

Interlochen Center for the Arts

*Financial Statements as of and for the
Years Ended May 31, 2011 and 2010,
Supplemental Schedules for the
Year Ended May 31, 2011, and
Independent Auditor's Report*

INTERLOCHEN CENTER FOR THE ARTS

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Independent Auditor's Report

To the Board of Trustees
Interlochen Center for the Arts

We have audited the accompanying statement of financial position of Interlochen Center for the Arts (the "Center") as of May 31, 2011 and 2010 and the related statements of activities and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Center's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted 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 audits provide 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 Interlochen Center for the Arts at May 31, 2011 and 2010 and the changes in net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Plante & Moran, PLLC

July 5, 2011

INTERLOCHEN CENTER FOR THE ARTS

STATEMENT OF FINANCIAL POSITION

	<u>May 31, 2011</u>	<u>May 31, 2010</u>
ASSETS:		
Cash	\$ 12,783,181	\$ 11,337,880
Investments (Note 2)	72,917,920	57,629,904
Accounts receivable, net of allowance of \$856,000 in 2011 and \$803,000 in 2010	54,500	28,658
Gifts receivable (Note 3)	1,997,611	1,972,345
Prepaid expenses and other receivables	655,902	678,885
Inventories	1,111,879	1,368,216
Land, buildings, and equipment, net (Note 4)	40,507,775	40,541,664
Other assets	<u>1,409,334</u>	<u>1,366,143</u>
TOTAL	<u>\$ 131,438,102</u>	<u>\$ 114,923,695</u>
LIABILITIES:		
Accounts payable - Trade	\$ 519,956	\$ 569,039
Accounts payable - Construction in progress	265,382	
Accrued liabilities	2,594,596	2,565,625
Tuition deposits and other	9,354,610	8,481,346
Annuities payable (Note 9)	708,503	620,230
Bonds payable (Note 5)	<u>26,300,000</u>	<u>26,300,000</u>
Total liabilities	39,743,047	38,536,240
NET ASSETS:		
Unrestricted	65,259,617	51,664,628
Temporarily restricted	5,271,734	3,831,869
Permanently restricted	<u>21,163,704</u>	<u>20,890,958</u>
Total net assets	<u>91,695,055</u>	<u>76,387,455</u>
TOTAL	<u>\$ 131,438,102</u>	<u>\$ 114,923,695</u>

See Notes to Financial Statements.

INTERLOCHEN CENTER FOR THE ARTS

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

	Year Ended							
	May 31, 2011				May 31, 2010			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES AND OTHER ADDITIONS:								
Gross tuition and student fees	\$ 32,034,841	\$ -	\$ -	\$ 32,034,841	\$ 30,941,084	\$ -	\$ -	\$ 30,941,084
Assets released from restrictions - Operating item - financial aid	2,549,049	(2,549,049)			2,297,603	(2,297,603)		
Less financial aid grants	(9,422,496)			(9,422,496)	(8,896,624)			(8,896,624)
Net tuition and student fees	25,161,394	(2,549,049)	-	22,612,345	24,342,063	(2,297,603)	-	22,044,460
Ticket sales	1,937,830			1,937,830	1,545,470			1,545,470
Lodging	972,332			972,332	1,002,727			1,002,727
Retail sales	1,749,454			1,749,454	1,844,549			1,844,549
Contributions and grants	3,394,921	3,172,154	275,644	6,842,719	1,448,106	2,663,981	537,312	4,649,399
Net gain on investments	10,614,190	2,442,336		13,056,526	6,089,809	1,019,730		7,109,539
Assets released from restrictions - Operating item - cost of operations and general and administrative	530,219	(530,219)			442,013	(442,013)		
Other revenues	844,657	11,691		856,348	723,004	42,011		765,015
Total revenues and other additions	45,204,997	2,546,913	275,644	48,027,554	37,437,741	986,106	537,312	38,961,159
COST OF GOODS AND SERVICES:								
Artist fees	973,826			973,826	670,371			670,371
Cost of goods sold	844,038			844,038	1,016,934			1,016,934
Total cost of goods and services	1,817,864			1,817,864	1,687,305			1,687,305
COST OF OPERATIONS:								
Salaries, wages, and benefits	20,401,730			20,401,730	17,990,428			17,990,428
Food costs	1,082,644			1,082,644	986,937			986,937
Contracted services	727,828			727,828	860,698			860,698
Supplies	2,171,916			2,171,916	1,468,502			1,468,502
Repairs and maintenance	689,632			689,632	546,305			546,305
Lease and rental	199,251			199,251	197,009			197,009
Utilities	733,966			733,966	733,039			733,039
Insurance	225,610			225,610	277,414			277,414
Telephone and postage	383,560			383,560	419,876			419,876
Other operational	321,367			321,367	354,703			354,703
Total cost of operations	26,937,504			26,937,504	23,834,911			23,834,911
GENERAL AND ADMINISTRATIVE:								
Marketing	673,172			673,172	633,935			633,935
Travel and entertainment	717,633			717,633	659,246			659,246
Professional services	412,322			412,322	358,960			358,960
Interest	56,873			56,873	72,586			72,586
Other	246,944			246,944	251,322			251,322
Total general and administrative	2,106,944			2,106,944	1,976,049			1,976,049
Total expenses before depreciation (Note 7)	30,862,312			30,862,312	27,498,265			27,498,265

See Notes to Financial Statements.

(Continued)

INTERLOCHEN CENTER FOR THE ARTS

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS (CONTINUED)

	Year Ended							
	May 31, 2011				May 31, 2010			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
INCREASE IN NET ASSETS BEFORE DEPRECIATION AND OTHER ADJUSTMENTS	\$ 14,342,685	\$ 2,546,913	\$ 275,644	\$ 17,165,242	\$ 9,939,476	\$ 986,106	\$ 537,312	\$ 11,462,894
DEPRECIATION EXPENSE (Note 7)	1,857,642			1,857,642	1,985,809			1,985,809
ASSETS RELEASED FROM RESTRICTIONS/TRANSFERS - Nonoperating items - Capital and other	1,109,946	(1,107,048)	(2,898)		748,129	(2,074)	(746,055)	
INCREASE (DECREASE) IN NET ASSETS BEFORE CHANGE IN ACCOUNTING	13,594,989	1,439,865	272,746	15,307,600	8,701,796	984,032	(208,743)	9,477,085
CHANGE IN ACCOUNTING (Note 10)					(179,527)	179,527		
NET INCREASE (DECREASE) IN NET ASSETS	13,594,989	1,439,865	272,746	15,307,600	8,522,269	1,163,559	(208,743)	9,477,085
NET ASSETS - Beginning of year	51,664,628	3,831,869	20,890,958	76,387,455	43,142,359	2,668,310	21,099,701	66,910,370
NET ASSETS - End of year	\$ 65,259,617	\$ 5,271,734	\$ 21,163,704	\$ 91,695,055	\$ 51,664,628	\$ 3,831,869	\$ 20,890,958	\$ 76,387,455

See Notes to Financial Statements.

(Concluded)

INTERLOCHEN CENTER FOR THE ARTS

STATEMENT OF CASH FLOWS

	Year Ended	
	May 31, 2011	May 31, 2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net increase in net assets	\$ 15,307,600	\$ 9,477,085
Adjustments to reconcile net increase in net assets to net cash from operating activities:		
Depreciation and amortization	1,868,357	1,996,524
Net change in realized and unrealized gain on investments	(11,843,554)	(5,985,758)
Bad debt expense	53,081	31,647
(Increase) decrease in gifts and accounts receivable	(104,189)	448,814
Decrease (increase) in inventories	256,337	(19,124)
Decrease (increase) in prepaid expenses and other receivables	22,983	(199,005)
Increase in other assets	(53,906)	(38,359)
Increase in accounts payable	216,299	221,257
Increase (decrease) in accrued liabilities	28,971	(321,031)
Increase in tuition deposits and other	873,264	99,483
Restricted contributions	<u>(3,447,799)</u>	<u>(3,201,293)</u>
Net cash provided by operating activities	3,177,444	2,510,240
CASH FLOWS FROM INVESTING ACTIVITIES:		
Property additions	(1,823,753)	(1,207,344)
Purchases of investments	<u>(3,444,462)</u>	<u>(1,961,870)</u>
Net cash used in investing activities	(5,268,215)	(3,169,214)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from restricted contributions	3,447,799	3,201,293
Proceeds from contributions of annuity agreements	175,636	61,300
Payments on annuity agreements	<u>(87,363)</u>	<u>(85,124)</u>
Net cash provided by financing activities	<u>3,536,072</u>	<u>3,177,469</u>
NET INCREASE IN CASH	1,445,301	2,518,495
CASH - Beginning of year	<u>11,337,880</u>	<u>8,819,385</u>
CASH - End of year	<u>\$ 12,783,181</u>	<u>\$ 11,337,880</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION - Interest paid during the year		
	<u>\$ 56,873</u>	<u>\$ 57,478</u>

See Notes to Financial Statements.

INTERLOCHEN CENTER FOR THE ARTS

NOTES TO FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED MAY 31, 2011 AND 2010

1. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization and Purpose—Interlochen Center for the Arts (the “Center”) is a nonprofit organization which operates a summer arts education camp with enrollment of approximately 2,500 students, a co-educational boarding school with enrollment of approximately 475 students, and two 24-hour listener-supported public radio stations (classic music and news). Instruction is geared for the advancement of dance, music, visual arts, theatre, motion picture arts, comparative arts, and creative writing.

On January 23, 2009, the Canada Revenue Agency approved the registration of Canadian Friends of Interlochen (CFI) as a tax-exempt, registered charity under Paragraph 149(1)(f) of the Canadian Income Tax Act. The purpose of CFI (as a supporting organization) is to advance education by enhancing the learning experience of the students attending the Center by providing scholarships and awards. CFI’s fiscal year end is May 31. During the fiscal years ended May 31, 2011 and 2010, CFI’s activity was insignificant. CFI had total assets of C\$13,797 and C\$145,598 as of May 31, 2011 and 2010, respectively. CFI had total net assets of C\$13,317 and C\$145,383 as of May 31, 2011 and 2010, respectively. CFI has not been consolidated with the Center for the Center’s financial statements as of and for the years ended May 31, 2011 and 2010.

Basis of Presentation—The Center prepares its financial statements in accordance with the accounting principles outlined in the American Institute of Certified Public Accountants’ *Audit and Accounting Guide for Not-for-Profit Organizations* and accounting standards for financial statements of not-for-profit organizations.

Fund Classifications—The accounts of the Center are summarized for financial reporting purposes into the following fund groups:

Unrestricted Net Assets—Unrestricted net assets are used to account for transactions related to the fine arts and academic programs as determined by the Board of Trustees and carried out by the administration.

Temporarily Restricted Net Assets—Temporarily restricted net assets are used to account for transactions related to scholarships, donor-restricted contributions related to fine arts and academic programs, income from endowment contributions which can only be expended as stipulated by the donor, and contributions and grants that are unexpended related to land, building, and equipment.

Permanently Restricted Net Assets—Endowment funds result from contributed assets which have donor-imposed restrictions which do not expire.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met.

INTERLOCHEN CENTER FOR THE ARTS

NOTES TO FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED MAY 31, 2011 AND 2010

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

Concentration of Credit Risk Arising from Deposit Accounts—The Center maintains cash balances at several banks. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 and noninterest-bearing accounts are fully insured by the FDIC. Additionally, the Center maintains a money market mutual fund account that is insured by the Securities Investors Protection Corporation (SIPC) up to \$500,000. In addition to the SIPC limit, the money market mutual fund account is insured by other insurers. The Center evaluates the financial institutions with which it deposits funds; however, it is not practical to insure all cash deposits.

Investments—The Center records all investments in equity securities with readily determinable fair values and all investments in debt securities at fair value. Gains or losses on investments are reported in the statement of activities and changes in net assets as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulations or by law.

Alternative investments that do not have readily determinable market values as of May 31 are valued by the fund managers. Because of the inherent uncertainty of valuations in the absence of a highly liquid market, alternative investments' estimated values may differ materially from the values that would have been used if a ready market for the securities existed.

Accounts Receivable—The Center records accounts receivable at net collectible value. Management reviews all the individual student accounts receivable as of May 31, and establishes an allowance for doubtful accounts based on specific assessment of each account as necessary. All amounts deemed uncollectible are charged against income for that school year.

Inventories—Inventories of maintenance and operating supplies and merchandise are stated on the basis of the lower of cost (first-in, first-out method) or market.

Land, Buildings, and Equipment—Land, buildings, and equipment are recorded at cost or, if donated, at market value at the date of donation and, excluding land, are depreciated over their estimated useful lives using the straight-line depreciation method. Estimated useful lives used for depreciation are 20 years for land improvements, 20–45 years for buildings, and 3–20 years for furniture and equipment. Costs of construction in progress are transferred to the applicable property and equipment category once the construction is complete.

INTERLOCHEN CENTER FOR THE ARTS

NOTES TO FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED MAY 31, 2011 AND 2010

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

Other Assets—Other assets include deferred financing costs of \$246,436 and \$257,151 as of May 31, 2011 and 2010, respectively, which are being straight-line amortized over the life of the Center's Variable Rate Demand Revenue and Revenue Refunding Bonds, Series 2004 (the "Series 2004 Bonds"). Amortization expense was \$10,715 as of May 31, 2011 and 2010. Other assets also include broadcasting licenses for three FM stations as follows:

	<u>2011</u>	<u>2010</u>
Broadcasting licenses:		
88.5 MHz, Mackinaw City, Michigan	\$ 496,600	\$ 496,600
89.7 MHz, Manistee, Michigan	215,065	215,065
90.1 MHz, Harbor Springs, Michigan	<u>282,513</u>	<u>282,513</u>
Total broadcasting licenses	<u>\$ 994,178</u>	<u>\$ 994,178</u>

In accordance with accounting standards for goodwill and other intangible assets, the broadcasting licenses have an indefinite useful life. The Center tests the broadcasting licenses for impairment annually or more frequently if events or changes in circumstances indicate a possibility of impairment.

Tuition Deposits and Other—All tuition deposits relating to the summer arts and education camp were deferred at May 31, 2011 and 2010.

Contribution and Grants and Gifts Receivable—Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities and changes in the net assets as net assets released from restrictions. Unrestricted contributions and donor-restricted contributions whose restrictions are met within the same year as received are reflected as unrestricted contributions in the accompanying financial statements.

Revenue Recognition—Tuition and student fees and other revenue are recognized ratably over the applicable enrollment period or as earned.

Income Tax Status—The Center is a not-for-profit organization and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. However, the Center is subject to unrelated business income tax (UBIT). Annually, the Center pays an insignificant amount of UBIT. The Center believes it is no longer subject to examinations prior to June 1, 2007.

INTERLOCHEN CENTER FOR THE ARTS

NOTES TO FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED MAY 31, 2011 AND 2010

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

Use of Estimates—The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events—The financial statements and related disclosures include evaluation of events up through and including July 5, 2011, which is the date the financial statements were available to be issued.

2. INVESTMENTS

A summary of investments at market value, based on quoted market prices or current estimated fair value if considered a non-marketable security, held by the Center as of May 31, 2011 and 2010 is as follows:

	<u>2011</u>	<u>2010</u>
Mutual funds:		
Fixed income	\$ 14,702,523	\$ 14,043,803
Equity securities	48,601,417	37,580,928
Real estate	1,471,158	2,471,771
Commodities	2,019,824	
Money market	4,078,852	1,571,718
Private equity	<u>2,044,146</u>	<u>1,961,684</u>
 Total investments	 <u>\$ 72,917,920</u>	 <u>\$ 57,629,904</u>

Net gain of investments of \$13,056,526 in 2011 represents \$1,212,972 of interest and dividends, \$339,188 of net realized gains on investments, and \$11,504,366 of net unrealized gains on investments. Net gain of investments of \$7,109,539 in 2010 represents \$1,123,781 of interest and dividends, \$298,890 of net realized losses on investments, and \$6,284,648 of net unrealized gains on investments. No significant investments with unrealized losses have been in a continuous loss position for 12 months or longer.

The Center invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

INTERLOCHEN CENTER FOR THE ARTS

NOTES TO FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED MAY 31, 2011 AND 2010

3. GIFTS RECEIVABLE

The Center has received unconditional promises from donors to make contributions to the Center. The contributions as of May 31, 2011 and 2010 are to be received as follows:

	<u>2011</u>	<u>2010</u>
Receivable in less than one year	\$ 832,814	\$ 543,500
Receivable in one to five years	663,832	961,637
Receivable in more than five years	565,046	554,979
Less present value discount	<u>(64,081)</u>	<u>(87,771)</u>
Net contribution receivable	<u>\$ 1,997,611</u>	<u>\$ 1,972,345</u>

The Center had no allowance for uncollectible promises receivable as of May 31, 2011 and 2010. The Center calculated the present value of future cash flows using the applicable U.S. Treasury rate at the time the gift receivable was recorded.

4. LAND, BUILDINGS, AND EQUIPMENT

Land, buildings, and equipment as of May 31, 2011 and 2010 are summarized by major classification as follows:

	<u>2011</u>	<u>2010</u>
Land	\$ 480,181	\$ 480,181
Land improvements	2,978,346	2,964,413
Buildings	52,465,866	51,915,989
Furniture and equipment	20,126,627	19,550,010
Construction in progress	<u>828,470</u>	<u>145,143</u>
	76,879,490	75,055,736
Less accumulated depreciation	<u>(36,371,715)</u>	<u>(34,514,072)</u>
Net land, buildings, and equipment	<u>\$ 40,507,775</u>	<u>\$ 40,541,664</u>

Construction in progress at May 31, 2011 represents the construction of the Upton-Morley Pavilion. As of May 31, 2011, the estimated amount to complete all projects is approximately \$88,000.

INTERLOCHEN CENTER FOR THE ARTS

NOTES TO FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED MAY 31, 2011 AND 2010

5. BONDS PAYABLE

Bonds payable at May 31, 2011 and 2010 consist of the following:

	<u>2011</u>	<u>2010</u>
Tax-exempt, Economic Development Bonds issued through the Township of Green Lake, Michigan; interest at a variable rate (between 0.07% and 0.30% during fiscal 2011) with final maturity in June 2034	\$ 26,300,000	\$ 26,300,000

Under the terms of the Series 2004 Bonds agreement, the Center must maintain an irrevocable letter of credit to secure the payment of the principal amount of the bonds plus 35 days' accrued interest thereon. The existing letter of credit, in the amount of \$26,552,192 (outstanding principal plus 35 days' interest at 10 percent), expires in September 2012. The agreement contains certain financial covenants, an asset maintenance ratio, and a debt service coverage ratio.

Under the terms of the indenture and related agreements, bondholders have the option to redeem or put the bonds when the interest rate is reset daily. If the remarketing agent cannot remarket the bonds, the trustee would draw on the letter of credit to pay those bondholders exercising their option. The Center is required to repay the interest on the amount drawn under the letter of credit monthly at the agent's prime rate, an effective rate of 3.25 percent at May 31, 2011. The principal amount drawn on the letter of credit is due within 180 days.

Due to the remarketing agreement, it is possible, but not expected, that all of the outstanding debt would be current if these bonds are not able to be remarketed.

6. RETIREMENT PLAN

The Center has a defined contribution retirement plan for all eligible employees. Employer contributions are based upon a percentage of employee compensation for the year, and costs accrued under the plan are funded to a trust on a current basis. As of October 1, 2009, the plan was amended and restated. Among the amendments was a change to the timing and approval of the Center's contribution to the plan. In addition, the plan was amended from a fixed 11 percent annual contribution to a discretionary annual contribution. Prior to October 1, 2009, contributions were made during the plan year. Expenses under the plan for the years ended May 31, 2011 and 2010 were \$1,184,817 and \$4,185, respectively, net of forfeitures.

INTERLOCHEN CENTER FOR THE ARTS

NOTES TO FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED MAY 31, 2011 AND 2010

7. FUNCTIONAL EXPENSES

The Center's department classification is the basis for allocating costs among the functional classifications. The method used is considered reasonable; however, other methods could produce different results.

Expenses incurred in functional areas for the years ended May 31, 2011 and 2010 include allocations of certain common expenses and are as follows:

	<u>2011</u>	<u>2010</u>
Program Expenses:		
Education Programs and Services	\$ 10,981,676	\$ 10,845,069
Media, Presentation, and Regional Program	2,929,933	2,499,826
Human and Institutional Resources	10,926,590	8,755,990
Finance and Institutional Effectiveness	2,331,260	2,458,427
Supporting Services:		
Fundraising	1,003,337	1,114,935
Administration	<u>4,547,158</u>	<u>3,809,827</u>
Total	<u>\$ 32,719,954</u>	<u>\$ 29,484,074</u>

8. CONTINGENCIES

From time to time, the Center is party to various lawsuits and claims arising out of the normal conduct of its business. In the opinion of management, the financial position of the Center will not be materially affected by the final outcome of these legal proceedings.

9. ANNUITIES PAYABLE

The Center sponsors a program in which donors may transfer assets to the Center for the right to receive a predetermined return during their lifetimes (an annuity). Based upon the terms of each annuity agreement, the Center determines its liability under the agreement using the estimated present value of future payments to the annuitant. Such future payments are determined utilizing the life expectancy of the annuitant (based on 90CM Table for Males & Females) and the interest rate (discount rate), the applicable federal mid-term rate for U.S. Treasury Bills, in effect (3.0 percent at May 31, 2011). The Center records the proceeds received in excess of the annuity payable as a charitable contribution, and such amounts totaled \$160,410 and \$24,800 for the years ended May 31, 2011 and 2010, respectively. At May 31, 2011 and 2010, the Center recorded \$708,503 and \$620,230, respectively, in annuities payable relating to such program.

INTERLOCHEN CENTER FOR THE ARTS

NOTES TO FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED MAY 31, 2011 AND 2010

10. ENDOWMENT

The Center's endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. Net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Trustees of the Center has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Center classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Center in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Center considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Center and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Center
- (7) The investment policies of the Center

UPMIFA was signed into law in Michigan on September 15, 2009; therefore, a reclassification between net assets is reflected as a change in accounting for the year ended May 31, 2010 to properly account for earnings on the endowment funds.

INTERLOCHEN CENTER FOR THE ARTS

NOTES TO FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED MAY 31, 2011 AND 2010

10. ENDOWMENT (CONTINUED)

Endowment Net Asset Composition by Type of Fund as of May 31, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment	\$ (560,964)	\$ 2,335,771	\$ 21,163,704	\$ 22,938,511
Board-designated quasi-endowment	<u>42,999,855</u>			<u>42,999,855</u>
Total Funds	<u>\$ 42,438,891</u>	<u>\$ 2,335,771</u>	<u>\$ 21,163,704</u>	<u>\$ 65,938,366</u>

Changes in Endowment Net Assets for the Fiscal Year Ended May 31, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets, Beginning of the year	\$ 32,312,092	\$ 696,886	\$ 20,890,958	\$ 53,899,936
Investment return:				
Interest and dividends	775,992	192,457		968,449
Net appreciation of investments	<u>7,576,846</u>	<u>1,879,170</u>		<u>9,456,016</u>
Total investment return	8,352,838	2,071,627	-	10,424,465
Contributions	2,001,296		275,644	2,276,940
Appropriation of endowment assets for expenditures	(1,548,477)	(432,742)		(1,981,219)
Other changes:				
Transfers for donor intent changes	2,898		(2,898)	
Annuity changes	88,632			88,632
Transfers to create board- designated endowment funds	<u>1,229,612</u>	<u>-</u>	<u>-</u>	<u>1,229,612</u>
	<u>1,321,142</u>	<u>-</u>	<u>(2,898)</u>	<u>1,318,244</u>
Endowment Net Assets, End of the year	<u>\$ 42,438,891</u>	<u>\$ 2,335,771</u>	<u>\$ 21,163,704</u>	<u>\$ 65,938,366</u>

INTERLOCHEN CENTER FOR THE ARTS

NOTES TO FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED MAY 31, 2011 AND 2010

10. ENDOWMENT (CONTINUED)

Endowment Net Asset Composition by Type of Fund as of May 31, 2010

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment	\$ (1,904,763)	\$ 696,886	\$ 20,890,958	\$ 19,683,081
Board-designated quasi-endowment	<u>34,216,855</u>	<u> </u>	<u> </u>	<u>34,216,855</u>
Total Funds	<u>\$ 32,312,092</u>	<u>\$ 696,886</u>	<u>\$ 20,890,958</u>	<u>\$ 53,899,936</u>

Changes in Endowment Net Assets for the Fiscal Year Ended May 31, 2010

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets, Beginning of the year	\$ 21,632,321	\$ -	\$ 21,099,701	\$ 42,732,022
Change in accounting reclassification due to change in law	(179,527)	179,527		
Investment return:				
Interest and dividends	804,143	126,917		931,060
Net appreciation of investments	<u>4,283,226</u>	<u>676,021</u>		<u>4,959,247</u>
Total investment return	5,087,369	802,938	-	5,890,307
Contributions	211,190		537,312	748,502
Other revenue	38,908			38,908
Appropriation of endowment assets for expenditures	(1,654,361)	(285,579)		(1,939,940)
Other changes:				
Transfers for donor intent changes	(10,972)		(746,055)	(757,027)
Annuity changes	28,084			28,084
Transfers to create board- designated endowment funds	<u>7,159,080</u>	<u> </u>	<u> </u>	<u>7,159,080</u>
	<u>7,176,192</u>	<u> </u>	<u>(746,055)</u>	<u>6,430,137</u>
Endowment Net Assets, End of the year	<u>\$ 32,312,092</u>	<u>\$ 696,886</u>	<u>\$ 20,890,958</u>	<u>\$ 53,899,936</u>

INTERLOCHEN CENTER FOR THE ARTS

NOTES TO FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED MAY 31, 2011 AND 2010

10. ENDOWMENT (CONTINUED)

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Center to retain as a fund of perpetual duration. In accordance with generally accepted accounting principles, deficiencies of this nature that are reported in unrestricted net assets were \$560,964 and \$1,904,764 as of May 31, 2011 and 2010, respectively. These deficiencies resulted from unfavorable market fluctuations.

Return Objectives and Risk Parameters

The Center has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking returns that are large enough to preserve and enhance its real, inflation-adjusted purchasing power. Endowment assets include those assets of donor-restricted funds that the Center must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under these policies, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to achieve total returns that, over time, are better than the relevant market benchmarks.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Center relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Center targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Center has a policy of appropriating for distribution each year 4.5 percent of its endowment fund's average fair value over the prior three years. The spending policy calculation is performed as of the end of February proceeding the fiscal year in which the distribution is planned. In establishing this policy, the Center considered the long-term expected return on its endowment. Accordingly, over the long term, the Center expects the current spending policy to allow its endowment to grow at a rate equivalent to or greater than inflation. This is consistent with the Center's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

11. FAIR VALUE MEASUREMENTS

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

INTERLOCHEN CENTER FOR THE ARTS

NOTES TO FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED MAY 31, 2011 AND 2010

11. FAIR VALUE MEASUREMENTS (CONTINUED)

The following tables present information about the Center's assets measured at fair value on a recurring basis at May 31, 2011 and 2010 and the valuation techniques used by the Center to determine those fair values.

In general, fair values determined by Level 1 inputs use quoted prices in active markets for identical assets or liabilities that the Center has the ability to access. The Center has investments that are valued using Level 1 inputs, which are obtained directly from investment statements prepared by the institution holding the investments.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset or liability.

Alternative investments characterized as Level 3 investments consist of private equity investments that are not publicly traded and do not have a readily determined market. As a result, the Center values the alternative investments at net asset value which is based on the most recent valuation statement from the fund, annual audit reports from the fund, and subsequent purchases and liquidations of the fund.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Center's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

INTERLOCHEN CENTER FOR THE ARTS

NOTES TO FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED MAY 31, 2011 AND 2010

11. FAIR VALUE MEASUREMENTS (CONTINUED)

Assets Measured at Fair Value on a Recurring Basis at May 31, 2011

	Balance at May 31, 2011	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
ASSETS				
Investments:				
Money Market Mutual Funds	\$ 4,078,850	\$ 4,078,850	\$ -	\$ -
U.S. Fixed Income, Core	6,818,386	6,818,386		
U.S. Fixed Income, High Yield	3,338,256	3,338,256		
Treasury Inflation Protected Securities	4,545,883	4,545,883		
U.S. Equity, Large Growth	12,925,087	12,925,087		
U.S. Equity, Large Value	10,159,572	10,159,572		
U.S. Equity, Small Capitalization	2,119,454	2,119,454		
International Equity, Developed	18,716,671	18,716,671		
International Equity, Emerging	4,680,633	4,680,633		
Real Estate Securities	1,471,158	1,471,158		
Commodities Securities	2,019,824	2,019,824		
Private Equity	2,044,146	-	-	2,044,146
	<u>\$ 72,917,920</u>	<u>\$ 70,873,774</u>	<u>\$ -</u>	<u>\$ 2,044,146</u>

INTERLOCHEN CENTER FOR THE ARTS

NOTES TO FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED MAY 31, 2011 AND 2010

11. FAIR VALUE MEASUREMENTS (CONTINUED)

Assets Measured at Fair Value on a Recurring Basis at May 31, 2010

	Balance at May 31, 2010	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
ASSETS				
Investments:				
Money Market Mutual Funds	\$ 1,571,718	\$ 1,571,718	\$ -	\$ -
U.S. Fixed Income, Core	7,096,101	7,096,101		
U.S. Fixed Income, High Yield	2,744,393	2,744,393		
Treasury Inflation Protected Securities	4,203,309	4,203,309		
U.S. Equity, Large Growth	10,162,548	10,162,548		
U.S. Equity, Large Value	8,215,306	8,215,306		
U.S. Equity, Small Capitalization	1,663,128	1,663,128		
International Equity, Developed	13,932,955	13,932,955		
International Equity, Emerging	3,606,991	3,606,991		
Real Estate Securities	2,471,771	2,471,771		
Private Equity	1,961,684	-	-	1,961,684
	<u>\$ 57,629,904</u>	<u>\$ 55,668,220</u>	<u>\$ -</u>	<u>\$ 1,961,684</u>

Both observable and unobservable inputs may be used to determine the fair value of positions classified as Level 3 assets and liabilities. As a result, the unrealized gains and losses for these assets presented in the tables below may include changes in fair value that were attributable to both observable and unobservable inputs.

INTERLOCHEN CENTER FOR THE ARTS

NOTES TO FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED MAY 31, 2011 AND 2010

11. FAIR VALUE MEASUREMENTS (CONTINUED)

Changes in Level 3 Assets Measured at Fair Value on a Recurring Basis for the Years Ended May 31, 2011 and 2010

	<u>Private Equity</u>
Balance at June 1, 2009	\$ 861,696
Activity for fiscal year 2010:	
Total realized and unrealized losses, interest, and dividends	(78,431)
Purchases, issuances, sales, and settlements-	
Purchases	<u>1,178,419</u>
Ending balance at May 31, 2010	1,961,684
Activity for fiscal year 2011:	
Total realized and unrealized losses, interest, and dividends	(26,287)
Purchases, issuances, sales, and settlements	
Purchases	584,967
Sales	<u>(476,218)</u>
Ending balance at May 31, 2011	<u><u>\$ 2,044,146</u></u>

INTERLOCHEN CENTER FOR THE ARTS

NOTES TO FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED MAY 31, 2011 AND 2010

11. FAIR VALUE MEASUREMENTS (CONTINUED)

Investments in Entities that Calculate Net Asset Value per Share

The Center holds shares or interests in an investment company at fiscal year end whereby the fair value of the investment held is estimated based on the net asset value per share (or its equivalent) of the investment company.

At fiscal year end, the fair value and unfunded commitments of this investment are as follows:

Investments Held at May 31, 2011

	Fair Value	Unfunded Commitments
Buyout (a)	\$ 448,441	\$ 223,748
Venture (b)	283,126	195,551
Real Estate (c)	248,712	117,004
Debt (d)	<u>404,688</u>	<u>143,164</u>
Total	<u>\$ 1,384,967</u>	<u>\$ 679,467</u>

Investments Held at May 31, 2010

	Fair Value	Unfunded Commitments
Buyout (a)	\$ 341,091	\$ 296,818
Venture (b)	260,361	259,412
Real Estate (c)	162,169	155,214
Debt (d)	<u>389,830</u>	<u>189,917</u>
Total	<u>\$ 1,153,451</u>	<u>\$ 901,361</u>

According to the agreements for the private equity fund above, the Center is invested in a closed-end, illiquid private equity vehicle, and as such there is no redemption frequency. The duration of the private equity investments, including those that are measured at net asset value and those that are not, is expected to be approximately 10 to 14 years.

INTERLOCHEN CENTER FOR THE ARTS

NOTES TO FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED MAY 31, 2011 AND 2010

11. FAIR VALUE MEASUREMENTS (CONTINUED)

The private equity investments measured at net asset value above consist of a fund of funds that have a variety of underlying investments and investment strategies.

- (a) Buyout: Invest in more established companies that are in need of some repair or growth in order to boost returns. Generally, interests are purchased through some combination of preferred shares and debt. There are various investment opportunities in buyout, such as: “buy and build” (purchasing a foundation platform company and building a larger company through acquisitions), “spin-offs” (non-core divisions that split from a parent company), “ownership transitions” (families or sole proprietors selling businesses), and “recapitalizations” (public companies being taken private through the repurchase of all outstanding common shares of stock). In addition to needing an equity infusion, some companies need to change their capital structure to facilitate growth.
- (b) Venture: Invest in young companies with varying degrees of infrastructure, revenues, and profits. Investments are typically made in cash through the purchase of preferred shares in the company. If the investment is in a concept alone, it is called “seed stage”. Depending on the degree to which the product line is complete, management positions are fully staffed, revenues are being generated, and/or profits are being made, the investments are referred to as “early stage” (very new companies, largely underdeveloped), “mid stage” (more infrastructure, but no profits), and “late stage” (sufficiently developed to possibly issue public stock or attract interest from a strategic buyer soon).
- (c) Real Estate: Provide capital to meet a number of different needs including new construction, renovation, or a change in property ownership or management. These investments may involve equity or debt. The major sub-sectors that comprise equity investments include the purchase of land (including timberland and farmland), the purchase of fully or partially leased commercial properties, and the purchase of renovation properties (buying existing properties and upgrading them), as well as investments in new construction (called “development”). There are also investments that can be made on the debt side, including first mortgage lending, mezzanine lending, distressed lending (senior lending to troubled assets), and the purchase of real estate bank loans (pools of loans sold off by banks that want to lower the level of reserve capital that must be held against such loans).
- (d) Debt: Provide lending to companies that are being restructured or re-capitalized. Among debt funds, there are two major sub-sectors: mezzanine debt and distressed debt. Mezzanine funds initiate lending to companies of all sizes, both private and public. Mezzanine lenders have a subordinated claim on the underlying assets relative to senior lenders (banks, bondholders, etc.) and, in return, can charge a higher interest rate on the debt. Distressed debt funds can buy existing public and/or private debt of distressed companies. Distressed debt funds can be further broken down into two groups: 1) those whereby general partners take control of the distressed companies and work through the bankruptcy process to pick new managers and strategies for restructuring, and 2) those whereby general partners do not take control of these companies and instead focus on trading the distressed securities.

* * * * *

**SUPPLEMENTAL SCHEDULES OF
SELECTED FINANCIAL DATA**



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Independent Auditor's Report on Supplemental Information

To the Board of Trustees
Interlochen Center for the Arts

We have audited the financial statements of Interlochen Center for the Arts as of and for the year ended May 31, 2011. Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The statement of financial position allocated by fund and schedule of activities - cost of operations and general and administrative expenses allocated by fund are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The information has been subjected to the procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Plante & Moran, PLLC

July 5, 2011

INTERLOCHEN CENTER FOR THE ARTS

STATEMENT OF FINANCIAL POSITION ALLOCATED BY FUND

	Unrestricted				Temporarily Restricted				Permanently Restricted	Eliminations	May 31, 2011 Total
	Operating Funds	Designated Restricted Funds	Designated Endowment Funds	Total Unrestricted	Scholarship Funds	General Funds	Plant Funds	Agency Funds	Endowment Funds		
ASSETS:											
Cash and cash equivalents	\$ 1,697,165	\$ 2,167,836	\$ 5,435,001	\$ 9,300,002	\$ 456,887	\$ 120,726	\$ -	\$ 13,171	\$ 2,892,395	\$ -	\$ 12,783,181
Investments	1,983,231	12,880,218	36,155,437	51,018,886	2,922,961	758,579		82,762	18,134,732		72,917,920
Accounts receivable, net of allowance of \$856,000 in 2011	54,500			54,500							54,500
Gifts receivable			527,423	527,423	258,600		1,075,011		136,577		1,997,611
Due from other funds			321,030	321,030						(321,030)	
Prepaid expenses and other receivables	655,902			655,902							655,902
Inventories	1,111,879			1,111,879							1,111,879
Land, buildings, and equipment, net	40,507,775			40,507,775							40,507,775
Other assets	1,409,334			1,409,334							1,409,334
TOTAL	\$ 47,419,786	\$ 15,048,054	\$ 42,438,891	\$ 104,906,731	\$ 3,638,448	\$ 879,305	\$ 1,075,011	\$ 95,933	\$ 21,163,704	\$ (321,030)	\$ 131,438,102
LIABILITIES:											
Accounts payable - Trade	\$ 519,956	\$ -	\$ -	\$ 519,956	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 519,956
Accounts payable - Construction in progress	265,382			265,382							265,382
Accrued liabilities	2,498,663			2,498,663				95,933			2,594,596
Due to other funds							321,030			(321,030)	
Tuition deposits and other	9,354,610			9,354,610							9,354,610
Annuities payable	708,503			708,503							708,503
Bonds payable	26,300,000			26,300,000							26,300,000
Total liabilities	39,647,114	-	-	39,647,114	-	-	321,030	95,933	-	(321,030)	39,743,047
NET ASSETS:											
Unrestricted	7,772,672	15,048,054	42,438,891	65,259,617							65,259,617
Temporarily restricted					3,638,448	879,305	753,981				5,271,734
Permanently restricted									21,163,704		21,163,704
Total net assets	7,772,672	15,048,054	42,438,891	65,259,617	3,638,448	879,305	753,981	-	21,163,704	-	91,695,055
TOTAL	\$ 47,419,786	\$ 15,048,054	\$ 42,438,891	\$ 104,906,731	\$ 3,638,448	\$ 879,305	\$ 1,075,011	\$ 95,933	\$ 21,163,704	\$ (321,030)	\$ 131,438,102

INTERLOCHEN CENTER FOR THE ARTS

SCHEDULE OF ACTIVITIES—COST OF OPERATIONS AND GENERAL AND ADMINISTRATIVE EXPENSES ALLOCATED BY FUND

	Unrestricted			Temporarily Restricted			Permanently Restricted	May 31, 2011 Total	
	Operating Funds	Designated Restricted Funds	Designated Endowment Funds	Total Unrestricted	Scholarship Funds	General Funds	Plant Funds		Endowment Funds
REVENUES AND OTHER ADDITIONS:									
Gross tuition and student fees	\$ 32,034,841	\$ -	\$ -	\$ 32,034,841	\$ -	\$ -	\$ -	\$ -	\$ 32,034,841
Assets released from restrictions -									
Operating item - financial aid	2,839,612		(290,563)	2,549,049	(2,545,186)	(3,863)			
Less financial aid grants	(9,422,496)			(9,422,496)					(9,422,496)
Net tuition and student fees	25,451,957		(290,563)	25,161,394	(2,545,186)	(3,863)	-	-	22,612,345
Ticket sales	1,937,830			1,937,830					1,937,830
Lodging	972,332			972,332					972,332
Retail sales	1,749,454			1,749,454					1,749,454
Contributions and grants	1,270,106	123,519	2,001,296	3,394,921	2,222,198	254,572	695,384	275,644	6,842,719
Net gain on investments		2,261,352	8,352,838	10,614,190	2,071,627	141,141	229,568		13,056,526
Endowment allocation	440,864			440,864	(440,864)				
Other revenues	673,516	76,593	94,548	844,657		550	11,141		856,348
Total revenues and other additions	32,496,059	2,461,464	10,158,119	45,115,642	1,307,775	392,400	936,093	275,644	48,027,554
COST OF GOODS AND SERVICES:									
Artist fees	946,218			946,218		27,608			973,826
Cost of goods sold	844,038			844,038					844,038
Total cost of goods and services	1,790,256	-	-	1,790,256	-	27,608	-	-	1,817,864
COST OF OPERATIONS:									
Salaries, wages, and benefits	20,204,419	1,937		20,206,356		140,254	55,120		20,401,730
Food costs	1,082,644			1,082,644					1,082,644
Contracted services	684,304	42,916		727,220		608			727,828
Supplies	1,108,977	843,067		1,952,044		110,383	109,489		2,171,916
Repairs and maintenance	614,626	70,947		685,573		1,125	2,934		689,632
Leases and rents	169,433	28,540		197,973		695	583		199,251
Utilities	733,966			733,966					733,966
Insurance	225,610			225,610					225,610
Telephone and postage	382,060			382,060		1,500			383,560
Other operational	23,662	296,600		320,262		625	480		321,367
Total cost of operations	25,229,701	1,284,007		26,513,708	-	255,190	168,606	-	26,937,504
GENERAL AND ADMINISTRATIVE:									
Marketing	664,988			664,988		8,184			673,172
Travel and entertainment	644,027	13,310		657,337		60,296			717,633
Professional services	344,946	62,754		407,700			4,622		412,322
Interest		56,873		56,873					56,873
Other	231,711	3,602	5,916	241,229		5,715			246,944
Total general and administrative	1,885,672	136,539	5,916	2,028,127	-	74,195	4,622	-	2,106,944
Total expenses before depreciation and board-designated expenditures	28,905,629	1,420,546	5,916	30,332,091	-	356,993	173,228	-	30,862,312

(Continued)

INTERLOCHEN CENTER FOR THE ARTS

SCHEDULE OF ACTIVITIES—COST OF OPERATIONS AND GENERAL AND ADMINISTRATIVE EXPENSES ALLOCATED BY FUND (CONTINUED)

	Unrestricted			Temporarily Restricted			Permanently Restricted	May 31, 2011 Total	
	Operating Funds	Designated Restricted Funds	Designated Endowment Funds	Total Unrestricted	Scholarship Funds	General Funds	Plant Funds		Endowment Funds
INCREASE IN NET ASSETS BEFORE DEPRECIATION, ASSETS RELEASED FROM RESTRICTIONS, BOARD - DESIGNATED EXPENDITURES, AND OTHER ADJUSTMENTS	\$ 3,590,430	\$ 1,040,918	\$ 10,152,203	\$ 14,783,551	\$ 1,307,775	\$ 35,407	\$ 762,865	\$ 275,644	\$ 17,165,242
BOARD-DESIGNATED EXPENDITURES	9,139	(9,139)							
INCREASE IN NET ASSETS BEFORE DEPRECIATION, ASSETS RELEASED FROM RESTRICTIONS, AND OTHER ADJUSTMENTS	3,581,291	1,050,057	10,152,203	14,783,551	1,307,775	35,407	762,865	275,644	17,165,242
DEPRECIATION EXPENSE	1,857,642			1,857,642					1,857,642
ASSETS RELEASED FROM RESTRICTIONS/TRANSFERS - Nonoperating items - Capital and other	(1,696,178)	2,390,662	(25,404)	669,080	334,972	197,068	(1,198,222)	(2,898)	
NET INCREASE (DECREASE) IN NET ASSETS	27,470	3,440,719	10,126,799	13,594,988	1,642,747	232,475	(435,357)	272,746	15,307,600
NET ASSETS - Beginning of year	7,745,201	11,607,335	32,312,092	51,664,628	1,995,701	646,830	1,189,338	20,890,958	76,387,455
NET ASSETS - End of year	\$ 7,772,671	\$ 15,048,053	\$ 42,438,891	\$ 65,259,616	\$ 3,638,448	\$ 879,305	\$ 753,981	\$ 21,163,704	\$ 91,695,054