>
<b>Net Decrease in Cash</b>	(49,674)	(42,558)
<b>Beginning Cash Balance</b>	<u>115,298</u>	<u>157,856</u>
<b>Ending Cash Balance</b>	<u><u>\$ 65,624</u></u>	<u><u>\$ 115,298</u></u>
<b>Supplemental Disclosure of Cash Flow Information</b>		
ROU asset obtained in exchange for lease obligations upon the implementation of ASC 842	\$ 54,081	\$ -

## NOTES TO FINANCIAL STATEMENTS

---

HOLLAND SYMPHONY ORCHESTRA, INC.  
For the years ended April 30, 2023 and 2022

### **Note A – Nature of Activities and Significant Accounting Policies**

#### **Nature of Activities**

Holland Symphony Orchestra, Inc. (the Organization) 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 financial statements have been prepared on the accrual basis of accounting, recording revenue when earned rather than when received, and recording expenses when incurred rather than when paid.

#### **Use of Estimates**

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

#### **Cash and Cash Equivalents**

Cash and cash equivalents consist of deposit accounts, money market funds and cash on hand. For purposes of the statement of cash flows, the Organization considers all highly liquid investments purchased with original maturities of three months or less to be cash equivalents, except that such assets held in endowment are generally classified as noncurrent. The Organization maintains cash balances in checking and savings accounts. The checking and savings accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000 per financial institution. From time to time during the year, the Organization may have cash in a bank checking or savings account in excess of the federally insured limit.

#### **Investments**

Investments held by the Organization consist of equity securities which are recorded at fair market based on quoted market prices. Investments received as donations are initially recorded at fair value on the date of receipt. Thereafter, the carrying value of such investments are adjusted to fair value, which is determined by published market quotations. Realized gains and losses on the sale of investments are determined based on the first-in, first-out method. Unrealized gains and losses are reflected on the statements of activities.

## NOTES TO FINANCIAL STATEMENTS

---

HOLLAND SYMPHONY ORCHESTRA, INC.  
For the years ended April 30, 2023 and 2022

### ***Note A – Nature of Activities and Significant Accounting Policies (Continued)***

#### **Fair Value Measurement**

Fair value refers to the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants in the market in which the reporting entity transacts such sales or transfers based on the assumptions market participants would use when pricing an asset or liability. Assumptions are developed based on prioritizing information within a fair value hierarchy that gives the highest priority to quoted prices in active markets (Level 1 measurements) and the lowest priority to unobservable data (Level 3 measurements). For a further discussion on Fair Value Measurement, refer to Note C of the financial statements.

#### **Accounts Receivable**

The Organization believes the amounts carried in accounts receivable are current and collectible. The Organization generally does not require collateral or other security on its accounts receivable. There was no allowance at April 30, 2023 and 2022.

#### **Unconditional 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. There were no unconditional promises to give at April 30, 2023 and 2022.

#### **Conditional Promises to Give**

Conditional promises to give are recognized when the conditions on which they depend are substantially met. There were no conditional promises to give at April 30, 2023 and 2022.

#### **Employee Retention Credit Receivable**

Under the provisions of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), the Organization is eligible for a refundable employee retention credit subject to certain criteria, which the Organization has met. The employee retention credit receivable represents refunds filed on quarterly IRS form 941-X forms. Accordingly, the Organization recognized \$15,150 in revenue for the year ended April 30, 2023.

#### **Instruments, Furniture and Equipment**

Property and equipment are stated at cost, or in the case of donated property, at estimated fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets, which range from 5 to 10 years. The Organization follows a capitalization policy of \$1,000 in determining assets to be depreciated. It is not the Organization's policy to imply time restrictions expiring over the useful life of donated assets. In the absence of donor-imposed restrictions on the use of assets, gifts of long-lived assets are reported as without donor restrictions. Depreciation expense for the years ended April 30, 2023 and 2022 was \$2,683 and \$3,066, respectively.

## NOTES TO FINANCIAL STATEMENTS

HOLLAND SYMPHONY ORCHESTRA, INC.  
For the years ended April 30, 2023 and 2022

### *Note A – Nature of Activities and Significant Accounting Policies (Continued)*

#### **Contract Balances**

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

	<b>Accounts Receivable</b>	<b>Contract Assets</b>	<b>Contract Liabilities</b>
Balance - May 1, 2022	\$ 10,500	\$ -	\$ 46,280
Balance - April 30, 2023	400	-	21,875
Balance - May 1, 2021	\$ -	\$ -	\$ 42,569
Balance - April 30, 2022	10,500	-	46,280

#### **Net Assets**

The Organization reports information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions – net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization’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; those restrictions will be met by the actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where the donor has stipulated the funds be maintained in perpetuity.

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. All donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the 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. Contributions with donor-imposed stipulations that are met in the same year as received or earned are reported as unrestricted revenue.

## NOTES TO FINANCIAL STATEMENTS

---

HOLLAND SYMPHONY ORCHESTRA, INC.  
For the years ended April 30, 2023 and 2022

### *Note A – Nature of Activities and Significant Accounting Policies (Continued)*

#### **Revenue Recognition**

The Organization recognizes contributions when cash, securities, or other assets; an unconditional promise to give; or a notification of beneficial interest is received. Conditional promises to give – that is, those with a measurable performance obligation or other barrier and a right of return – are not recognized until the conditions on which they depend have been met. A portion of the Organization’s revenue is derived from cost-reimbursable contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position.

#### **Grant Revenue**

Grant revenue is recognized in accordance with the specific terms of the agreement. Grants representing a donation are recorded on the grant date as either restricted or unrestricted, as stipulated by the donor. Grants that are awarded in exchange for services or as a reimbursement for eligible expenses are treated as an exchange transaction and recorded as revenues when earned.

#### **Donated Services and Goods**

The Organization recognized in-kind contributions that create or enhance nonfinancial assets or require specialized skills and would typically be purchased had they not been provided by donation. These contributions assist the programs and supportive services of the Organization and are recorded at their fair value as contributions and expenses in the statements of activities in the period the service is provided. Numerous volunteers have donated significant amounts of time to the Organization’s program services. No amounts have been reflected in the financial statements for these services because they did not meet the criteria for recognition ASC 958-605-20, nor is a value for these services readily determinable.

#### **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.

## NOTES TO FINANCIAL STATEMENTS

---

HOLLAND SYMPHONY ORCHESTRA, INC.  
For the years ended April 30, 2023 and 2022

### *Note A – Nature of Activities and Significant Accounting Policies (Continued)*

#### **Leases**

The Organization has entered into operating leases for office space and office equipment. The right to use an underlying asset for the lease term has been recorded as an asset and obligations associated with these leases have been recognized as a liability in the statement of financial position based on future lease payments, discounted by the incremental borrowing rate for the Organization's operating leases.

#### **Advertising**

The Organization expenses advertising costs as incurred. Advertising costs for the years ended April 30, 2023 and 2022 were \$34,234 and \$32,688, respectively.

#### **Functional Expense Allocation**

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of periodic time and expense studies. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

#### **Income Taxes**

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

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.

#### **Reclassifications**

Certain prior period financial statement amounts have been reclassified to conform with the current year's presentation.



## NOTES TO FINANCIAL STATEMENTS

---

HOLLAND SYMPHONY ORCHESTRA, INC.  
For the years ended April 30, 2023 and 2022

### **Note A – Nature of Activities and Significant Accounting Policies (Continued)**

#### **New Accounting Pronouncements**

During 2023, the Organization adopted Accounting Standards Update (ASU) No. 2020-07: *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. As a result of the adoption of this ASU, the Organization increased transparency in its reporting of contributed nonfinancial assets. The standard was adopted retrospectively, and the adoption of the ASU did not have an impact on the Organization's net assets.

Effective May 1, 2022, the Organization adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-02, *Leases* (Topic 842), as amended. This guidance is intended to improve financial reporting of lease transactions by requiring organizations that lease assets to recognize assets and liabilities for the rights and obligations created by leases that extend more than twelve months. Key provisions in this guidance include additional disclosures regarding the amount, timing, and uncertainty of cash flows arising from leases. The Organization elected the effective date transition method and the package of practical expedients that permits no reassessment of whether any expired or existing contracts are or contain a lease, the lease classification for any expired or existing leases, and any initial direct costs for any existing leases as of the effective date. The disclosures for the year ended April 30, 2022 is made under the prior lease guidance. The Organization has elected to exclude leases with terms of twelve months or less from the determination of the right-to-asset and lease liability.

The standard had a material impact on the statements of financial position but did not have a material impact on the statements of activities, nor statements of cash flows. The most significant impact was the recognition of right-of-use (ROU) assets and lease liabilities for operating leases.

As of May 1, 2022, the Organization recognized an operating lease liability of \$55,191, which represents the present value of the remaining lease payments of \$55,658, using a weighted average rate, and an operating right of use asset of \$54,081.

#### **Subsequent Events**

Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through September 12, 2023, which is the date the financial statements were available to be issued.

### **Note B – 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.

## NOTES TO FINANCIAL STATEMENTS

---

HOLLAND SYMPHONY ORCHESTRA, INC.  
For the years ended April 30, 2023 and 2022

### **Note B – Liquidity and Availability (Continued)**

The Organization has total investments of \$ 1,446,822 at April 30, 2023, of which \$ 611,919 is available to meet general expenditures within one year, plus the \$ 400 accounts receivable and the \$ 15,150 employee retention credit receivable. The remaining \$ 834,903 of investments is comprised of \$ 57,905 of donor-restricted investments and \$ 776,998 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 \$1,284,082 at April 30, 2022, of which \$597,023 was available to meet general expenditures within one year, plus the \$10,500 of accounts receivable. The remaining \$687,059 of investments was 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.

### **Note C – Fair Values of Measurements**

Accounting principles generally accepted in the United States of America establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted market prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The fair value hierarchy is categorized into three levels based on the inputs as follows:

**Level 1** – Unadjusted quoted prices in active markets for identical assets or liabilities.

**Level 2** – Quoted prices in markets that are not considered active or financial instruments for which significant inputs include quoted prices for similar assets or liabilities, interest rates, credit risk, etc.

**Level 3** – Significant unobservable inputs, which may include the Organization’s own assumption in determining fair value.

Following is a description of the valuation methodologies used for investments measured at fair value. There have been no changes in the methodologies used at December 31, 2022 and 2021.

*Exchange traded products and mutual funds:* Valued based on quoted market price per share held by the Organization on the last business day of the year.

## NOTES TO FINANCIAL STATEMENTS

HOLLAND SYMPHONY ORCHESTRA, INC.  
For the years ended April 30, 2023 and 2022

### Note C – Fair Value of Measurements (Continued)

	Fair Value	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)
<b>April 30, 2023</b>				
Cash	\$ 100,729	\$ 100,729	\$ -	\$ -
Mutual funds	1,346,093	1,346,093	-	-
Total	<u>\$ 1,446,822</u>	<u>\$ 1,446,822</u>	<u>\$ -</u>	<u>\$ -</u>
<b>April 30, 2022</b>				
Mutual funds	\$ 1,284,082	\$ 1,284,082	\$ -	\$ -
Total	<u>\$ 1,284,082</u>	<u>\$ 1,284,082</u>	<u>\$ -</u>	<u>\$ -</u>

Investments consist of the following at fair market value:

	2023	2022
Cash	\$ 100,729	\$ -
Mutual funds:		
Stock funds	766,071	625,470
Bond funds	574,048	653,006
Short-term reserves	5,975	5,606
Total	<u>\$ 1,446,822</u>	<u>\$ 1,284,082</u>

### Note D – Community Foundation Endowment Fund

The Organization has an endowment fund with the Community Foundation of Holland/Zeeland. The amounts contributed by donors to the endowment fund are owned and controlled by the Community Foundation and are not reflected on the Organization's statements of financial position.

The Organization will be able to request, on an annual basis, a calculated amount from the earnings of the endowment fund to be used to fund the operations of the Organization. The fair market value of the endowment fund, as reported by the Community Foundation of Holland/Zeeland, for the years ended April 30, 2023 and 2022 were \$67,553 and \$72,726, respectively.

## NOTES TO FINANCIAL STATEMENTS

HOLLAND SYMPHONY ORCHESTRA, INC.  
For the years ended April 30, 2023 and 2022

### *Note E – Instruments, Furniture and Equipment*

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

	<u>2023</u>	<u>2022</u>
Computer Equipment	\$ 7,860	\$ 7,860
Furniture	48,076	48,076
Instruments	56,094	56,094
<b>Total</b>	112,030	112,030
Accumulated depreciation	(99,620)	(96,937)
<b>Total</b>	<u><u>\$ 12,410</u></u>	<u><u>\$ 15,093</u></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 \$52,680 and \$50,468 at April 30, 2023 and 2022, respectively.

### *Note F – Net Assets With Donor Restrictions*

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

	<u>2023</u>	<u>2022</u>
<b>Purpose Restrictitons</b>		
Mueller fund	\$ 17,316	\$ 7,816
Roossien endowment	19,940	19,939
Howard endowment	14,802	16,802
Walvoord fund	41,520	41,520
Accounts receivable	400	10,500
Restricted gift	-	1,000
<b>Total</b>	<u><u>\$ 93,978</u></u>	<u><u>\$ 97,577</u></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.

## NOTES TO FINANCIAL STATEMENTS

---

HOLLAND SYMPHONY ORCHESTRA, INC.  
For the years ended April 30, 2023 and 2022

### **Note F – Net Assets With Donor Restrictions (Continued)**

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.

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.

## NOTES TO FINANCIAL STATEMENTS

HOLLAND SYMPHONY ORCHESTRA, INC.  
For the years ended April 30, 2023 and 2022

### *Note F – Net Assets With Donor Restrictions (Continued)*

#### **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.

### *Note G – Leases*

The Organization has a lease for a copy machine requiring monthly payments. The lease expires in August 2026 and requires monthly payments of \$225.

The Organization leases office and rehearsal space at Midtown Center. The lease expires in February 2025 and requires monthly payments of \$1,245 with annual increases of 3%, and an additional \$461 monthly for utilities and communications.

The right-of-use asset and corresponding liability associated with future payments at April 30, 2023 are shown as follows:

Right-of-use assets	\$	36,554
Lease liability	\$	37,014
Weighted average:		
Discount rate		1.47%
Remaining lease term (years)		2 years

Total lease expense was \$22,699 and \$22,270 for the years ended April 30, 2023 and 2022, respectively.

Future minimum lease payments under operating leases are as follows:

Year ended April 30, 2024	\$	18,177
2025		15,924
2026		2,704
2027		676
		<hr/>
Total lease payments		37,481
Less: present value discount		(467)
		<hr/>
Present value of lease liabilities	\$	<u>37,014</u>

## NOTES TO FINANCIAL STATEMENTS

HOLLAND SYMPHONY ORCHESTRA, INC.  
For the years ended April 30, 2023 and 2022

### **Note G – Leases (Continued)**

During the year ended April 30, 2022, the Organization leased office space, rehearsal space and office equipment from unrelated parties under long-term leases. Total lease expense was \$22,270 for the year ended April 30, 2022.

### **Note H – Contributed Nonfinancial Assets**

The Organization recognized contributed nonfinancial assets within revenue. Contributed nonfinancial include program supplies.

Contributed nonfinancial assets recognized within the consolidated statements of activities as of April 30, 2023 and 2022 included:

<b>Category</b>	<b>2023</b>			
	<b>2023 Revenue Recognized</b>	<b>Utilization in Programs/ Activities</b>	<b>Donor Restrictions</b>	<b>Valuation Techniques and Inputs</b>
Concert production	\$ 11,972	Concerts	None	Fair Market Value