



# Interlochen Center for the Arts

Financial Statements  
(and supplementary information)  
Year Ended May 31, 2019

## Interlochen Center for the Arts

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Financial Statements (and supplementary information)  
Year Ended May 31, 2019

# Interlochen Center for the Arts

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## Independent Auditor's Report

Board of Trustees  
Interlochen Center for the Arts  
Interlochen, Michigan

We have audited the accompanying financial statements of Interlochen Center for the Arts, which comprise the statement of financial position as of May 31, 2019, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### *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.

### *Auditor's Responsibility*

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 accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*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 as of May 31, 2019, and the changes in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

*Other Matter*

*Prior Year Comparative Information - Statements of Cash Flows*

We have previously audited Interlochen Center for the Arts' 2018 financial statements, and we expressed an unmodified audit opinion on the 2018 financial statements in our report dated July 12, 2018. In our opinion, the comparative information presented herein on the statements of cash flows for the year ended May 31, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

BDO USA, LLP

July 17, 2019

## Financial Statements

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# Interlochen Center for the Arts

## Statement of Financial Position

May 31, 2019

### Assets

Cash and cash equivalents	\$	10,711,578
Investments (Notes 2 and 10)		135,986,567
Accounts receivable, net of allowance of approximately \$3,000,000		32,262
Gifts receivable (Note 3)		7,159,495
Prepaid expenses and other receivables		1,032,131
Inventories		878,177
Land, buildings and equipment, net (Note 4)		68,868,330
Other assets		1,003,264

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<b>Total Assets</b>	<b>\$</b>	<b>225,671,804</b>
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### Liabilities and Net Assets

#### Liabilities

Accounts payable - trade	\$	974,137
Accrued liabilities		8,452,650
Tuition deposits and other		13,024,281
Annuities payable (Note 8)		494,009
Bonds payable, net of debt issuance costs of \$160,716 in 2019 (Note 5)		25,239,284

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<b>Total Liabilities</b>		<b>48,184,361</b>
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#### Net Assets

Without donor restrictions (Note 11)		124,826,616
With donor restrictions (Note 12)		52,660,827

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<b>Total Net Assets</b>		<b>177,487,443</b>
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<b>Total Liabilities and Net Assets</b>	<b>\$</b>	<b>225,671,804</b>
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*See accompanying independent auditor's report and notes to financial statements.*

**Interlochen Center for the Arts**  
**Statement of Activities and Changes in Net Assets**

<i>Year ended May 31, 2019</i>	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenues and Other Additions</b>			
Gross tuition and student fees	\$ 46,651,258	\$ -	\$ 46,651,258
Assets released from restrictions:			
Operating item:			
Financial aid	5,100,474	(5,100,474)	-
Less financial aid grants	(15,698,787)	-	(15,698,787)
Net tuition and student fees	36,052,945	(5,100,474)	30,952,471
Ticket sales	3,090,929	-	3,090,929
Lodging	1,383,362	-	1,383,362
Retail sales	2,053,715	-	2,053,715
Contributions and grants	1,659,800	12,188,713	13,848,513
Net gain on investments, net (Note 2)	2,820,561	1,803,331	4,623,892
Assets released from restrictions:			
Operating item:			
Cost of operations and general and administrative	1,060,214	(1,060,214)	-
Other revenues	1,106,837	9,012	1,115,849
<b>Total Revenues and Other Additions</b>	<b>49,228,363</b>	<b>7,840,368</b>	<b>57,068,731</b>
<b>Expenses</b>			
Program services:			
Education program and services	17,307,362	-	17,307,362
Media, presentation and regional programs	5,107,253	-	5,107,253
Human and institutional resources	12,958,454	-	12,958,454
Finance and institutional effectiveness	3,615,619	-	3,615,619
<b>Total program services</b>	<b>38,988,688</b>	<b>-</b>	<b>38,988,688</b>
Support services:			
Administrative	8,563,630	-	8,563,630
Fundraising	2,432,479	-	2,432,479
<b>Total support services</b>	<b>10,996,109</b>	<b>-</b>	<b>10,996,109</b>
<b>Total Expenses</b>	<b>49,984,797</b>	<b>-</b>	<b>49,984,797</b>
Increase (decrease) in net assets before non-operating items	(756,434)	7,840,368	7,083,934
<b>Assets Released From Restrictions/Transfers</b>			
Non-operating items:			
Capital and other	14,463,229	(14,463,229)	-
<b>Net Increase (Decrease) in Net Assets</b>	<b>13,706,795</b>	<b>(6,622,861)</b>	<b>7,083,934</b>
<b>Net Assets, beginning of year</b>	<b>111,119,821</b>	<b>59,283,688</b>	<b>170,403,509</b>
<b>Net Assets, end of year</b>	<b>\$ 124,826,616</b>	<b>\$ 52,660,827</b>	<b>\$ 177,487,443</b>

*See accompanying independent auditor's report and notes to financial statements.*

## Interlochen Center for the Arts

### Statement of Functional Expenses

<i>Year ended May 31, 2019</i>	Salaries, Employee Benefits and Taxes	Artist Fees and Cost of Goods Sold	Professional Fees, Contract Services and Other Expenses	Conference, Travel and Staff Development	Occupancy, Telephone, Postage and Supplies	Depreciation	Total Expenses
<b>Program Services</b>							
Education program and services	\$ 13,258,241	\$ 10,267	\$ 575,173	\$ 861,839	\$ 744,868	\$ 1,856,974	\$ 17,307,362
Media, presentation and regional programs	1,994,837	1,848,777	696,729	174,877	335,466	56,567	5,107,253
Human and institutional resources	7,634,523	174,909	2,498,908	565,722	2,077,850	6,542	12,958,454
Finance and institutional effectiveness	1,631,277	839,069	885,036	74,752	178,943	6,542	3,615,619
<b>Total Program Services</b>	<b>24,518,878</b>	<b>2,873,022</b>	<b>4,655,846</b>	<b>1,677,190</b>	<b>3,337,127</b>	<b>1,926,625</b>	<b>38,988,688</b>
<b>Support Services</b>							
Administrative	4,119,427	17,459	1,949,416	849,621	1,621,165	6,542	8,563,630
Fundraising	1,789,746	1	117,125	212,892	306,173	6,542	2,432,479
<b>Total Support Services</b>	<b>5,909,173</b>	<b>17,460</b>	<b>2,066,541</b>	<b>1,062,513</b>	<b>1,927,338</b>	<b>13,084</b>	<b>10,996,109</b>
<b>Total Expenses</b>	<b>\$ 30,428,051</b>	<b>\$ 2,890,482</b>	<b>\$ 6,722,387</b>	<b>\$ 2,739,703</b>	<b>\$ 5,264,465</b>	<b>\$ 1,939,709</b>	<b>\$ 49,984,797</b>

*See accompanying independent auditor's report and notes to financial statements.*

# Interlochen Center for the Arts

## Statements of Cash Flows

<i>Year ended May 31,</i>	2019	2018
<b>Cash Flows From (For) Operating Activities</b>		
Net increase in net assets	\$ 7,083,934	\$ 10,083,051
Adjustments to reconcile net increase in net assets to net cash from operating activities:		
Depreciation and amortization	1,950,424	1,924,518
Gain on disposal of assets	(9,880)	(139,579)
Net change in realized and unrealized gain on investments	(769,187)	(8,406,441)
Bad debt expense	223,384	195,407
Change in value of charitable gift annuities	42,422	(35,831)
Decrease in gifts and accounts receivable	112,201	2,002,903
Decrease (increase) in prepaid expenses and other receivables	(367,493)	147,982
Decrease in inventories	104,320	50,707
Decrease (increase) in other assets	(8,578)	427,907
Increase (decrease) in accounts payable - trade	282,346	(124,559)
Increase in accrued liabilities	1,542,189	2,667,144
Increase in tuition deposits and other	393,118	515,405
Restricted contributions	(2,579,438)	(1,383,212)
<b>Net Cash From Operating Activities</b>	<b>7,999,762</b>	<b>7,925,402</b>
<b>Cash Flows From (For) Investing Activities</b>		
Purchases of property and equipment	(14,985,294)	(9,063,369)
Purchases of investments	(41,177,366)	(22,010,477)
Proceeds from sale of investments	44,775,042	19,642,370
Proceeds from sale of assets	307,058	150,000
<b>Net Cash For Investing Activities</b>	<b>(11,080,560)</b>	<b>(11,281,476)</b>
<b>Cash Flows From (For) Financing Activities</b>		
Proceeds from restricted contributions	2,579,438	1,383,212
Payments on annuity agreements	(103,477)	(107,976)
<b>Net Cash From Financing Activities</b>	<b>2,475,961</b>	<b>1,275,236</b>
<b>Net Decrease in Cash and Cash Equivalents</b>	<b>(604,837)</b>	<b>(2,080,838)</b>
Cash and Cash Equivalents, beginning of year	11,316,415	13,397,253
<b>Cash and Cash Equivalents, end of year</b>	<b>\$ 10,711,578</b>	<b>\$ 11,316,415</b>
<b>Supplemental Disclosure of Cash Flow Information</b>		
Interest paid during the year	\$ 376,574	\$ 257,681

*See accompanying independent auditor's report and notes to financial statements.*

# Interlochen Center for the Arts

## Notes to Financial Statements

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### 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 500 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 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 year ended May 31, 2019, CFI's activity was insignificant. CFI had total assets of C\$380,346 as of May 31, 2019. CFI had total net assets of (C\$23,487) as of May 31, 2019. CFI has not been consolidated with the Center for the Center's financial statements as of and for the year ended May 31, 2019.

#### *Basis of Presentation*

The Center prepares its financial statements on the accrual basis of accounting and in accordance with the accounting principles generally accepted in the United States of America (GAAP).

#### *Net Asset Classifications*

*Net Assets Without Donor Restrictions:* Net assets without donor restrictions 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.

*Net Assets With Donor Restrictions:* Net assets with donor restrictions 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 be expended only as stipulated by the donor, contributions and grants that are unexpended related to land, building and equipment, and endowment funds from contributed assets which have donor-imposed restrictions that do not expire. The principal of these funds is permanently maintained.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expirations of 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.

#### *Cash and Cash Equivalents*

Cash and cash equivalents include cash on hand, money market funds, and short-term investments with original maturities of three months or less.

# Interlochen Center for the Arts

## Notes to Financial Statements

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### *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. 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 net assets without donor restrictions unless their use is temporarily or permanently restricted by explicit donor stipulations or by law.

Alternative investments, such as private equity investments, that do not have readily determinable market values as of May 31 are valued by the fund managers at net asset value. 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 estimated collectible value. Management reviews all the individual student accounts receivable as of May 31, and establishes an allowance for doubtful accounts based on specific assessments 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 net realizable value.

### *Functional Allocation of Expenses*

The statement of functional expenses presents expenses by function and natural classification. The Center's department classification is the basis for allocating costs among the functional classifications. Depreciation is allocated based on square footage. The methods used are considered reasonable; however, other methods could produce different results.

### *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

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### *Other Assets*

Other assets include broadcasting licenses for three FM stations as follows:

*May 31, 2019*

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<b>Broadcasting License</b>	
88.5 MHz - Mackinaw City, Michigan	\$ 496,600
89.7 MHz - Manistee, Michigan	215,065
90.1 MHz - Harbor Springs, Michigan	282,513
<b>Total Broadcasting Licenses</b>	<b>\$ 994,178</b>

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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 that will occur after year-end were deferred at May 31, 2019.

### *Contributions, and Grants and Gifts Receivable*

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.

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. The gifts are reported with donor restrictions 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, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the statement of activities and changes in the net assets as net assets released from restrictions. Contributions without donor restrictions, and donor-restricted contributions whose restrictions are met within the same year as received, are reflected as contributions without donor restrictions in the accompanying financial statements.

### *Revenue Recognition*

Tuition, student fees, ticket sales, lodging, retail sales 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.

# Interlochen Center for the Arts

## Notes to Financial Statements

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### *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.

### *Self-Insurance*

The Center is self-insured for medical benefits up to certain limits, as provided in the agreements with its insurance carrier. Operations are charged with the cost of claims reported. A provision has been made for estimated claims incurred but not reported.

### *Reclassifications*

Certain reclassifications of prior year amounts have been made to conform to the current year presentation.

### *Subsequent Events*

The financial statements and related disclosures include evaluation of events up through and including July 17, 2019, the date the financial statements were available to be issued.

### *New Accounting Pronouncements*

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) 2016-14 to improve the presentation of financial statements of not-for-profit entities such as charities, foundations, universities and nonprofit health care providers. The changes to the nonprofit financial statement model are intended to provide more useful information to donors, grantors and other users. The ASU addresses net asset classes, investment return, expenses, liquidity and availability of resources and presentation of operating cash flows and includes illustrative financial statements for not-for-profit entities reflecting the changes made by the new standard. ASU 2016-14 is effective for annual financial statements issued for fiscal years beginning after December 15, 2017, and early adoption is permitted. The Center has adopted ASU 2016-14 for the year ended May 31, 2019.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*, which outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. The core principle of ASU 2014-09 is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. ASU 2014-09 is currently effective for annual periods beginning after December 15, 2018, and early adoption is permitted. In addition, the new standard is effective for interim periods within annual periods that begin after December 15, 2019. The Center is currently evaluating the impact of the adoption of ASU 2014-09 on its financial statements.

# Interlochen Center for the Arts

## Notes to Financial Statements

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### 2. Investments

A summary of investments at fair value (net asset value for private equity investments), based on quoted market prices or current estimated fair value if considered a non-marketable security, held by the Center as of May 31, 2019 is as follows:

*May 31, 2019*

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Mutual funds	
Fixed income	\$ 35,132,794
Equity securities	69,215,754
Real estate	2,975,941
Commodities	25,618
Money market	783,717
Asset allocation	11,437,810
Hedge fund	7,048,877
Private equity	9,366,056
<b>Total Investments</b>	<b>\$ 135,986,567</b>

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Net gain on investments of \$4,623,892 in 2019 represents \$3,854,703 of interest and dividends, \$4,653,562 of net realized gain on investments, and \$3,884,373 of net unrealized loss on investments.

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.

### 3. Gifts Receivable

The Center has received unconditional gifts from donors to make contributions to the Center. The contributions as of May 31, 2019 are to be received as follows:

*May 31, 2019*

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Receivable in less than one year	\$ 2,488,785
Receivable in one to five years	3,210,159
Receivable in more than five years	1,460,551
<b>Total Gifts Receivable</b>	<b>\$ 7,159,495</b>

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The Center had no allowance for uncollectible gifts receivable as of May 31, 2019. The Center has received conditional gifts from donors to make contributions to the Center, primarily bequests, totaling approximately \$72,000,000.

# Interlochen Center for the Arts

## Notes to Financial Statements

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### 4. Land, Buildings and Equipment

Land, buildings and equipment as of May 31, 2019 are summarized by major classification as follows:

*May 31, 2019*

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Land	\$ 506,951
Land improvements	4,901,163
Buildings	68,033,753
Furniture and equipment	23,878,212
Construction in progress (estimated cost to complete of approximately \$28,300,000)	22,292,447
	119,612,526
Less accumulated depreciation	(50,744,196)
<b>Land, Buildings and Equipment, net</b>	<b>\$ 68,868,330</b>

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### 5. Bonds Payable

Bonds payable at May 31, 2019 consist of the following:

*May 31, 2019*

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Tax-exempt, Economic Development Bonds issued through the Township of Green Lake, Michigan; interest at a variable rate (between 0.50% and 2.30% during fiscal 2019) with final maturity in June 2034.	\$ 25,400,000
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Under the terms of the Center's Variable Rate Demand Revenue and Revenue Refunding Bonds, Series 2004 (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 \$25,643,562 (outstanding principal plus 35 days' interest at 10%), expires in August 2023. The agreement contains certain financial covenants, an asset maintenance ratio and debt service coverage ratio, with which the Center was in compliance at May 31, 2019.

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 5.50% at May 31, 2019. 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.

# Interlochen Center for the Arts

## Notes to Financial Statements

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The Center has a line of credit in the amount of \$8,000,000 that expires in September 2020. As of May 31, 2019, the Center had no outstanding balance on the line of credit. At the time the line of credit is drawn upon the Center's interest rate is the London Interbank Offered Rate for a term of 30 days plus 100 basis points, effectively 3.44% as of May 31, 2019.

Bonds payable includes deferred financing costs of \$160,716 as of May 31, 2019 which are being straight-line amortized over the life of the Series 2004 Bonds. Amortization expense was \$10,715 for the year ended May 31, 2019.

### 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. Expenses under the plan for the year ended May 31, 2019 were \$1,693,658, net of forfeitures.

### 7. 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.

### 8. 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 (2.85% at May 31, 2019). The Center records the proceeds received in excess of the annuity payable as a charitable contribution, and such amount totaled \$0 for the year ended May 31, 2019. At May 31, 2019, the Center recorded \$494,009 in annuities payable relating to such program.

### 9. Endowment

The Center's endowment includes both donor-restricted endowment funds and funds designated by the Center's management to function as endowments. Net assets associated with endowment funds, including funds designated by management 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 net assets with donor restrictions (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

# Interlochen Center for the Arts

## Notes to Financial Statements

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endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. 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.

The composition of endowment net assets by type of fund as of May 31, 2019 is as follows:

<i>May 31, 2019</i>	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment	\$ -	\$ 46,274,554	\$ 46,274,554
Board-designated quasi endowment	42,197,457	-	42,197,457
<b>Total Funds</b>	<b>\$ 42,197,457</b>	<b>\$ 46,274,554</b>	<b>\$ 88,472,011</b>

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# Interlochen Center for the Arts

## Notes to Financial Statements

The changes in endowment net assets for the fiscal year ended May 31, 2019 are as follows:

<i>Year ended May 31, 2019</i>	Without Donor Restrictions	With Donor Restrictions	Total
<b>Endowment Net Assets, beginning of year</b>	\$ 44,493,105	\$ 43,676,646	\$ 88,169,751
<b>Investment Return</b>			
Interest and dividends	1,160,266	1,152,556	2,312,822
Net appreciation of investments	301,633	369,894	671,527
<b>Total Investment Return</b>	1,461,899	1,522,450	2,984,349
<b>Contributions</b>	60,952	2,579,438	2,640,390
<b>Appropriation of endowment assets for expenditures</b>	(1,556,611)	(1,504,075)	(3,060,686)
<b>Other Changes</b>			
Transfers to release Board-designated endowment funds	(4,436,472)	95	(4,436,377)
Annuity changes	(78,862)	-	(78,862)
Transfers to create board designated endowment funds	2,253,446	-	2,253,446
	(2,261,888)	95	(2,261,793)
<b>Endowment Net Assets, end of year</b>	\$ 42,197,457	\$ 46,274,554	\$ 88,472,011

### *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.

# Interlochen Center for the Arts

## Notes to Financial Statements

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### *Spending Policy and How the Investment Objectives Relate to Spending Policy*

The Center has a policy of appropriating for distribution each year 4.5% of its endowment fund's average fair value over the prior five years. The spending policy calculation is performed as of the end of August 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.

### **10. 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.

The tables below present information about the Center's assets measured at fair value on a recurring basis at May 31, 2019, 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. The fair value of the annuities payable was determined using Level 2 inputs.

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 consist of private equity and hedge fund 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 (NAV) 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. The adoption of ASU 2015-07 removed the requirement to categorize within the fair value hierarchy all investments where the fair value is measured using the NAV practical expedient.

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

	Balance, May 31, 2019	Level 1	Level 2	Level 3
<b>Investments</b>				
Money market mutual funds	\$ 783,717	\$ 783,717	\$ -	-
U.S. fixed income, core	18,522,647	18,522,647	-	-
U.S. fixed income, high yield	11,119,458	11,119,458	-	-
Treasury inflation protected securities	5,490,692	5,490,692	-	-
U.S. equity, blend	38,558,848	38,558,848	-	-
U.S. equity, large value	412,958	412,958	-	-
U.S. equity, small capitalization	6,616,137	6,616,137	-	-
International equity, large blend	19,515,385	9,901,594	9,613,791	-
International equity, emerging	4,112,424	4,112,424	-	-
Asset allocation	11,437,810	11,437,810	-	-
Real estate securities	2,975,940	2,975,940	-	-
Commodities securities	25,618	25,618	-	-
<b>Total investments</b>	<b>119,571,634</b>	<b>\$ 109,957,843</b>	<b>\$ 9,613,791</b>	<b>\$ -</b>
Investments measured at net asset value as a practical expedient	16,414,933			
<b>Total Investments at Fair Value</b>	<b>\$ 135,986,567</b>			

### *Investments in Entities That Calculate Net Asset Value Per Share*

The following table presents a summary of private equity and hedge fund investments that calculates NAV as of May 31, 2019:

<i>May 31, 2019</i>	Fair Value	Unfunded Commitments	Redemption Restrictions
<b>Investments Measured at NAV</b>			
Portfolio Advisors VI	\$ 1,407,353	\$ 1,096,790	(1)
Portfolio Advisors VII	1,565,204	912,687	(1)
Portfolio Advisors VIII	1,920,943	945,116	(1)
Portfolio Advisors IX	1,245,178	2,748,203	(1)
Portfolio Advisors Secondary Fund III	958,201	1,000,955	(1)
Goldman Sachs Vintage VII	1,330,258	889,721	(1)
Goldman Sachs Private Credit Managers II	260,187	1,835,242	(1)
Hirtle Callaghan Private Equity VI	678,732	239,041	(1)
Hedge Fund	7,048,877	-	(2)
<b>Total Investments Measured at NAV</b>	<b>\$ 16,414,933</b>	<b>\$ 9,667,755</b>	

(1) The fair values of the investments in these funds have been estimated using the net asset value of the underlying investments. According to the agreements for the funds above, the Center is invested in closed-end, illiquid funds and, as such, there is no redemption frequency. The duration of the private equity and hedge investments, including those that are measured at net asset value is expected to be approximately 6-10 years.

(2) The fair values of the investments in the fund have been estimated using the net asset value of the underlying investments. According to the agreement for the fund, the Center's investment is illiquid for a period of one year after the initial investment is made. After this one-year period ends on October 1, 2019, the fund has quarterly liquidity with a 91-day notice period.

# Interlochen Center for the Arts

## Notes to Financial Statements

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### 11. Net Assets Without Donor Restrictions

The Center's net assets without donor restrictions is comprised of undesignated and Board-designated amounts for the following purposes at:

*May 31, 2019*

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Undesignated	\$ 36,130,997
Board-designated for quasi-endowment	42,197,457
Board-designated for debt service	25,820,874
Board-designated for capital and programmatic needs	20,677,288
	<hr/>
	\$ 124,826,616

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#### *Board-Designated for Quasi-Endowment*

The Center's Board has designated funds to be set aside to establish and maintain a quasi-endowment for the purpose of securing the Center's long-term financial viability and continuing to meet the needs of the Center.

#### *Board-Designated for Debt Service*

The Center's Board has designated funds to be set aside to pay off the Center's \$25,400,000 in tax-exempt Economic Development Bonds with a balloon payment at final maturity on June 1, 2034.

#### *Board-Designated for Capital and Programmatic Needs*

The Center's Board has designated funds to be set aside to partially fund larger capital projects, to cover annual deferred maintenance costs, and to fund strategic projects.

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# Interlochen Center for the Arts

## Notes to Financial Statements

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### 12. Net Assets With Donor Restrictions

The Center's net assets with donor restrictions are restricted for the following purposes as follow:

*May 31, 2019*

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#### Subject to Expenditure for Specific Purposes

Capital and other	\$ 5,217,935
Guest instructors, professional development and programmatic needs	1,168,338

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6,386,273

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#### Endowments

Subject to the Center's spending policy and appropriation:

Investment in perpetuity which once appropriated, is expendable to support:

Scholarship support	36,825,546
Guest instructor and faculty support	4,440,788
Facility operations	1,514,766
Any activities of the Center	3,493,454

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Total endowments subject to the Center's spending policy and appropriation 46,274,554

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**Total Net Assets With Donor Restrictions** **\$ 52,660,827**

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The various purposes of the above donor-restricted amounts are as follows:

*Buildings and Equipment* - Various capital projects on the Center's campus.

*Scholarships* - Scholarship support for Interlochen Art's Academy or Interlochen Art's Camp students.

*Guest Instructors, Professional Development, and Programmatic Needs* - Artist-in-Residence or guest instructors, and funds restricted to artistic areas or specific programming.

### 13. Net Assets Released From Donor Restrictions

Net assets are released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by donors. The net assets released from restrictions are as follow:

*Year ended May 31, 2019*

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Purpose or period restrictions accomplished:

Capital and other	\$ 14,463,229
Scholarships/financial aid	5,100,474
Guest instructors, professional development and programmatic needs	1,060,214

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**Net Assets Released From Restriction** **\$ 20,623,917**

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# Interlochen Center for the Arts

## Notes to Financial Statements

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### 14. Liquidity and Availability of Resources

The Center's financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date of May 31, 2019, are as follows:

*May 31, 2019*

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Cash and cash equivalents	\$	10,711,578
Investments		135,986,567
Accounts receivable, net		32,262
Gifts receivable		2,488,785

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Total financial assets available within one year		149,219,192
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Less:

Amounts unavailable for general expenditures within one year due to:

Restricted by donor in perpetuity		(45,850,886)
Restricted by donors with purpose restrictions		(3,206,219)

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Total amounts unavailable for general expenditures within one year		(49,057,105)
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Amounts unavailable to management without board's approval:

Board designated for quasi-endowment		(41,221,410)
Board designated for debt service		(25,820,874)
Board designated for capital and programmatic needs		(20,677,288)

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Total amounts unavailable to management without board's approval		(87,719,572)
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Total Financial Assets Available to Management for General Expenditure Within One Year	\$	12,442,515
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### *Liquidity Management*

The Center maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Center invests cash in excess of daily requirements in short-term investments.

To help manage unanticipated liquidity needs, the Center has a committed line of credit of \$8,000,000 which it could draw upon. Additionally, the Center has Board-designated net assets without donor restrictions that, while the Center does not intend to spend these for purposes other than those identified, could be made available for current operations, if necessary.

## Supplementary Information

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## Independent Auditor's Report on Supplementary Information

Our audit of the financial statements included in the preceding section of this report was conducted for the purpose of forming an opinion on those statements as a whole. The supplementary information presented in the following section of this report is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*BDO USA, LLP*

July 17, 2019

# Interlochen Center for the Arts

## Statements of Financial Position Allocated by Fund

May 31,	2019												2018
	Without Donor Restrictions				With Donor Restrictions								Total
	Operating Funds	Designated Funds	Designated Endowment Funds	Total Without Donor Restrictions	Scholarship Funds	General Funds	Temporary Endowment Funds	Plant Funds	Agency Funds	Permanent Endowment Funds	Total With Donor Restrictions	Total	
<b>Assets</b>													
Cash and cash equivalents	\$ 3,106,601	\$ 1,914,218	\$ 263,977	\$ 5,284,796	\$ -	\$ 438,721	\$ 824,154	\$ -	\$ 50,071	\$ 4,113,836	\$ 5,426,782	\$ 10,711,578	\$ 11,316,415
Investments	9,010,307	44,583,944	40,957,433	94,551,684	-	639,617	10,376,929	-	40,870	30,377,467	41,434,883	135,986,567	138,815,056
Accounts receivable, net of allowance of approximately \$3,000,000 in 2019 and \$2,777,000 in 2018	32,262	-	-	32,262	-	-	-	-	-	-	-	32,262	253,935
Gifts receivable	293,345	-	483,551	776,896	95,000	90,000	-	5,615,431	-	582,168	6,382,599	7,159,495	7,273,406
Prepaid expenses and other receivables	539,635	-	492,496	1,032,131	-	-	-	-	-	-	-	1,032,131	664,638
Inventories	878,177	-	-	878,177	-	-	-	-	-	-	-	878,177	982,497
Land, buildings and equipment, net	68,868,330	-	-	68,868,330	-	-	-	-	-	-	-	68,868,330	56,119,923
Other assets	1,003,264	-	-	1,003,264	-	-	-	-	-	-	-	1,003,264	994,686
<b>Total Assets</b>	<b>\$ 83,731,921</b>	<b>\$ 46,498,162</b>	<b>\$ 42,197,457</b>	<b>\$ 172,427,540</b>	<b>\$ 95,000</b>	<b>\$ 1,168,338</b>	<b>\$ 11,201,083</b>	<b>\$ 5,615,431</b>	<b>\$ 90,941</b>	<b>\$ 35,073,471</b>	<b>\$ 53,244,264</b>	<b>\$ 225,671,804</b>	<b>\$ 216,420,556</b>
<b>Liabilities and Net Assets</b>													
<b>Liabilities</b>													
Accounts payable - trade	\$ 974,137	\$ -	\$ -	\$ 974,137	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 974,137	\$ 691,791
Accrued liabilities	7,869,213	-	-	7,869,213	225,087	-	-	267,409	90,941	-	583,437	8,452,650	6,910,461
Tuition deposits and other	13,024,281	-	-	13,024,281	-	-	-	-	-	-	-	13,024,281	12,631,163
Annuities payable	494,009	-	-	494,009	-	-	-	-	-	-	-	494,009	555,063
Bonds payable, net	25,239,284	-	-	25,239,284	-	-	-	-	-	-	-	25,239,284	25,228,569
<b>Total Liabilities</b>	<b>47,600,924</b>	<b>-</b>	<b>-</b>	<b>47,600,924</b>	<b>225,087</b>	<b>-</b>	<b>-</b>	<b>267,409</b>	<b>90,941</b>	<b>-</b>	<b>583,437</b>	<b>48,184,361</b>	<b>46,017,047</b>
<b>Net Assets</b>													
Without donor restrictions	36,130,997	46,498,162	42,197,457	124,826,616	-	-	-	-	-	-	-	124,826,616	110,909,326
With donor restrictions	-	-	-	-	(130,087)	1,168,338	11,201,083	5,348,022	-	35,073,471	52,660,827	52,660,827	59,494,183
<b>Total Net Assets</b>	<b>36,130,997</b>	<b>46,498,162</b>	<b>42,197,457</b>	<b>124,826,616</b>	<b>(130,087)</b>	<b>1,168,338</b>	<b>11,201,083</b>	<b>5,348,022</b>	<b>-</b>	<b>35,073,471</b>	<b>52,660,827</b>	<b>177,487,443</b>	<b>170,403,509</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 83,731,921</b>	<b>\$ 46,498,162</b>	<b>\$ 42,197,457</b>	<b>\$ 172,427,540</b>	<b>\$ 95,000</b>	<b>\$ 1,168,338</b>	<b>\$ 11,201,083</b>	<b>\$ 5,615,431</b>	<b>\$ 90,941</b>	<b>\$ 35,073,471</b>	<b>\$ 53,244,264</b>	<b>\$ 225,671,804</b>	<b>\$ 216,420,556</b>

*See accompanying independent auditor's report on supplementary information.*

# Interlochen Center for the Arts

## Schedule of Activities - Cost of Operations and General and Administrative Expenses Allocated by Fund

Year ended May 31,	2019											2018
	Without Donor Restrictions				With Donor Restrictions							Total
	Operating Funds	Designated Funds	Designated Endowment Funds	Total Without Donor Restrictions	Scholarship Funds	General Funds	Temporary Endowment Funds	Plant Funds	Permanent Endowment Funds	Total With Donor Restrictions		
<b>Revenues and Other Additions</b>												
Gross tuition and student fees	\$ 46,651,258	\$ -	\$ -	\$ 46,651,258	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 46,651,258	\$ 43,640,112
Assets released from restrictions:												
Operating item:												
Financial aid	5,151,157	-	(50,683)	5,100,474	(3,903,466)	(12,288)	(1,184,720)	-	-	(5,100,474)	-	-
Less financial aid grants	(15,698,787)	-	-	(15,698,787)	-	-	-	-	-	-	(15,698,787)	(13,769,665)
Net tuition and student fees	36,103,628	-	(50,683)	36,052,945	(3,903,466)	(12,288)	(1,184,720)	-	-	(5,100,474)	30,952,471	29,870,447
Ticket sales	3,090,929	-	-	3,090,929	-	-	-	-	-	-	3,090,929	2,140,581
Lodging	1,383,362	-	-	1,383,362	-	-	-	-	-	-	1,383,362	1,370,879
Retail sales	2,053,715	-	-	2,053,715	-	-	-	-	-	-	2,053,715	1,916,695
Contributions and grants	1,443,664	155,184	60,952	1,659,800	3,915,754	699,380	-	4,994,141	2,579,438	12,188,713	13,848,513	8,225,801
Net gain on investments	-	1,358,662	1,461,899	2,820,561	-	40,745	1,522,450	240,136	-	1,803,331	4,623,892	11,478,872
Endowment allocation	1,617,933	-	-	1,617,933	(1,617,933)	-	-	-	-	(1,617,933)	-	-
Other revenues	1,111,464	74,234	(78,861)	1,106,837	4,108	3,862	-	947	95	9,012	1,115,849	1,294,903
<b>Total revenues and other additions</b>	<b>46,804,695</b>	<b>1,588,080</b>	<b>1,393,307</b>	<b>49,786,082</b>	<b>(1,601,537)</b>	<b>731,699</b>	<b>337,730</b>	<b>5,235,224</b>	<b>2,579,533</b>	<b>7,282,649</b>	<b>57,068,731</b>	<b>56,298,178</b>
<b>Cost of Goods and Services</b>												
Artist fees	1,858,798	11,810	-	1,870,608	-	5,050	-	(4,769)	-	281	1,870,889	1,418,785
Cost of goods sold	1,013,944	5,649	-	1,019,593	-	-	-	-	-	-	1,019,593	989,062
<b>Total cost of goods and services</b>	<b>2,872,742</b>	<b>17,459</b>	<b>-</b>	<b>2,890,201</b>	<b>-</b>	<b>5,050</b>	<b>-</b>	<b>(4,769)</b>	<b>-</b>	<b>281</b>	<b>2,890,482</b>	<b>2,407,847</b>
<b>Cost of Operations</b>												
Salaries, wages and benefits	29,649,761	566,956	-	30,216,717	-	210,043	-	1,292	-	211,335	30,428,052	29,357,408
Food costs	1,547,424	-	-	1,547,424	-	3,455	-	-	-	3,455	1,550,879	1,416,459
Contracted services	835,076	610,647	-	1,445,723	-	12,223	-	34,351	-	46,574	1,492,297	1,153,178
Supplies	1,592,691	1,520,978	-	3,113,669	-	150,738	-	358,157	-	508,895	3,622,564	2,630,308
Repairs and maintenance	901,375	68,667	-	970,042	-	3,651	-	31,481	-	35,132	1,005,174	909,938
Leases and rentals	342,672	30,165	-	372,837	-	5,172	-	500	-	5,672	378,509	337,467
Utilities	1,010,390	-	-	1,010,390	-	-	-	-	-	-	1,010,390	947,076
Insurance	341,577	5,989	-	347,566	-	-	-	12,063	-	12,063	359,629	337,483
Telephone and postage	626,100	5,412	-	631,512	-	-	-	-	-	-	631,512	559,094
Other operational	87,433	167,201	-	254,634	-	12,627	-	-	-	12,627	267,261	297,568
<b>Total cost of operations</b>	<b>36,934,499</b>	<b>2,976,015</b>	<b>-</b>	<b>39,910,514</b>	<b>-</b>	<b>397,909</b>	<b>-</b>	<b>437,844</b>	<b>-</b>	<b>835,753</b>	<b>40,746,267</b>	<b>37,945,979</b>

# Interlochen Center for the Arts

## Schedule of Activities - Cost of Operations and General and Administrative Expenses Allocated by Fund

Year ended May 31,	2019											2018
	Without Donor Restrictions				With Donor Restrictions							Total
	Operating Funds	Designated Funds	Designated Endowment Funds	Total Without Donor Restrictions	Scholarship Funds	General Funds	Temporary Endowment Funds	Plant Funds	Permanent Endowment Funds	Total With Donor Restrictions		
<b>General and Administrative</b>												
Marketing	\$ 793,939	\$ 23,886	\$ -	\$ 817,825	\$ -	\$ 8,250	\$ -	\$ 30,796	\$ -	\$ 39,046	\$ 856,871	\$ 964,220
Travel and entertainment	1,131,213	235,709	-	1,366,922	-	135,055	-	459	-	135,514	1,502,436	1,157,933
Professional services	542,857	268,908	-	811,765	-	-	-	-	-	-	811,765	895,346
Other	769,088	418,559	-	1,187,647	-	44,620	-	5,000	-	49,620	1,237,267	929,999
<b>Total general and administrative</b>	<b>3,237,097</b>	<b>947,062</b>	<b>-</b>	<b>4,184,159</b>	<b>-</b>	<b>187,925</b>	<b>-</b>	<b>36,255</b>	<b>-</b>	<b>224,180</b>	<b>4,408,339</b>	<b>3,947,498</b>
<b>Total expenses before depreciation</b>	<b>43,044,338</b>	<b>3,940,536</b>	<b>-</b>	<b>46,984,874</b>	<b>-</b>	<b>590,884</b>	<b>-</b>	<b>469,330</b>	<b>-</b>	<b>1,060,214</b>	<b>48,045,088</b>	<b>44,301,324</b>
Increase (decrease) in net assets before depreciation and non-operating items	3,760,357	(2,352,456)	1,393,307	2,801,208	(1,601,537)	140,815	337,730	4,765,894	2,579,533	6,222,435	11,603,176	11,996,854
Depreciation Expense	1,939,709	-	-	1,939,709	-	-	-	-	-	-	1,939,709	1,913,803
<b>Assets Released From Restrictions/Transfers</b>												
Non-operating items - capital and other	11,239,043	5,295,208	(3,688,955)	12,845,296	1,414,412	2,948	(319,355)	(13,943,301)	-	(12,845,296)	-	-
<b>Net Increase (Decrease) in Net Assets</b>	<b>13,059,691</b>	<b>2,942,752</b>	<b>(2,295,648)</b>	<b>13,706,795</b>	<b>(187,125)</b>	<b>143,763</b>	<b>18,375</b>	<b>(9,177,407)</b>	<b>2,579,533</b>	<b>(6,622,861)</b>	<b>7,083,934</b>	<b>10,083,051</b>
<b>Net Assets, beginning of year</b>	<b>23,071,306</b>	<b>43,555,410</b>	<b>44,493,105</b>	<b>111,119,821</b>	<b>57,038</b>	<b>1,024,575</b>	<b>11,182,708</b>	<b>14,525,429</b>	<b>32,493,938</b>	<b>59,283,688</b>	<b>170,403,509</b>	<b>160,320,458</b>
<b>Net Assets, end of year</b>	<b>\$ 36,130,997</b>	<b>\$ 46,498,162</b>	<b>\$ 42,197,457</b>	<b>\$ 124,826,616</b>	<b>\$ (130,087)</b>	<b>\$ 1,168,338</b>	<b>\$ 11,201,083</b>	<b>\$ 5,348,022</b>	<b>\$ 35,073,471</b>	<b>\$ 52,660,827</b>	<b>\$ 177,487,443</b>	<b>\$ 170,403,509</b>

*See accompanying independent auditor's report on supplementary information.*