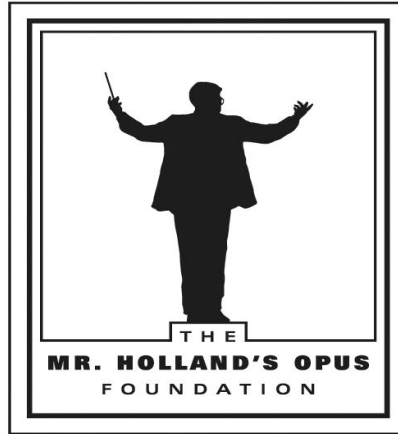


Audited Financial Statements

June 30, 2011 and 2010

Allan Rosenthal & Associates AC
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Independent Auditor's Report

To the Board of Directors
The Mr. Holland's Opus Foundation, Inc.
A Delaware Non-Profit Public Benefit Corporation

We have audited the accompanying statement of financial position of The Mr. Holland's Opus Foundation, Inc., A Delaware Non-Profit Public Benefit Corporation as of June 30, 2011 and 2010 and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally acceptable in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Mr. Holland's Opus Foundation, Inc. as of June 30, 2011 and 2010 and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Allan Rosenthal & Associates

Calabasas, California
July 18, 2011

The Mr. Holland's Opus Foundation, Inc.
Statement of Financial Position
June 30, 2011 and 2010

	2011			2010
	Unrestricted	Restricted	Total	
Assets				
Current Assets				
Cash and cash equivalents	\$ 695,354.90	\$ 208,602.55	\$ 903,957.45	\$ 461,185.01
Grants receivable	-	-	-	-
Musical instrument inventory	38,435.00	-	38,435.00	115,704.57
Prepaid and other current assets	19,598.22	-	19,598.22	16,462.00
Total Current Assets	<u>753,388.12</u>	<u>208,602.55</u>	<u>961,990.67</u>	<u>593,351.58</u>
Property and Equipment, at cost or fair value at date of gift:				
Furniture and equipment	58,097.32	-	58,097.32	58,097.32
Less accumulated depreciation	<u>(58,097.32)</u>	<u>-</u>	<u>(58,097.32)</u>	<u>(57,219.00)</u>
Net Property and Equipment	<u>-</u>	<u>-</u>	<u>-</u>	<u>878.32</u>
Other Assets				
Rent Deposit	5,014.22	-	5,014.22	5,014.22
Total Other Assets	<u>5,014.22</u>	<u>-</u>	<u>5,014.22</u>	<u>5,014.22</u>
Total Assets	<u>\$ 758,402.34</u>	<u>\$ 208,602.55</u>	<u>\$ 967,004.89</u>	<u>\$ 599,244.12</u>
Liabilities and Net Assets				
Current Liabilities				
Accounts Payable	\$ 817.51	\$ -	\$ 817.51	\$ -
Unearned Income	250,000.00	-	250,000.00	
Total Current Liabilities	<u>250,817.51</u>	<u>0.00</u>	<u>250,817.51</u>	
Net Assets	<u>507,584.83</u>	<u>208,602.55</u>	<u>716,187.38</u>	<u>599,244.12</u>
Total Liabilities and Net Assets	<u>\$ 758,402.34</u>	<u>\$ 208,602.55</u>	<u>\$ 967,004.89</u>	<u>\$ 599,244.12</u>

See Accompanying Independent Auditors' Report
and
Notes to Financial Statements

The Mr. Holland's Opus Foundation, Inc.

Statement of Activities

For the Years Ended June 30, 2011 and 2010

	2011			2010
	Unrestricted	Restricted	Total	
Changes in Net Assets				
Revenue and Support				
Corporate contributions and grants	\$ 42,297.08	\$ 436,700.00	\$ 478,997.08	\$ 678,980.82
Government grants	-	-	-	-
Foundation grants	120,912.34	215,135.00	336,047.34	418,910.66
Individual contributions	242,640.40	310,813.06	553,453.46	224,518.80
In-Kind contributions / instruments	1,004,260.87	-	1,004,260.87	1,158,661.78
Donated musical instruments and materials	81,063.40	-	81,063.40	141,293.16
Other revenue and support	151,747.46	4,920.70	156,668.16	139,706.32
Contributions released from restriction	971,979.18	(971,979.18)	-	-
Total Revenue and Support	<u>2,614,900.73</u>	<u>(4,410.42)</u>	<u>2,610,490.31</u>	<u>2,762,071.54</u>
Expenses				
Program expenses	2,302,684.45	-	2,302,684.45	2,552,181.75
Management and general	83,973.47	-	83,973.47	77,427.82
Fund raising	106,889.13	-	106,889.13	109,659.01
Total Expenses	<u>2,493,547.05</u>	<u>-</u>	<u>2,493,547.05</u>	<u>2,739,268.58</u>
Increase (decrease) in Net Assets	121,353.68	(4,410.42)	116,943.26	22,802.96
Net Assets, Beginning of Year	<u>386,231.15</u>	<u>213,012.97</u>	<u>599,244.12</u>	<u>576,441.16</u>
Net Assets, End of Year	<u>\$ 507,584.83</u>	<u>\$ 208,602.55</u>	<u>\$ 716,187.38</u>	<u>\$ 599,244.12</u>

The Mr. Holland's Opus Foundation, Inc.

Statement of Cash Flows

For the Years Ended June 30 , 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash Flows From Operating Activities:		
Increase (decrease) in Net Assets	\$ 116,943.26	\$ 22,802.96
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation and amortization	878.32	881.00
(Increase) decrease in musical instrument inventory	77,269.57	(34,121.65)
(Increase) decrease in grants receivable	-	20,000.00
(Increase) decrease in prepaid and other current assets	(3,136.22)	(16,462.00)
(Increase) decrease in rent deposit	-	(1,029.22)
Increase (decrease) in accounts payable	817.51	-
Increase (decrease) in unearned income	250,000.00	-
Net Cash Provided By Operating Activities	<u>442,772.44</u>	<u>(7,928.91)</u>
Cash Flows From Financing Activities:		
Donated and purchased equipment capitalized	-	-
Net Cash Used by Financing Activities	<u>-</u>	<u>-</u>
Net Increase (Decrease) in Cash	442,772.44	(7,928.91)
Cash and Cash Equivalents, Beginning of Year	<u>461,185.01</u>	<u>469,113.92</u>
Cash and Cash Equivalents, End of Year	<u>\$ 903,957.45</u>	<u>\$ 461,185.01</u>

See Accompanying Independent Auditors' Report
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Notes to Financial Statements

The Mr. Holland's Opus Foundation, Inc.

Statement of Functional Expenses

For the Years Ended June 30, 2011 and 2010

	2011				2010				
	Total	Program	Management	Fund Raising	Total	Program	Management	Fund Raising	Total
Salaries and Benefits	\$ 298,154.45	\$ 149,077.22	\$ 59,630.89	\$ 89,446.34	\$ 274,480.27	\$ 137,240.12	\$ 54,896.06	\$ 82,344.09	\$ 238,137.92
Accounting	5,150.00	-	5,150.00	-	5,150.00	-	5,150.00	-	5,000.00
Committee Meetings	3,597.63	3,597.63	-	-	470.94	470.94	-	-	305.57
Telephone and Fax	2,036.91	1,629.53	203.69	203.69	1,939.57	1,551.65	193.96	193.96	1,623.07
Computer (Internet, Website, Supplies, Repairs)	5,557.76	4,168.32	277.89	1,111.55	2,408.52	1,806.39	120.43	481.70	7,589.07
Depreciation	878.32	614.83	175.66	87.83	881.00	616.70	176.20	88.10	881.00
Dues and Subscriptions	257.20	-	257.20	-	122.00	-	122.00	-	186.95
Equipment and Maintenance	1,439.54	143.95	1,295.59	-	1,332.60	133.26	1,199.34	-	1,191.88
Insurance	2,967.00	2,670.30	296.70	-	2,926.00	2,633.40	292.60	-	2,716.00
Office Supplies and Services	2,680.77	1,072.30	1,340.39	268.08	1,701.00	1,142.90	1,654.49	285.73	14,884.09
State Registration Expense	6,211.61	2,484.64	3,105.81	621.16					
Postage and Mail Preparation	8,257.75	1,651.54	825.78	5,780.43	6,552.69	1,310.54	655.27	4,586.88	3,793.74
Printing and Reproduction	3,734.06	746.81	1,120.22	1,867.03	6,072.75	1,214.54	1,821.83	3,036.38	3,967.31
Public Relations and Marketing Costs	1,489.37	744.68	-	744.69	3,946.97	1,973.48	-	1,973.49	6,318.30
Rent	49,882.83	37,412.12	9,976.57	2,494.14	52,147.02	39,110.27	10,429.40	2,607.35	66,127.30
Service Fees	6,072.47	1,518.12	303.62	4,250.73	5,301.89	979.94	195.99	2,743.84	3,681.62
Travel and Mileage	134.56	107.64	13.46	13.46	5,202.46	4,161.96	520.25	520.25	2,373.29
Instrument / Teacher Award Expenses									
Instrument Purchases	1,841,144.93	1,841,144.93	-	-	2,136,062.30	2,136,062.30	-	-	1,237,989.21
Instrument Repairs	13,681.75	13,681.75	-	-	8,966.67	8,966.67	-	-	7,476.61
Instrument Shipping & Delivery	3,457.34	3,457.34	-	-	3,672.12	3,672.12	-	-	6,129.50
Refurbished / Donated Instruments	158,332.97	158,332.97	-	-	118,956.51	118,956.51	-	-	44,875.19
Site Visits	1,173.60	1,173.60	-	-					
MHOF Award	77,254.23	77,254.23	-	-	90,178.06	90,178.06	-	-	79,567.27
Total Operating Expenses	\$2,493,547.05	\$2,302,684.45	\$ 83,973.47	\$ 106,889.13	\$2,739,268.58	\$2,552,181.75	\$ 77,427.82	\$ 109,659.01	\$1,734,814.89

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Notes to Financial Statements

The Mr. Holland's Opus Foundation, Inc.

Notes to Financial Statements

June 30, 2011 and 2010

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Mr. Holland's Opus Foundation, Inc. (the Foundation) was incorporated in 1996 under the Delaware non-profit public benefit corporation law. The Foundation has been granted tax-exempt status under section 501(a) of the Internal Revenue Code as an organization described in section 501(c)(3).

The Foundation was established to provide instruments to elementary, secondary and community music programs across the country thereby helping to ensure the continued quality and quantity of music education programs. The Foundation was inspired by the acclaimed motion picture "Mr. Holland's Opus," which highlighted the impact that a motivated and dedicated music teacher had on students. The Foundation is located in Studio City, California.

Basis of Presentation

The financial statements are presented on the basis of Statement of Financial Accounting Standards Numbers 116 and 117 promulgated by the Financial Accounting Standards Board. These standards require that the Foundation report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted. The Foundation currently has no permanently or temporarily restricted net assets.

Depreciation and Amortization

Depreciation of property and equipment is provided using the straight-line method over 5 year lives.

The Mr. Holland's Opus Foundation, Inc.

Notes to Financial Statements

June 30, 2011 and 2010

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions and Grants

The Foundation accounts for contributions and grants are in accordance with SFAS No. 116, *Accounting for Contributions Received and Made*. Contributions and grants are received as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Unconditional promises of support are recognized in the period received. Consistent with SFAS No. 116, conditional promises of support are deemed unconditional if the possibility that the condition will not be met is remote. Promises of support deemed conditional are recognized when the conditions on which they depend are substantially met.

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.

Musical Instrument Inventory

Musical Instrument inventory consist of donated musical instruments and accessories and is stated at fair market value of any in-kind contribution. Costs incurred to refurbish or repair donated musical instruments are expensed in the year it is incurred.

The Mr. Holland's Opus Foundation, Inc.

Notes to Financial Statements

June 30, 2011 and 2010

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

For purposes of the financial statements, the Foundation recognizes all debt instruments, including money market funds, having an initial maturity of three months or less as cash equivalents.

In-Kind Contributions / Donated Musical Instruments

All donated musical instruments and accessories are recorded as revenue at fair market value at the time of donation. Purchased musical instruments distributed through the Foundation's programs are bought at a discounted price and are recorded as program expense at fair market value. The corresponding difference between the market value and purchase cost is recorded as an in-kind contribution from our vendor/contributor.

Functional Allocation of Expenses

The costs of providing the program and the supporting services have been summarized on a functional basis in the statements of activities and of functional expenses. Accordingly, certain costs have been allocated between the program and the supporting services in reasonable ratios determined by management.