Interlochen Center for the Arts

Financial Statements (and supplementary information)
Years Ended May 31, 2023 and 2022

Contents

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Independent Auditor's Report

To the Board of Trustees
Interlochen Center for the Arts

Opinion

We have audited the financial statements of Interlochen Center for the Arts (the "Center"), which comprise the statement of financial position as of May 31, 2023 and 2022 and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Center as of May 31, 2023 and 2022 and the changes in its net assets, functional expenses, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audits of the Financial Statements* section of our report. We are required to be independent of the Center and to meet our ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Center's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor’s Responsibilities for the Audits of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that audits conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

To the Board of Trustees
Interlochen Center for the Arts

In performing audits in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audits 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 Center's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Center's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

Plante & Moran, PLLC

July 11, 2023

Financial Statements

Interlochen Center for the Arts

Statements of Financial Position

May 31,		**2023**		2022
Assets				
Cash and cash equivalents	$	**18,481,365**	$	21,895,881
Investments (Notes 2 and 10)		**189,431,181**		177,383,947
Accounts receivable, net of allowance of approximately $2,544,000 in 2023 and $3,114,000 in 2022		**-**		-
Gifts receivable (Note 3)		**16,451,064**		17,191,858
Prepaid expenses and other receivables		**810,625**		1,139,536
Inventories		**1,090,017**		399,652
Land, buildings and equipment, net (Note 4)		**85,775,282**		87,305,715
Other assets		**1,042,325**		1,031,815
Total Assets	$	**313,081,859**	$	306,348,404
Liabilities and Net Assets				
Liabilities				
Accounts payable - trade	$	**1,402,634**	$	1,023,983
Accrued liabilities		**8,066,506**		6,042,754
Tuition deposits and other		**16,403,178**		16,129,620
Annuities payable (Note 8)		**452,051**		401,942
Bonds payable, net of debt issuance costs of $117,856 in 2023 and $128,571 in 2022 (Note 5)		**25,282,144**		25,271,429
Total Liabilities		**51,606,513**		48,869,728
Net Assets				
Without Donor Restrictions (Note 11)		**175,076,053**		179,378,571
With Donor Restrictions (Note 12)		**86,399,293**		78,100,105
Total Net Assets		**261,475,346**		257,478,676
Total Liabilities and Net Assets	$	**313,081,859**	$	306,348,404

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

Interlochen Center for the Arts

Statements of Activities and Changes in Net Assets

	2023			2022		
Year ended May 31,	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Other Additions						
Gross tuition and student fees	$ 58,026,070	$ -	$ 58,026,070	$ 48,582,966	$ -	$ 48,582,966
Assets released from restrictions:						
Operating item:						
Financial aid	6,329,561	(6,329,561)	-	9,253,374	(9,253,374)	-
Less financial aid grants	(21,076,658)	-	(21,076,658)	(17,995,521)	-	(17,995,521)
Net tuition and student fees	43,278,973	(6,329,561)	36,949,412	39,840,819	(9,253,374)	30,587,445
Ticket sales	2,773,960	-	2,773,960	1,333,956	-	1,333,956
Lodging	1,905,928	2,080	1,908,008	1,190,157	-	1,190,157
Retail sales	2,183,071	-	2,183,071	832,593	-	832,593
Contributions and grants of financial assets	2,934,217	16,526,305	19,460,522	19,116,303	26,521,578	45,637,881
Net gain (loss) on investments, net (Note 2)	1,573,279	955,454	2,528,733	239,148	(59,201)	179,947
Assets released from restrictions:						
Operating item:						
Cost of operations and general and administrative	2,318,573	(2,318,573)	-	924,865	(924,865)	-
Paycheck Protection Program Loan Forgiveness	-	-	-	5,990,150	-	5,990,150
Other revenues	1,622,801	10,615	1,633,416	1,282,913	7,421	1,290,334
Total Revenues and Other Additions	58,590,802	8,846,320	67,437,122	70,750,904	16,291,559	87,042,463
Expenses						
Program services:						
Education program and services	24,122,936	-	24,122,936	20,331,611	-	20,331,611
Media, presentation and regional programs	5,772,714	-	5,772,714	3,852,578	-	3,852,578
Human and institutional resources	15,595,583	-	15,595,583	11,805,866	-	11,805,866
Finance and institutional effectiveness	5,499,872	-	5,499,872	2,761,233	-	2,761,233
Total program services	50,991,105	-	50,991,105	38,751,288	-	38,751,288
Support services:						
Administrative	9,605,037	-	9,605,037	7,774,443	-	7,774,443
Fundraising	2,844,310	-	2,844,310	2,670,752	-	2,670,752
Total support services	12,449,347	-	12,449,347	10,445,195	-	10,445,195
Total Expenses	63,440,452	-	63,440,452	49,196,483	-	49,196,483
Increase in net assets before non-operating items	(4,849,650)	8,846,320	3,996,670	21,554,421	16,291,559	37,845,980
Assets Released From Restrictions/Transfers						
Non-operating items:						
Capital and other	547,132	(547,132)	-	3,556,938	(3,556,938)	-
Net Increase in Net Assets	(4,302,518)	8,299,188	3,996,670	25,111,359	12,734,621	37,845,980
Net Assets, beginning of year	179,378,571	78,100,105	257,478,676	154,267,212	65,365,484	219,632,696
Net Assets, end of year	$ 175,076,053	$ 86,399,293	$ 261,475,346	$ 179,378,571	$ 78,100,105	$ 257,478,676

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

Interlochen Center for the Arts

Statement of Functional Expenses

Year ended May 31, 2023	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
Program Services							
Education program and services	$ 18,406,253	$ 2,699	$ 798,155	$ 796,531	$ 1,106,912	$ 3,012,386	$ 24,122,936
Media, presentation and regional programs	2,368,257	1,443,868	1,143,445	400,478	334,870	81,796	5,772,714
Human and institutional resources	9,161,032	265,963	3,527,511	189,761	2,441,856	9,460	15,595,583
Finance and institutional effectiveness	3,248,263	800,420	1,221,914	94,941	124,874	9,460	5,499,872
Total Program Services	33,183,805	2,512,950	6,691,025	1,481,711	4,008,512	3,113,102	50,991,105
Support Services							
Administrative	4,267,885	6,457	2,835,241	670,090	1,815,904	9,460	9,605,037
Fundraising	2,204,133	-	155,394	277,851	197,472	9,460	2,844,310
Total Support Services	6,472,018	6,457	2,990,635	947,941	2,013,376	18,920	12,449,347
Total Expenses	$ 39,655,823	$ 2,519,407	$ 9,681,660	$ 2,429,652	$ 6,021,888	$ 3,132,022	$ 63,440,452

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

Interlochen Center for the Arts

Statement of Functional Expenses

Year ended May 31, 2022	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
Program Services							
Education program and services	$ 15,739,647	$ -	$ 567,833	$ 468,193	$ 712,971	$ 2,842,968	$ 20,331,612
Media, presentation and regional programs	2,010,686	735,753	737,738	52,835	245,254	70,312	3,852,578
Human and institutional resources	6,880,980	113,749	2,471,461	117,118	2,214,427	8,131	11,805,866
Finance and institutional effectiveness	1,382,365	247,810	933,545	87,157	102,225	8,131	2,761,233
Total Program Services	26,013,678	1,097,312	4,710,577	725,303	3,274,877	2,929,542	38,751,288
Support Services							
Administrative	3,426,569	28,716	2,385,752	133,578	1,791,697	8,131	7,774,443
Fundraising	2,083,977	-	150,171	249,296	179,177	8,131	2,670,752
Total Support Services	5,510,546	28,716	2,535,923	382,874	1,970,874	16,262	10,445,195
Total Expenses	$ 31,524,224	$ 1,126,028	$ 7,246,500	$ 1,108,177	$ 5,245,751	$ 2,945,804	$ 49,196,483

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

Interlochen Center for the Arts

Statements of Cash Flows

Year ended May 31,		**2023**		2022
Cash Flows From (For) Operating Activities				
Net increase in net assets	$	**3,996,670**	$	37,845,980
Adjustments to reconcile net increase in net assets to net cash from operating activities:				
Depreciation and amortization		**3,142,736**		2,956,522
Net change in realized and unrealized loss on investments		**3,374,562**		4,424,730
Bad debt recovery		**(569,368)**		(267,142)
Change in value of charitable gift annuities		**90,653**		(73,445)
Decrease (increase) in gifts and accounts receivable		**1,310,163**		(9,255,753)
Decrease (increase) in prepaid expenses and other receivables		**328,910**		(642,850)
Increase in inventories		**(690,365)**		(399,652)
Increase in other assets		**(10,509)**		(9,989)
Increase in accounts payable - trade		**378,651**		483,186
Increase (decrease) in accrued liabilities		**2,023,752**		(86,224)
Increase in tuition deposits and other		**273,558**		5,094,671
Paycheck Protection Program loan forgiveness		**-**		(5,990,150)
Restricted contributions		**(6,612,987)**		(13,306,374)
Net Cash From (For) Operating Activities		**7,036,426**		20,773,510
Cash Flows From (For) Investing Activities				
Purchases of property and equipment		**(1,601,588)**		(6,010,863)
Purchases of investments		**(49,013,073)**		(43,256,808)
Proceeds from sale of investments		**33,591,276**		30,016,148
Net Cash From (For) Investing Activities		**(17,023,385)**		(19,251,523)
Cash Flows From (For) Financing Activities				
Proceeds from restricted contributions		**6,612,987**		13,306,374
Payments on annuity agreements		**(40,544)**		(40,934)
Net Cash From (For) Financing Activities		**6,572,443**		13,265,440
Net (Decrease) Increase in Cash and Cash Equivalents		**(3,414,516)**		14,787,427
Cash and Cash Equivalents, beginning of year		**21,895,881**		7,108,454
Cash and Cash Equivalents, end of year	$	**18,481,365**	$	21,895,881
Supplemental Disclosure of Cash Flow Information				
Interest paid during the year	$	**516,317**	$	46,164
Forgiveness of Paycheck Protection Program loan				5,990,150

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

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 3,000 students, a co-educational boarding school with enrollment of approximately 575 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, film and new media, interdisciplinary 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 years ended May 31, 2023 and 2022, CFI's activity was insignificant. CFI had total assets of C$346,643 and C$91,535 as of May 31, 2023 and 2022, respectively. CFI had total net assets of C$261,973 and <C$5,783> as of May 31, 2023 and 2022, respectively. CFI has not been consolidated with the Center for the Center's financial statements as of and for the years ended May 31, 2023 and 2022.

The Center filed Articles of Incorporation with an effective date of June 1, 2023 to create two new 501(c)(3) nonprofit corporations, Interlochen Arts Camp and Interlochen Arts Group. The corporations were formed on a nonstock, membership basis with the Center as the sole member and will be consolidated with the Center for the Center's financial statements as of and for the year ended May 31, 2024.

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 (U.S. GAAP).

COVID-19

During fiscal year 2022, COVID-19 limited attendance at the Camp, and did not limit the Academy enrollment. During fiscal year 2023, COVID-19 did not impact the Center's operations.

In response to the outbreak in fiscal year 2021, the Center obtained the Paycheck Protection Program (PPP) loan for $5,990,150 which was forgiven in fiscal year 2022 (see Note 5 for additional information).

The Coronavirus Aid, Relief, and Economic Security (CARES) Act of 2020 introduced the Employee Retention Credit (ERC) as pandemic relief for eligible organizations. The ERC is a refundable credit against certain employment taxes and qualifies as a government grant. Under generally accepted accounting principles, government grants are recognized as revenue in the period in which an organization substantially overcomes all measurable barriers to be entitled to the funding. Management has determined that the measurable barriers that must be overcome for entitlement to the ERC funding are qualifying for the credits based on having operations partially suspended to comply with a government order related to COVID-19 and incurring eligible payroll expenses. For the fiscal year ended May 31, 2022, the Center determined these conditions have been met and recognized $4,415,989 of ERC revenue within contributions and grants on the statement of activities and changes in net assets and recognized a corresponding receivable within gifts receivable on the statement of financial position. The ERC is outstanding as of May 31, 2023. The Center's ERC claim is subject to review by the Internal Revenue Service (IRS) within the applicable statute of limitations. If a portion or all of the ERC is determined to be ineligible upon IRS review, the Center would be required to return the ineligible portion on demand and could potentially be subject to penalties and interest on unpaid employment taxes.

The Shuttered Venue Operators Grant (SVOG) program was established by the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act, and amended by the American Rescue Plan Act, and is a government grant. The Center was awarded $10 million in SVOG in July 2021, which was recognized in fiscal year 2022 within contributions and grants on the statement of activities and changes in net assets after incurring eligible expenses.

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 only be expended 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 which 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 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.

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.

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 statements of activities and changes in net assets as increases or decreases in net assets without donor restrictions unless their use is donor 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

Costs of providing the program and support services have been reported on a functional basis in statement of activities and changes in net assets. The Center's department classification is the basis for allocating costs among the functional classifications. Depreciation is allocated based upon square footage. Costs have been allocated between the various programs and support services based on estimates, as determined by management. Salaries, wages and benefits are allocated based on time and effort on where employees spend their time. Although the methods of allocation used are considered appropriate, other methods could be used that would produce different amounts.

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.

Other Assets

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

May 31,	2023	2022
Broadcasting License		
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	**282,513**	282,513
Total Broadcasting Licenses	**$ 994,178**	$ 994,178

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, 2023 and 2022.

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 statements 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

During 2023 and 2022, the Center recognized net revenue from students of $36,949,412 and $30,587,445, respectively. The Center recognized impairment losses on student accounts receivable of $915,427 and $1,162,834, respectively.

The Center is an educational facility that operates a campus in Interlochen, Michigan. During 2023 and 2022, the Center recognized revenue from tuition of $58,026,070 and $48,582,966, respectively. The difference between the 2023 and 2022 revenue from tuition of $58,026,070 and $48,582,966, respectively, and the net revenue from students of $36,949,412 and $30,587,445, respectively, is related to financial aid. Revenue for tuition is generally recognized ratably over the applicable semester or the service period, respectively. The nature, amount, timing and uncertainty of the Center's tuition revenue vary depending on the following factors:

- Student's boarding or day status
- Student's enrollment status (e.g., first year senior or post graduate)
- Summer camp sessions attended (e.g., junior, intermediate, high school)
- Semester attended (i.e., fall and spring or only spring)
- Financial aid discounts

For the year ended 2023, the closing balances of the Center's student accounts receivable and unearned revenue were $0, and $15,882,579, respectively.

For the year ended 2022, the beginning balances of the Center's student accounts receivable and unearned revenue were $75,000, and $10,818,465, respectively. The closing balances were $0, and $15,814,630, respectively.

During the year ended 2022, approximately $9,811,754 of revenue was recognized from the closing balance of unearned revenue. During the year ended 2023, approximately $15,611,433 of revenue was recognized from the closing balance of unearned revenue.

Changes in unearned revenue are as follows:

Balance at June 1, 2021	$ 10,818,465
Activity for fiscal year 2022:	
Invoices	14,807,919
Revenue Recognized	(9,811,754)
Ending balance at May 31, 2022	15,814,630
Activity for fiscal year 2023:	
Invoices	15,679,382
Revenue Recognized	(15,611,433)
Ending balance at May 31, 2023	$ 15,882,579

The Center typically satisfies its performance obligations over time, as services are rendered, because students typically obtain the benefits of such services as the services are performed. The Center typically uses days elapsed during the semester to measure progress toward completion of performance obligations satisfied over time. Days elapsed during the semester most faithfully depicts the Center's transfer of services because control of the services is transferred to the student during each day of the applicable semester.

Changes in estimates or student enrollment status during the current reporting period may result in changes to the revenue recognized for performance obligations that were previously fully or partially satisfied.

Payment for tuition and fees is typically due August 1 for the Interlochen Arts Academy and May 1 for the Interlochen Arts Camp. Invoices for tuition and fees are sent to parents once the enrollment agreement is signed. The Center does not offer discounts if the parent pays some or all of an invoiced amount prior to the due date. Payment early in the applicable semester or service period is reflected as unearned revenue, while payment late in the applicable semester or service period is reflected as contract assets, which may include student accounts receivable.

The transaction price of a contract with a student's parent is the amount of consideration to which the Center expects to be entitled in exchange for transferring promised services to the student.

To determine the transaction price of a contract, the Center considers its customary business practices as well as the terms of the contract. For the purpose of determining transaction prices, the Center assumes that the services will be transferred to the student as promised in accordance with existing contracts and that the contracts will not be cancelled, renewed, or modified.

For tuition and fees, the amount of consideration to which the Center will be entitled is variable as long as a student can withdraw from the school year or summer camp session and receive a refund. The Center excludes estimated refunds from the transaction price (and from the disclosure of the amounts of transaction prices allocated to remaining performance obligations). The Center also maintains appropriate accounts to reflect the effects of expected refunds on the Center's financial position and periodically adjusts those accounts to reflect its actual refund experience. The Center estimates refunds using historical and projected refund and enrollment trends. None of the Center's exchange revenues have a significant financing component.

At the end of each fiscal year, the Center updates the estimated transaction prices of contracts having unsatisfied performance obligations. At those times, revenue and related account balances are adjusted to reflect any changes in transaction prices.

Each contract with the parent typically contains only one performance obligation. Accordingly, the Center need not allocate the transaction price.

Services that the Center transfers to students are performed by the Center. In no case does the Center act as an agent; i.e., the Center does not provide a service of arranging for another party to transfer services to students.

During the fiscal year ended May 31, 2023, the Center recognized revenue from ticket sales, lodging, and retail sales of $2,773,960, $1,908,008 and $2,183,071, respectively. During the fiscal year ended May 31, 2022, the Center recognized revenue from ticket sales, lodging, and retail sales of $1,333,956, $1,190,157 and $832,593, respectively. These streams of revenue are recognized at a point in time upon the occurrence of the concert, lodging stay, or point-of-sale transaction. Payment is typically due upon entering into the sale. In certain instances, customers may prepay for a concert, which results in a contract liability that is recorded within accrued liabilities on the statement of financial position.

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.

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 of $185,145 has been made for estimated claims incurred but not reported and is included within accrued liabilities in the statement of financial position.

Upcoming Accounting Pronouncement

In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-13, Financial Instruments - Credit Losses: Measurement of Credit Losses on Financial Instruments. The ASU includes changes to the accounting and measurement of financial assets including the Center's accounts receivable and held-to-maturity debt securities by requiring the Center to recognize an allowance for all expected losses over the life of the financial asset at origination. This is different from the current practice where an allowance is not recognized until the losses are considered probable. The ASU also changes the way credit losses are recognized for available-for-sale debt securities. Credit losses are recognized through the recording of an allowance rather than as a write-down of the carrying value. The new guidance will be effective for the Center's fiscal year ending May 31, 2024. Upon adoption, the ASU will be applied using a modified retrospective transition method to the beginning of the earliest period presented. The Center is currently evaluating the impact of the new standard.

Related Party Transactions

Contributions from members of the Center’s Board of Trustees for the fiscal years ended May 31, 2023 and 2022 amounted to $3,220,414 and $15,193,446, respectively.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including July 11, 2023, the date the financial statements were available to be issued.

The Center closed on a substitute letter of credit on June 29, 2023. The Center is required to repay the interest on the amount drawn under the letter of credit monthly at the agent’s prime rate. The principal amount drawn on the letter of credit is due within 90 days. The letter of credit expires in June 2026.

The Center closed on a $3,000,000 line of credit on June 29, 2023. At the time the line of credit is draw upon the Center’s interest rate is the Secure Overnight Financing Rate for a term of thirty days plus one hundred twenty-five basis points. The line of credit expires on June 29, 2024.

The Center filed Articles of Incorporation with an effective date of June 1, 2023 to create two new 501(c)(3) nonprofit corporations, Interlochen Arts Camp and Interlochen Arts Group. The corporations were formed on a nonstock, membership basis with the Center as the sole member.

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, 2023 and 2022 is as follows:

	2023	2022
Mutual funds		
Fixed income	$ 52,200,794	$ 50,546,443
Equity securities	92,667,374	88,266,146
Real estate	1,507,641	1,780,111
Commodities	0	16,097
Money market	7,511,052	941,340
Asset allocation	6,841,970	7,244,826
Hedge fund	8,118,405	7,881,176
Private credit	1,464,189	1,153,215
Private equity	19,119,756	19,554,593
Total Investments	$ 189,431,181	$ 177,383,947

Net gain on investments of $2,528,733 in 2023 represents $5,903,296 of interest and dividends, $714,317 of net realized gain on investments, and $4,088,880 of net unrealized losses on investments.

Net gain on investments of $179,947 in 2022 represents $4,604,677 of interest and dividends, $2,706,284 of net realized gain on investments, and $7,131,014 of net unrealized losses 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 promises from donors to make contributions to the Center. The contributions as of May 31, 2023 and 2022 is to be received as follows:

	2023	2022
Receivable in less than one year	**$ 9,575,343**	$ 7,688,065
Receivable in one to five years	**5,972,169**	8,650,242
Receivable in more than five years	**903,552**	853,551
Total Gifts Receivable	**$ 16,451,064**	$ 17,191,858

Unconditional promises to give in more than one year are not discounted to reflect a present value of estimated future cash flows as management has determined that the discount is insignificant. The Center had no allowance for uncollectible gifts receivable as of May 31, 2023 and 2022. The Center has received revocable gifts from donors to make contributions to the Center, primarily bequests, totaling approximately $82,000,000. These gifts are considered conditional contributions and will be recognized when the gifts become unconditional.

4. Land, Buildings and Equipment

Land, buildings and equipment as of May 31, 2023 and 2022 are summarized by major classification as follows:

May 31,		2023		2022
Land	$	**510,981**	$	510,981
Land improvements		**5,198,778**		5,102,111
Buildings		**113,977,830**		113,527,396
Furniture and equipment		**27,852,998**		26,835,936
Construction in progress		**84,505**		47,079
	$	**147,625,092**	$	146,023,503
Less accumulated depreciation	$	**(61,849,810)**	$	(58,717,788)
Land, Buildings and Equipment, net	$	**85,775,282**	$	87,305,715

5. Debt

Bonds payable at May 31, 2023 and 2022 consist of the following:

May 31,	2023	2022
Tax-exempt, Economic Development Bonds issued through the Township of Green Lake, Michigan; interest at a variable rate (between 0.30% and 4.15% during fiscal 2023 and between 0.01% and 0.83% during fiscal 2022) with interest only payments due monthly and one balloon principal payment due at final maturity in June 2034	**$ 25,400,000**	$ 25,400,000

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, 2023 and 2022.

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 8.25% and 4.00% at May 31, 2023 and 2022, respectively. 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.

The Center had a line of credit in the amount of $8,000,000 that expired on May 31, 2023. This line of credit was not renewed, see the subsequent events disclosure in Note 1 regarding the Centers new line of credit. As of May 31, 2023 and 2022, the Center had no outstanding balance on the line of credit. The line of credit agreement was amended in September 2021 in regards to the Center's interest rate, among other things. At the time the line of credit is draw upon the Center's interest rate is the London Interbank Offered Rate for a term of thirty days plus one hundred basis points, effectively 6.19% and 2.18% as of May 31, 2023 and 2022, respectively. The Center also pays an unused line of credit fee of 0.10% on the average daily unused portion of the line of credit.

Bonds payable includes deferred financing costs of $117,856 and $128,571 as of May 31, 2023 and 2022, respectively, which are being straight-line amortized over the life of the Series 2004 Bonds. Amortization expense was $10,715 for the years ended May 31, 2023 and 2022.

On April 28, 2020, the Center received a term loan from a bank totaling $5,990,150. The loan was issued pursuant to the Coronavirus Aid, Relief, and Economic Security (CARES) Act's Paycheck Protection Program administered by the Small Business Administration ("SBA"). The loan structure required Center officials to certify certain statements that permitted the Center to qualify for the loan. These certifications are subject to future audit by the SBA.

The program provides forgiveness for some or all of the borrowed amount if the Center uses the loan proceeds for certain covered costs and meets certain salary and employee count thresholds. Any amounts not forgiven by the SBA must be paid back to the lender in eighteen equal monthly installments. The loan accrues interest at 1 percent. The Center has a right to prepay the unpaid principal balance at any time without penalty. The Center filed for forgiveness of the Paycheck Protection Program term loan on December 17, 2020. The SBA forgave the Paycheck Protection Program term loan on November 9, 2021 and paid the loan off in full.

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 years ended May 31, 2023 and 2022 were $2,115,574 and $2,074,849, respectively, 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 (3.64% and 2.85% at May 31, 2023 and 2022, respectively). The Center records the proceeds received in excess of the annuity payable as a charitable contribution, and such amount totaled $38,628 and $0 for the years ended May 31, 2023 and 2022, respectively. At May 31, 2023 and 2022, the Center recorded $452,050 and $401,942, respectively, 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 endowments held in perpetuity, (b) the original value of subsequent gifts to the endowments held in perpetuity, and (c) accumulations to the endowments held in perpetuity 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, 2023 is as follows:

Endowment Net Asset Composition by Type of Fund as of May 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	$ -	$ 60,195,270	$ 60,195,270
Accumulated investment gains	-	16,630,761	16,630,761
Term endowment		4,541,653	4,541,653
Board-designated quasi endowment	73,058,292	-	73,058,292
Total Funds	$ 73,058,292	$ 81,367,684	$ 154,425,976

The changes in endowment net assets for the fiscal year ended May 31, 2023 is as follows:

Changes in Endowment Net Assets for the Fiscal Year Ended May 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets, Beginning of the year	$ 70,167,815	$ 73,570,295	$ 143,738,110
Investment return:			
Interest and dividends	2,225,543	2,229,227	4,454,770
Net loss of investments	(1,202,442)	(1,338,647)	(2,541,089)
Total investment return	1,023,101	890,580	1,913,681
Contributions	1,213,982	8,972,987	10,186,969
Appropriation of endowment assets for expenditures	(1,762,093)	(2,148,622)	(3,910,715)
Other changes:			
Transfers to create endowment funds		82,444	82,444
Transfers to create Board designated endowment funds	2,463,444	-	2,463,444
Annuity changes	(47,957)	-	(47,957)
	2,415,487	82,444	2,497,931
Endowment Net Assets, End of the year	$ 73,058,292	$ 81,367,684	$ 154,425,976

The composition of endowment net assets by type of fund as of May 31, 2022 is as follows:

Endowment Net Asset Composition by Type of Fund as of May 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	$ -	$ 53,499,839	$ 53,499,839
Accumulated investment gains	-	17,888,803	17,888,803
Term endowment		2,181,653	2,181,653
Board-designated quasi endowment	70,167,815	-	70,167,815
Total Funds	$ 70,167,815	$ 73,570,295	$ 143,738,110

The changes in endowment net assets for the fiscal year ended May 31, 2022 is as follows:

Changes in Endowment Net Assets for the Fiscal Year Ended May 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets,			
Beginning of the year	$ 50,502,303	$ 61,143,982	$ 111,646,285
Investment return:			
Interest and dividends	1,712,940	1,630,056	3,342,996
Net loss of investments	(1,642,836)	(1,629,563)	(3,272,399)
Total investment return	70,104	493	70,597
Contributions	1,475,480	13,306,374	14,781,854
Appropriation of endowment assets for expenditures	(1,643,819)	(1,914,384)	(3,558,203)
Other changes:			
Transfers to release Board designated endowment funds	(292,912)	-	(292,912)
Transfers to create endowment funds	-	1,033,830	1,033,830
Annuity changes	(48,315)	-	(48,315)
Transfers to create Board designated endowment funds	20,104,974	-	20,104,974
	19,763,747	1,033,830	20,797,577
Endowment Net Assets,			
End of the year	$ 70,167,815	$ 73,570,295	$ 143,738,110

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 SPMIFA requires the Center to retain as a fund of perpetual duration. Deficiencies of this nature exist in 26 donor-restricted endowment funds, which together have an original gift value of $2,806,761, a current fair value of $2,568,681, and a deficiency of $238,080 as of May 31, 2023. Deficiencies of this nature exist in 29 donor-restricted endowment funds, which together have an original gift value of $3,346,480, a current fair value of $3,068,728, and a deficiency of $277,752 as of May 31, 2022. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new contributions for donor-restricted endowment funds and continued appropriation for certain programs that was deemed prudent by the Board of Trustees. The Center's policy for underwater endowments is to continue spending at the same rate as the Center's other endowment funds.

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 4.3% 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, 2023 and 2022, 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.

	Balance, May 31, 2023	Level 1	Level 2	Level 3
Investments:				
Money Market Mutual Funds	$ 7,511,052	$ 7,511,052	$ -	$ -
U.S. Fixed Income, Core	38,306,196	38,306,196		
U.S. Fixed Income, High Yield	13,866,269	13,866,269		
Treasury Inflation Protected Securities	28,329	28,329		
U.S. Equity, Blend	51,395,387	51,395,387		
U.S. Equity, Large Value	2,782,437	2,782,437		
U.S. Equity, Small Capitalization	8,495,861	8,495,861		
International Equity, Large Blend	25,808,673	12,483,838	13,324,835	
International Equity, Emerging	4,185,016	4,185,016		
Asset Allocation	6,841,970	6,841,970		
Real Estate Securities	1,507,641	1,507,641		
Total investments	160,728,831	147,403,996	13,324,835	-
Investments measured at net asset value as a pracitcal expedient	28,702,350			
Total Investments at Fair Value	$ 189,431,181	$ 147,403,996	$ 13,324,835	$ -

	Balance, May 31, 2022	Level 1	Level 2	Level 3
Investments:				
Money Market Mutual Funds	$ 941,340	$ 941,340	$ -	$ -
U.S. Fixed Income, Core	36,088,426	36,088,426		
U.S. Fixed Income, High Yield	14,437,923	14,437,923		
Treasury Inflation Protected Securities	20,094	20,094		
U.S. Equity, Blend	46,968,947	46,968,947		
U.S. Equity, Large Value	2,915,835	2,915,835		
U.S. Equity, Small Capitalization	8,642,009	8,642,009		
International Equity, Large Blend	25,357,675	13,120,306	12,237,369	
International Equity, Emerging	4,381,680	4,381,680		
Asset Allocation	7,244,826	7,244,826		
Real Estate Securities	1,780,111	1,780,111		
Commodities Securities	16,097	16,097		
Total investments	148,794,963	136,557,594	12,237,369	-
Investments measured at net asset value as a pracitcal expedient	28,588,984			
Total Investments at Fair Value	$ 177,383,947	$ 136,557,594	$ 12,237,369	$ -

Investments in Entities That Calculate Net Asset Value Per Share

The following tables present a summary of private equity and hedge fund investments that calculates NAV as of May 31, 2023 and 2022:

As of May 31, 2023

Private Equity Funds	**Fair Value**	**Unfunded Commitments**	**Redemption Restrictions**
Portfolio Advisors VI	$ 770,851	$ 477,235	(1)
Portfolio Advisors VII	1,062,428	407,469	(1)
Portfolio Advisors VIII	1,888,904	785,096	(1)
Portfolio Advisors IX	4,963,447	1,352,626	(1)
Portfolio Advisors Secondary Fund III	1,767,626	180,263	(1)
Portfolio Advisors Secondary Fund IV	1,827,757	468,278	(1)
Goldman Sachs Vintage VII	1,360,439	1,141,792	(1)
Goldman Sachs Vintage VIII	2,394,706	1,147,927	(1)
Goldman Sachs Private Credit Managers II	1,464,189	768,960	(1)
Goldman Sachs Private Equity Managers (2019)	1,822,626	501,349	(1)
Goldman Sachs Private Equity Managers (2021)	597,164	980,658	(1)
Hirtle Callaghan Private Equity VI	663,808	239,041	(1)
Hedge Fund	8,118,405	-	(2)
	$ 28,702,350	$ 8,450,694	

As of May 31, 2022

Private Equity Funds	Fair Value	Unfunded Commitments	Redemption Restrictions
Portfolio Advisors VI	$ 1,015,852	$ 503,726	(1)
Portfolio Advisors VII	1,252,870	607,469	(1)
Portfolio Advisors VIII	2,393,698	830,495	(1)
Portfolio Advisors IX	4,861,385	1,402,583	(1)
Portfolio Advisors Secondary Fund III	2,054,583	260,263	(1)
Portfolio Advisors Secondary Fund IV	1,462,494	800,085	(1)
Goldman Sachs Vintage VII	1,941,312	1,058,532	(1)
Goldman Sachs Vintage VIII	2,052,879	1,288,165	(1)
Goldman Sachs Private Credit Managers II	1,153,215	899,070	(1)
Goldman Sachs Private Equity Managers (2019)	1,523,816	674,352	(1)
Goldman Sachs Private Equity Managers (2021)	263,940	1,339,212	(1)
Hirtle Callaghan Private Equity VI	731,765	239,041	(1)
Hedge Fund	7,881,176	-	(2)
	$ 28,588,984	$ 9,902,993	

(1) The fair values of the investments in the private equity funds have been estimated using the net asset value of the underlying investments. According to the agreements for the private equity funds above, the Center is invested in closed-end, illiquid private equity vehicles, and as such there is no redemption frequency. The duration of the private equity investments, including those that are measured at net asset value is expected to be approximately 6-10 years. The investment strategy of the funds is to acquire and structure portfolios of private equity partnerships and underlying portfolio companies across leveraged buyout, credit, distressed, growth capital, real asset, and venture capital strategies.

(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 ended on October 1, 2019, the fund had quarterly liquidity with a 91-day notice period. The investment strategy of the fund is to seek long-term risk-adjusted absolute returns by investing primarily through a portfolio of investment vehicles managed by trading advisors.

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,	**2023**	2022
Undesignated	**$ 54,185,019**	$ 56,141,504
Board designated for Quasi-Endowment	**73,058,292**	70,167,815
Board designated for Debt Service	**27,457,997**	27,789,499
Board designated for Capital and Programmatic Needs	**20,374,745**	25,279,753
	175,076,053	179,378,571

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.

12. Net Assets With Donor Restrictions

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

May 31,	**2023**	2022
Subject to Expenditure for Specific Purposes		
Buildings and Equipment	**$ 623,498**	$ 536,796
Scholarships	**150,489**	121,466
Guest Instructors, Professional Development, and Programmatic Needs	**4,257,622**	3,871,548
	5,031,609	4,529,810
Endowments		
Subject to the Center's spending policy and appropriation:		
Investment in perpetuity (original amount of $60,195,270 and $53,499,839 in 2023 and 2022, respectively), which once appropriated, is expendable to support:		
Scholarship Support	**62,669,240**	59,625,907
Guest Instructor and Faculty Support	**8,464,320**	5,990,504
Facility Operations	**195,089**	199,988
Any Activities of the Center	**4,754,277**	4,777,676
Investment for a term (original amount of $4,541,653 and $2,181,653 in 2023 and 2022, respectively), which once appropriated, is expendable to support:		
Scholarship Support	**3,366,485**	1,381,029
Facility Operations	**1,558,273**	1,595,191
Any Activities of the Center	**360,000**	0
Total endowments subject to the Center's spending policy and appropriation	**81,367,684**	73,570,295
Total Net Assets With Donor Restrictions	**86,399,293**	78,100,105

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 were 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,	**2023**	2022
Purpose or period restrictions accomplished:		
Buildings and Equipment	**$ 96,089**	$ 2,825,721
Scholarships	**6,777,808**	9,654,916
Guest Instructors, Professional Development, and Programmatic Needs	**2,321,369**	1,254,540
Net Assets Released from Restriction	9,195,266	13,735,177

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, 2023 and 2022, are as follows:

May 31,	2023	2022
Cash and cash equivalents	$ 18,481,365	$ 21,895,881
Investments	189,431,181	177,383,947
Accounts receivable, net	0	0
Gifts receivable	9,575,343	7,688,065
Total financial assets available within one year	217,487,889	206,967,893
Less:		
Amounts unavailable for general expenditures within one year due to:		
Restricted by donors in perpetuity including earnings	(70,075,286)	(63,134,390)
Restricted by donors with term restrictions including earnings	(5,284,758)	(2,976,220)
Restricted by donors with purpose restrictions	(5,396,089)	(4,630,755)
Total amounts unavailable for general expenditures within one year	(80,756,133)	(70,741,365)
Amounts unavailable to management without Boards's approval:		
Board Designated for Quasi-Endowment	(71,911,727)	(68,097,838)
Board Designated for Debt Service	(27,457,997)	(27,789,499)
Board Designated for Capital and Programmatic Needs	(20,374,745)	(25,279,753)
Total amounts unavailable to management without Board's approval	(119,744,469)	(121,167,090)
Total financial assets available to management for general expenditure within one year	$ 16,987,287	$ 15,059,438

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 expires on May 31, 2023. The Center closed on a $3,000,000 line of credit on June 29, 2023. 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, the amounts could be made available for current operations, if necessary.

Supplementary Information

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Independent Auditor's Report on Supplementary 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 years ended May 31, 2023 and 2022 and have issued our report thereon dated July 11, 2023, which contained an unmodified opinion on those financial statements. Our audits were performed for the purpose of forming an opinion on the financial statements as a whole. The supplementary statements 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 required parts 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.

Plante & Moran, PLLC

July 11, 2023

Interlochen Center for the Arts

Statement of Financial Position Allocated by Fund

	2023													
	Without Donor Restrictions				With Donor Restrictions									
May 31,	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	Intercompany Elimination	Total
Assets														
Cash and cash equivalents	$ 10,374,585	$ 4,964,280	$ 737,932	$ 16,076,797	$ 95,489	$ 1,993,026	$ 124,319	$ -	$ 85,996	$ 105,738	$ 2,404,568	$ 18,481,365		$ 18,481,365
Investments	1,910,591	42,868,462	71,173,795	115,952,848	-	1,647,096	21,048,095	-	-	50,783,142	73,478,333	189,431,181		189,431,181
Accounts receivable, net of allowance of approximately $2,544,000 in 2023	-	-	-	-	-	-	-	-	-	-	-	-		-
Gifts receivable	4,702,111	-	483,551	5,185,662	55,000	617,500	-	1,286,512	-	9,306,390	11,265,402	16,451,064		16,451,064
Prepaid expenses and other receivables	810,625	-	663,014	1,473,639	-	-	-	-	-	-	-	1,473,639	(663,014)	810,625
Inventories	1,090,017	-	-	1,090,017	-	-	-	-	-	-	-	1,090,017		1,090,017
Land, buildings and equipment, net	85,775,282	-	-	85,775,282	-	-	-	-	-	-	-	85,775,282		85,775,282
Other assets	1,042,325	-	-	1,042,325	-	-	-	-	-	-	-	1,042,325		1,042,325
Total Assets	$ 105,705,536	$ 47,832,742	$ 73,058,292	$ 226,596,570	$ 150,489	$ 4,257,622	$ 21,172,414	$ 1,286,512	$ 85,996	$ 60,195,270	$ 87,148,303	$ 313,744,873	$ (663,014)	$ 313,081,859
Liabilities and Net Assets														
Liabilities														
Accounts payable - trade	$ 1,402,634	$ -	$ -	$ 1,402,634	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,402,634		$ 1,402,634
Accrued liabilities	7,980,510	-	-	7,980,510	-	-	-	663,014	85,996	-	749,010	8,729,520	(663,014)	8,066,506
Tuition deposits and other	16,403,178	-	-	16,403,178	-	-	-	-	-	-	-	16,403,178		16,403,178
Annuities payable	452,051	-	-	452,051	-	-	-	-	-	-	-	452,051		452,051
Bonds payable, net	25,282,144	-	-	25,282,144	-	-	-	-	-	-	-	25,282,144		25,282,144
Total Liabilities	51,520,517	-	-	51,520,517	-	-	-	663,014	85,996	-	749,010	52,269,527	(663,014)	51,606,513
Net Assets														
Without Donor Restrictions	54,185,019	47,832,742	73,058,292	175,076,053	-	-	-	-	-	-	-	175,076,053		175,076,053
With Donor Restrictions	-	-	-	-	150,489	4,257,622	21,172,414	623,498	-	60,195,270	86,399,293	86,399,293		86,399,293
Total Net Assets	54,185,019	47,832,742	73,058,292	175,076,053	150,489	4,257,622	21,172,414	623,498	-	60,195,270	86,399,293	261,475,346		261,475,346
Total Liabilities and Net Assets	$ 105,705,536	$ 47,832,742	$ 73,058,292	$ 226,596,570	$ 150,489	$ 4,257,622	$ 21,172,414	$ 1,286,512	$ 85,996	$ 60,195,270	$ 87,148,303	$ 313,744,873	$ (663,014)	$ 313,081,859

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

	2023										
	Without Donor Restrictions				With Donor Restrictions						
Year ended May 31,	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	Total
Revenues and Other Additions											
Gross tuition and student fees	$ 58,026,070	$ -	$ -	$ 58,026,070	$ -	$ -	$ -	$ -	$ -	$ -	$ 58,026,070
Assets released from restrictions:											
Operating item:											
Financial aid	6,400,902		(71,341)	6,329,561	(4,600,162)	(29,022)	(1,700,377)	-	-	(6,329,561)	-
Less financial aid grants	(21,076,658)	-	-	(21,076,658)	-	-	-	-	-	-	(21,076,658)
Net tuition and student fees	43,350,314	-	(71,341)	43,278,973	(4,600,162)	(29,022)	(1,700,377)	-	-	(6,329,561)	36,949,412
Ticket sales	2,773,960	-	-	2,773,960	-	-	-	-	-	-	2,773,960
Lodging	1,905,928	-	-	1,905,928	-	2,080	-	-	-	2,080	1,908,008
Retail sales	2,183,071	-	-	2,183,071	-	-	-		-	-	2,183,071
Contributions and grants of financial assets	1,719,235	1,000	1,213,982	2,934,217	4,646,173	2,740,791	2,360,000	166,354	6,612,987	16,526,305	19,460,522
Net gain on investments	-	550,179	1,023,100	1,573,279	-	53,710	890,582	11,162	-	955,454	2,528,733
Endowment allocation	1,825,849	-	-	1,825,849	(1,825,849)	-	-	-	-	(1,825,849)	-
Other revenues	1,563,009	107,749	(47,957)	1,622,801	-	5,340	-	5,275	-	10,615	1,633,416
Total revenues and other additions	55,321,366	658,928	2,117,784	58,098,078	(1,779,838)	2,772,899	1,550,205	182,791	6,612,987	9,339,044	67,437,122
Cost of Goods and Services											
Artist fees	1,426,372	6,456	-	1,432,828	-	20,194	-	-	-	20,194	1,453,022
Cost of goods sold	1,066,384	-	-	1,066,384	-	-	-	-	-	-	1,066,384
Total cost of goods and services	2,492,756	6,456	-	2,499,212	-	20,194	-	-	-	20,194	2,519,406
Cost of Operations											
Salaries, wages and benefits	38,186,645	796,051	-	38,982,696	-	673,127	-	-	-	673,127	39,655,823
Food costs	2,100,309	764	-	2,101,073	-	23,074	-	-	-	23,074	2,124,147
Contracted services	1,051,854	823,837	-	1,875,691	-	416,906	-	13,688	-	430,594	2,306,285
Supplies	1,885,916	1,786,047	-	3,671,963	-	411,809	-	66,750	-	478,559	4,150,522
Repairs and maintenance	1,401,435	140,259	-	1,541,694	-	17,433	-	-	-	17,433	1,559,127
Leases and rentals	366,393	1,032	-	367,425	-	24,645	-	-	-	24,645	392,070
Utilities	1,257,691	-	-	1,257,691	-	-	-	-	-	-	1,257,691
Insurance	455,672	-	-	455,672	-	-	-	-	-	-	455,672
Telephone and postage	612,539	767	-	613,306	-	372	-	-	-	372	613,678
Other operational	34,447	165,229	-	199,676	-	238	-	-	-	238	199,914
Total cost of operations	47,352,901	3,713,986	-	51,066,887	-	1,567,604	-	80,438	-	1,648,042	52,714,929

Interlochen Center for the Arts

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

	2023										
	Without Donor Restrictions				With Donor Restrictions						
Year ended May 31,	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	Total
General and Administrative											
Marketing	$ 1,284,961	$ 7,782	$ -	$ 1,292,743	$ -	$ 5,972	$ -	$ -	$ -	$ 5,972	$ 1,298,715
Travel and entertainment	792,717	15,642	-	808,359	-	551,716	-	-	-	551,716	1,360,075
Professional services	1,138,065	161,476	-	1,299,541	-	46,188	-	-	-	46,188	1,345,729
Other	505,202	517,910	-	1,023,112	-	46,465	-	-	-	46,465	1,069,577
Total general and administrative	3,720,945	702,810	-	4,423,755	-	650,341	-	-	-	650,341	5,074,096
Total expenses before depreciation	53,566,602	4,423,252	-	57,989,854	-	2,238,139	-	80,438	-	2,318,577	60,308,431
Increase (decrease) in net assets before depreciation and non-operating items	1,754,764	(3,764,324)	2,117,784	108,224	(1,779,838)	534,760	1,550,205	102,353	6,612,987	7,020,467	13,741,678
Depreciation Expense	3,132,021	-	-	3,132,021	-	-	-	-	-	-	3,132,021
Assets Released From Restrictions/Transfers											
Non-operating items - capital and other	(579,228)	(1,472,186)	772,693	(1,278,721)	1,808,861	(148,686)	(448,247)	(15,651)	82,444	1,278,721	-
Net Increase (Decrease) in Net Assets	(1,956,485)	(5,236,510)	2,890,477	(4,302,518)	29,023	386,074	1,101,958	86,702	6,695,431	8,299,188	3,996,670
Net Assets, beginning of year	56,141,504	53,069,252	70,167,815	179,378,571	121,466	3,871,548	20,070,456	536,796	53,499,839	78,100,105	257,478,676
Net Assets, end of year	$ 54,185,019	$ 47,832,742	$ 73,058,292	$ 175,076,053	$ 150,489	$ 4,257,622	$ 21,172,414	$ 623,498	$ 60,195,270	$ 86,399,293	$ 261,475,346

See accompanying independent auditor's report on supplementary information.