Interlochen Center for the Arts

Financial Statements (and supplementary information)
Years Ended May 31, 2022 and 2021

Interlochen Center for the Arts

Contents

Plante & Moran, PLLC
Suite 400
634 Front Avenue N.W.
Grand Rapids, MI 49504
Tel: 616.774.8221
Fax: 616.774.0702
plantemoran.com

Independent Auditor's Report

To the Board of Trustees
Interlochen Center for the Arts

Report on the Audits of the Financial Statements

Opinion

We have audited the financial statements of Interlochen Center for the Arts (the "Center"), which comprise the statement of financial positions as of May 31, 2022 and 2021 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, 2022 and 2021 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) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 an 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 and *Government Auditing Standards* 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 and *Government Auditing Standards*, 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 11, 2022 on our consideration of the Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Center's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Center's internal control over financial reporting and compliance.

Plante & Moran, PLLC

July 11, 2022

Financial Statements

Interlochen Center for the Arts

Statements of Financial Position

May 31,		**2022**		2021
Assets				
Cash and cash equivalents	$	**21,895,881**	$	7,108,454
Investments (Notes 2 and 10)		**177,383,947**		168,568,016
Accounts receivable, net of allowance of approximately $3,114,000 in 2022 and $3,381,000 in 2021		**-**		75,000
Gifts receivable (Note 3)		**17,191,858**		7,593,964
Prepaid expenses and other receivables		**1,139,536**		496,685
Inventories		**399,652**		-
Land, buildings and equipment, net (Note 4)		**87,305,715**		84,240,659
Other assets		**1,031,815**		1,021,827
Total Assets	$	**306,348,404**	$	269,104,605
Liabilities and Net Assets				
Liabilities				
Accounts payable - trade	$	**1,023,983**	$	540,797
Accrued liabilities		**6,042,754**		6,128,978
Tuition deposits and other		**16,129,620**		11,034,949
Annuities payable (Note 8)		**401,942**		516,321
Paycheck protection program payable (Note 5)		**-**		5,990,150
Bonds payable, net of debt issuance costs of $128,571 in 2022 and $139,286 in 2021 (Note 5)		**25,271,429**		25,260,714
Total Liabilities		**48,869,728**		49,471,909
Net Assets				
Without Donor Restrictions (Note 11)		**179,378,571**		154,267,212
With Donor Restrictions (Note 12)		**78,100,105**		65,365,484
Total Net Assets		**257,478,676**		219,632,696
Total Liabilities and Net Assets	$	**306,348,404**	$	269,104,605

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

Interlochen Center for the Arts

Statements of Activities and Changes in Net Assets

	2022			2021		
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	$ **48,582,966**	$ **-**	$ **48,582,966**	$ 41,325,098	$ -	$ 41,325,098
Assets released from restrictions:						
Operating item:						
Financial aid	**9,253,374**	**(9,253,374)**	**-**	7,458,972	(7,458,972)	-
Less financial aid grants	**(17,995,521)**	**-**	**(17,995,521)**	(16,815,636)	-	(16,815,636)
Net tuition and student fees	**39,840,819**	**(9,253,374)**	**30,587,445**	31,968,434	(7,458,972)	24,509,462
Ticket sales (refunds)	**1,333,956**	**-**	**1,333,956**	(19,994)	-	(19,994)
Lodging	**1,190,157**	**-**	**1,190,157**	412,706	-	412,706
Retail sales	**832,593**	**-**	**832,593**	448,680	-	448,680
Contributions and grants	**19,116,303**	**26,521,578**	**45,637,881**	1,952,373	11,065,980	13,018,353
Net gain (loss) on investments, net (Note 2)	**239,148**	**(59,201)**	**179,947**	19,632,841	12,407,507	32,040,348
Assets released from restrictions:						
Operating item:						
Cost of operations and general and administrative	**924,865**	**(924,865)**	**-**	790,022	(790,022)	-
Paycheck Protection Program Loan Forgiveness	**5,990,150**	**-**	**5,990,150**	-	-	-
Other revenues	**1,282,913**	**7,421**	**1,290,334**	788,675	5,500	794,175
Total Revenues and Other Additions	**70,750,904**	**16,291,559**	**87,042,463**	55,973,737	15,229,993	71,203,730
Expenses						
Program services:						
Education program and services	**20,331,611**	**-**	**20,331,611**	16,166,175	-	16,166,175
Media, presentation and regional programs	**3,852,578**	**-**	**3,852,578**	2,464,369	-	2,464,369
Human and institutional resources	**11,805,866**	**-**	**11,805,866**	10,224,603	-	10,224,603
Finance and institutional effectiveness	**2,761,233**	**-**	**2,761,233**	2,378,870	-	2,378,870
Total program services	**38,751,288**	**-**	**38,751,288**	31,234,017	-	31,234,017
Support services:						
Administrative	**7,774,443**	**-**	**7,774,443**	6,979,661	-	6,979,661
Fundraising	**2,670,752**	**-**	**2,670,752**	2,253,474	-	2,253,474
Total support services	**10,445,195**	**-**	**10,445,195**	9,233,135	-	9,233,135
Total Expenses	**49,196,483**	**-**	**49,196,483**	40,467,152	-	40,467,152
Increase in net assets before non-operating items	**21,554,421**	**16,291,559**	**37,845,980**	15,506,585	15,229,993	30,736,578
Assets Released From Restrictions/Transfers						
Non-operating items:						
Capital and other	**3,556,938**	**(3,556,938)**	**-**	6,836,686	(6,836,686)	-
Net Increase in Net Assets	**25,111,359**	**12,734,621**	**37,845,980**	22,343,271	8,393,307	30,736,578
Net Assets, beginning of year	**154,267,212**	**65,365,484**	**219,632,696**	131,923,941	56,972,177	188,896,118
Net Assets, end of year	$ **179,378,571**	$ **78,100,105**	$ **257,478,676**	$ 154,267,212	$ 65,365,484	$ 219,632,696

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

Statement of Functional Expenses

Year ended May 31, 2021	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	$ 12,533,796	$ 47,271	$ 238,046	$ 204,922	$ 495,918	$ 2,646,222	$ 16,166,175
Media, presentation and regional programs	1,571,700	7,213	582,538	48,607	182,458	71,853	2,464,369
Human and institutional resources	6,569,050	89,027	1,838,612	118,387	1,601,217	8,310	10,224,603
Finance and institutional effectiveness	1,115,622	397,795	749,961	63,929	43,253	8,310	2,378,870
Total Program Services	21,790,168	541,306	3,409,157	435,845	2,322,846	2,734,695	31,234,017
Support Services							
Administrative	3,422,941	(1,619)	1,833,166	176,850	1,540,013	8,310	6,979,661
Fundraising	1,944,281	1,000	90,331	43,275	166,277	8,310	2,253,474
Total Support Services	5,367,222	(619)	1,923,497	220,125	1,706,290	16,620	9,233,135
Total Expenses	$ 27,157,390	$ 540,687	$ 5,332,654	$ 655,970	$ 4,029,136	$ 2,751,315	$ 40,467,152

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

Interlochen Center for the Arts

Statements of Cash Flows

Year ended May 31,		**2022**		2021
Cash Flows From (For) Operating Activities				
Net increase in net assets	$	**37,845,980**	$	30,736,578
Adjustments to reconcile net increase in				
net assets to net cash from operating activities:				
Depreciation and amortization		**2,956,522**		2,762,030
Net change in realized and unrealized gain (loss)				
on investments		**4,424,730**		(29,211,237)
Bad debt (recovery) expense		**(267,142)**		153,866
Change in value of charitable gift annuities		**(73,445)**		147,409
Decrease (increase) in gifts and accounts receivable		**(9,255,753)**		2,088,168
Decrease (increase) in prepaid expenses and other receivables		**(642,850)**		78,154
Decrease (increase) in inventories		**(399,652)**		354,342
Increase in other assets		**(9,989)**		(9,519)
Increase in accounts payable - trade		**483,186**		163,309
Increase (decrease) in accrued liabilities		**(86,224)**		819,623
Increase in tuition deposits and other		**5,094,671**		5,258,270
Paycheck Protection Program loan forgiveness		**(5,990,150)**		
Restricted contributions		**(13,306,374)**		(1,697,137)
Net Cash From Operating Activities		**20,773,510**		11,643,856
Cash Flows From (For) Investing Activities				
Purchases of property and equipment		**(6,010,863)**		(12,847,696)
Purchases of investments		**(43,256,808)**		(77,379,060)
Proceeds from sale of investments		**30,016,148**		80,578,047
Net Cash From (For) Investing Activities		**(19,251,523)**		(9,648,709)
Cash Flows From (For) Financing Activities				
Proceeds from restricted contributions		**13,306,374**		1,697,137
Proceeds from borrowing under revolving credit		**-**		5,800,000
Payments on borrowing under revolving credit		**-**		(8,000,000)
Payments on annuity agreements		**(40,934)**		(101,612)
Net Cash From (For) Financing Activities		**13,265,440**		(604,475)
Net Increase in Cash and Cash Equivalents		**14,787,427**		1,390,672
Cash and Cash Equivalents, beginning of year		**7,108,454**		5,717,782
Cash and Cash Equivalents, end of year	$	**21,895,881**	$	7,108,454
Supplemental Disclosure of Cash Flow Information				
Interest paid during the year	$	**46,164**	$	92,843
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 2,500 students, a co-educational boarding school with enrollment of approximately 550 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, 2022 and 2021, CFI's activity was insignificant. CFI had total assets of C$91,535 and C$506,505 as of May 31, 2022 and 2021, respectively. CFI had total net assets of <C$5,783> and C$261,675 as of May 31, 2022 and 2021, respectively. CFI has not been consolidated with the Center for the Center's financial statements as of and for the years ended May 31, 2022 and 2021.

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 2021, COVID-19 impacted Interlochen Arts Camp requiring virtual attendance, however, Interlochen Arts Academy was fully in person. During fiscal year 2022, COVID-19 limited attendance at the Camp, and did not limit the Academy enrollment.

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 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. 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,	**2022**	2021
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, 2022 and 2021.

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 2022 and 2021, the Center recognized net revenue from students of $30,587,445 and $24,509,462, respectively. The Center recognized impairment losses on student accounts receivable of $1,162,834 and $859,369, respectively.

The Center is an educational facility that operates a campus in Interlochen, Michigan. During 2022 and 2021, the Center recognized revenue from tuition of $48,582,966 and $41,325,098, respectively. The difference between the 2022 and 2021 revenue from tuition of $48,582,966 and $41,325,098, respectively, and the net revenue from students of $30,587,445 and $24,509,462, 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 2022, the closing balances of the Center's student accounts receivable and unearned revenue were $0, and $15,814,630, respectively.

For the year ended 2021, the beginning balances of the Center's student accounts receivable and unearned revenue were $0, and $5,644,015, respectively. The closing balances were $75,000, and $10,818,465, respectively.

During the year ended 2021, approximately $5,330,182 of revenue was recognized from the closing balance of unearned revenue. During the year ended 2022, approximately $9,811,754 of revenue was recognized from the closing balance of unearned revenue.

Changes in unearned revenue are as follows:

Balance at June 1, 2020	$ 5,644,015
Activity for fiscal year 2021:	
Invoices	10,504,632
Revenue Recognized	(5,330,182)
Ending balance at May 31, 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

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, 2022, the Center recognized revenue from ticket sales, lodging, and retail sales of $1,333,956, $1,190,157 and $832,593, respectively. During the fiscal year ended May 31, 2021, the Center recognized revenue from ticket sales, lodging, and retail sales of ($19,994), $412,706 and $448,680, 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 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 September 2020, the FASB issued ASU 2020 07, Not for Profit Entities (Topic 958): Presentation and Disclosures by Not for Profit Entities for Contributed Nonfinancial Assets. The ASU provides for additional disclosures to support clearer financial information about important noncash contributions charities and other not-for-profit organizations receive, known as gifts-in-kind (GIKs). Contributed nonfinancial assets will be reported by category within the financial statements, and there will be additional disclosures included for each category including whether the nonfinancial assets were monetized or used during the reporting period, the policy for monetizing nonfinancial contributions, and description of the fair value techniques used to arrive at a fair value measurement. The new guidance will be effective for the Center's fiscal year ending May 31, 2023 and will be applied using the retrospective method.

Related Party Transactions

Contributions from members of the Center's Board of Trustees for the fiscal years ended May 31, 2022 and 2021 amounted to $15,193,446 and $3,119,111, respectively.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including July 11, 2022, the date the financial statements were available to be issued.

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, 2022 and 2021 is as follows:

	2022	2021
Mutual funds		
Fixed income	$ 50,546,443	$ 46,557,221
Equity securities	88,266,146	85,561,864
Real estate	1,780,111	3,541,168
Commodities	16,097	30,040
Money market	941,340	5,446,510
Asset allocation	7,244,826	6,117,417
Hedge fund	7,881,176	7,733,849
Private credit	1,153,215	938,850
Private equity	19,554,593	12,641,097
Total Investments	$ 177,383,947	$ 168,568,016

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.

Net gain on investments of $32,040,348 in 2021 represents $2,829,111 of interest and dividends, $2,819,993 of net realized gain on investments, and $26,391,244 of net unrealized gains 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, 2022 and 2021 is to be received as follows:

		2022		2021
Receivable in less than one year	$	**7,688,065**	$	4,074,117
Receivable in one to five years		**8,650,242**		3,036,296
Receivable in more than five years		**853,551**		483,551
Total Gifts Receivable	$	**17,191,858**	$	7,593,964

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, 2022 and 2021. The Center has received revocable gifts from donors to make contributions to the Center, primarily bequests, totaling approximately $78,000,000. 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, 2022 and 2021 are summarized by major classification as follows:

May 31,		2022		2021
Land	$	**510,981**	$	506,951
Land improvements		**5,102,111**		4,966,706
Buildings		**113,527,396**		100,455,492
Furniture and equipment		**26,835,936**		26,152,089
Construction in progress		**47,079**		7,931,402
	$	**146,023,503**	$	140,012,640
Less accumulated depreciation	$	**(58,717,788)**	$	(55,771,981)
Land, Buildings and Equipment, net	$	**87,305,715**	$	84,240,659

5. Debt

Bonds payable at May 31, 2022 and 2021 consist of the following:

May 31,	**2022**	2021
Tax-exempt, Economic Development Bonds issued through the Township of Green Lake, Michigan; interest at a variable rate (between 0.01% and 0.83% during fiscal 2022 and between 0.01% and 0.20% during fiscal 2021) with final maturity 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, 2022 and 2021.

Under the terms of the indenture and related agreements, bondholders have the option to redeem or put the bonds when the interest rate is reset daily. If the remarketing agent cannot remarket the bonds, the trustee would draw on the letter of credit to pay those bondholders exercising their option. The Center is required to repay the interest on the amount drawn under the letter of credit monthly at the agent's prime rate, an effective rate of 3.94% and 3.25% at May 31, 2022 and 2021, 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 has a line of credit in the amount of $8,000,000 that expires in May 2023. As of May 31, 2022 and 2021, 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 thirty days plus one hundred twenty five basis points, effectively 1.34% as of May 31, 2021. 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 2.18% as of May 31, 2022. 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 $128,571 and $139,286 as of May 31, 2022 and 2021, 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, 2022 and 2021.

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, 2022 and 2021 were $2,074,849 and ($80,208), respectively, net of forfeitures. For the year ended May 31, 2021, the Center chose to pay the employer contribution to eligible employees as a one-time cash bonus rather than as a contribution to the retirement plan.

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 (2.74% and 1.60% at May 31, 2022 and 2021, respectively). The Center records the proceeds received in excess of the annuity payable as a charitable contribution, and such amount totaled $0 and $11,050 for the years ended May 31, 2022 and 2021, respectively. At May 31, 2022 and 2021, the Center recorded $401,942 and $516,321, 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, 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	$ -	$ 55,681,492	$ 55,681,492
Accumulated investment gains	-	17,888,803	17,888,803
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

The composition of endowment net assets by type of fund as of May 31, 2021 is as follows:

Endowment Net Asset Composition by Type of Fund as of May 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	$ -	$ 41,341,287	$ 41,341,287
Accumulated investment gains	-	19,802,695	19,802,695
Board-designated quasi endowment	50,502,303	-	50,502,303
Total Funds	$ 50,502,303	$ 61,143,982	$ 111,646,285

The changes in endowment net assets for the fiscal year ended May 31, 2021 is as follows:

Changes in Endowment Net Assets for the Fiscal Year Ended May 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets,			
Beginning of the year	$ 42,838,209	$ 49,688,456	$ 92,526,665
Investment return:			
Interest and dividends	687,474	987,360	1,674,834
Net appreciation of investments	9,184,670	10,565,528	19,750,198
Total investment return	9,872,144	11,552,888	21,425,032
Contributions	89,867	1,697,137	1,787,004
Appropriation of endowment assets for expenditures	(1,607,054)	(1,794,499)	(3,401,553)
Other changes:			
Transfers to release Board designated endowment funds	(922,553)	-	(922,553)
Annuity changes	231,690	-	231,690
	(690,863)	-	(690,863)
Endowment Net Assets,			
End of the year	$ 50,502,303	$ 61,143,982	$ 111,646,285

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 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. Deficiencies of this nature exist in 9 donor-restricted endowment funds, which together have an original gift value of $208,605, a current fair value of $8,358, and a deficiency of $200,247 as of May 31, 2021. 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. In the fiscal year ended May 31, 2021, the Center had a policy of appropriating for distribution each year 4.4% 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, 2022 and 2021, 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, 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	$ -

	Balance, May 31, 2021	Level 1	Level 2	Level 3
Investments:				
Money Market Mutual Funds	$ 5,446,510	$ 5,446,510	$ -	$ -
U.S. Fixed Income, Core	33,277,766	33,277,766		
U.S. Fixed Income, High Yield	13,258,506	13,258,506		
Treasury Inflation Protected Securities	20,949	20,949		
U.S. Equity, Blend	46,999,390	46,999,390		
U.S. Equity, Large Value	473,227	473,227		
U.S. Equity, Small Capitalization	8,485,841	8,485,841		
International Equity, Large Blend	24,376,919	12,197,926	12,178,993	
International Equity, Emerging	5,226,487	5,226,487		
Asset Allocation	6,117,417	6,117,417		
Real Estate Securities	3,541,168	3,541,168		
Commodities Securities	30,040	30,040		
Total investments	147,254,220	135,075,227	12,178,993	-
Investments measured at net asset value as a pracitcal expedient	21,313,796			
Total Investments at Fair Value	$ 168,568,016	$ 135,075,227	$ 12,178,993	$ -

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, 2022 and 2021:

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 Private Equity Managers (2019)	1,523,816	674,352	(1)
Goldman 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	

As of May 31, 2021

Private Equity Funds	Fair Value	Unfunded Commitments	Redemption Restrictions
Portfolio Advisors VI	$ 1,106,540	$ 628,665	(1)
Portfolio Advisors VII	1,406,061	842,469	(1)
Portfolio Advisors VIII	1,820,567	830,496	(1)
Portfolio Advisors IX	2,849,053	1,623,837	(1)
Portfolio Advisors Secondary Fund III	1,463,821	385,411	(1)
Goldman Sachs Vintage VII	1,726,066	956,842	(1)
Goldman Sachs Vintage VIII	1,060,919	1,778,472	(1)
Goldman Sachs Private Equity Managers (2019)	686,611	1,099,266	(1)
Goldman Sachs Private Equity Managers (2021)	-	1,600,000	(1)
Goldman Sachs Private Credit Managers II	938,850	1,147,916	(1)
Hirtle Callaghan Private Equity VI	521,459	239,041	(1)
Hedge Fund	7,733,849	-	(2)
	$ 21,313,796	$ 11,132,415	

(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,	**2022**	2021
Undesignated	**$ 56,141,504**	$ 51,573,944
Board designated for Quasi-Endowment	**70,167,815**	50,502,303
Board designated for Debt Service	**27,789,499**	33,016,019
Board designated for Capital and Programmatic Needs	**25,279,753**	19,174,946
	179,378,571	154,267,212

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,	**2022**	2021
Subject to Expenditure for Specific Purposes		
Buildings and Equipment	**$ 536,796**	$ 2,459,901
Scholarships	**121,466**	118,551
Guest Instructors, Professional Development, and Programmatic Needs	**3,871,548**	1,643,050
	4,529,810	4,221,502
Endowments		
Subject to the Center's spending policy and appropriation:		
Investment in perpetuity (original amount of $55,681,492 and $41,341,287 in 2022 and 2021, respectively), which once appropriated, is expendable to support:		
Scholarship Support	**61,006,936**	48,646,440
Guest Instructor and Faculty Support	**5,990,504**	5,767,718
Facility Operations	**1,795,179**	1,851,495
Any Activities of the Center	**4,777,676**	4,878,329
Total endowments subject to the Center's spending policy and appropriation	**73,570,295**	61,143,982
Total Net Assets With Donor Restrictions	**78,100,105**	65,365,484

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,	**2022**	2021
Purpose or period restrictions accomplished:		
Buildings and Equipment	$ **2,825,721**	$ 6,842,382
Scholarships	**9,654,916**	7,834,690
Guest Instructors, Professional Development, and Programmatic Needs	**1,254,540**	408,608
Net Assets Released from Restriction	13,735,177	15,085,680

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, 2022 and 2021, are as follows:

May 31,	2022	2021
Cash and cash equivalents	$ 21,895,881	$ 7,108,454
Investments	177,383,947	168,568,016
Accounts receivable, net	0	75,000
Gifts receivable	7,688,065	4,074,117
Total financial assets available within one year	206,967,893	179,825,587
Less:		
Amounts unavailable for general expenditures within one year due to:		
Restricted by donors in perpetuity	(66,110,610)	(60,345,494)
Restricted by donors with purpose restrictions	(4,630,755)	(4,821,014)
Total amounts unavailable for general expenditures within one year	(70,741,365)	(65,166,508)
Amounts unavailable to management without Boards's approval:		
Board Designated for Quasi-Endowment	(68,097,838)	(47,245,382)
Board Designated for Debt Service	(27,789,499)	(33,016,019)
Board Designated for Capital and Programmatic Needs	(25,279,753)	(19,174,946)
Total amounts unavailable to management without Board's approval	(121,167,090)	(99,436,347)
Total financial assets available to management for general expenditure within one year	$ 15,059,438	$ 15,222,732

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, the amounts could be made available for current operations, if necessary.

Supplementary Information

Plante & Moran, PLLC
Suite 400
634 Front Avenue N.W.
Grand Rapids, MI 49504
Tel: 616.774.8221
Fax: 616.774.0702
plantemoran.com

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, 2022 and 2021 and have issued our report thereon dated July 11, 2022, 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, 2022

Interlochen Center for the Arts

Statement of Financial Position Allocated by Fund

	2022													
	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	$ 8,233,601	$ 8,199,142	$ 2,088,969	$ 18,521,712	$ -	$ 2,298,257	$ 234,434	$ -	$ 75,076	$ 766,402	$ 3,374,169	$ 21,895,881		$ 21,895,881
Investments	2,173,063	44,870,110	66,008,869	113,052,042	-	1,503,291	19,836,022	-	-	42,992,592	64,331,905	177,383,947		177,383,947
Accounts receivable, net of allowance of approximately $3,114,000 in 2022	-	-	-	-	-	-	-	-	-	-	-	-		-
Gifts receivable	4,652,774	-	483,551	5,136,325	137,500	70,000	-	2,107,188	-	9,740,845	12,055,533	17,191,858		17,191,858
Prepaid expenses and other receivables	1,139,536	-	1,586,426	2,725,962	-	-	-	-	-	-	-	2,725,962	(1,586,426)	1,139,536
Inventories	399,652	-	-	399,652	-	-	-	-	-	-	-	399,652		399,652
Land, buildings and equipment, net	87,305,715	-	-	87,305,715	-	-	-	-	-	-	-	87,305,715		87,305,715
Other assets	1,031,815	-	-	1,031,815	-	-	-	-	-	-	-	1,031,815		1,031,815
Total Assets	$ 104,936,156	$ 53,069,252	$ 70,167,815	$ 228,173,223	$ 137,500	$ 3,871,548	$ 20,070,456	$ 2,107,188	$ 75,076	$ 53,499,839	$ 79,761,607	$ 307,934,830	$ (1,586,426)	$ 306,348,404
Liabilities and Net Assets														
Liabilities														
Accounts payable - trade	$ 1,023,983	$ -	$ -	$ 1,023,983	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,023,983		$ 1,023,983
Accrued liabilities	5,967,678	-	-	5,967,678	16,034	-	-	1,570,392	75,076	-	1,661,502	7,629,180	(1,586,426)	6,042,754
Tuition deposits and other	16,129,620	-	-	16,129,620	-	-	-	-	-	-	-	16,129,620		16,129,620
Annuities payable	401,942	-	-	401,942	-	-	-	-	-	-	-	401,942		401,942
Bonds payable, net	25,271,429	-	-	25,271,429	-	-	-	-	-	-	-	25,271,429		25,271,429
Total Liabilities	48,794,652	-	-	48,794,652	16,034	-	-	1,570,392	75,076	-	1,661,502	50,456,154	(1,586,426)	48,869,728
Net Assets														
Without Donor Restrictions	56,141,504	53,069,252	70,167,815	179,378,571	-	-	-	-	-	-	-	179,378,571		179,378,571
With Donor Restrictions	-	-	-	-	121,466	3,871,548	20,070,456	536,796	-	53,499,839	78,100,105	78,100,105		78,100,105
Total Net Assets	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		257,478,676
Total Liabilities and Net Assets	$ 104,936,156	$ 53,069,252	$ 70,167,815	$ 228,173,223	$ 137,500	$ 3,871,548	$ 20,070,456	$ 2,107,188	$ 75,076	$ 53,499,839	$ 79,761,607	$ 307,934,830	$ (1,586,426)	$ 306,348,404

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

	2022										
	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	$ 48,582,966	$ -	$ -	$ 48,582,966	$ -	$ -	$ -	$ -	$ -	$ -	$ 48,582,966
Assets released from restrictions:											
Operating item:											
Financial aid	9,316,013		(62,639)	9,253,374	(7,712,867)	(27,665)	(1,512,842)	-	-	(9,253,374)	-
Less financial aid grants	(17,995,521)	-	-	(17,995,521)	-	-	-	-	-	-	(17,995,521)
Net tuition and student fees	39,903,458	-	(62,639)	39,840,819	(7,712,867)	(27,665)	(1,512,842)	-	-	(9,253,374)	30,587,445
Ticket sales	1,333,956	-	-	1,333,956	-	-	-	-	-	-	1,333,956
Lodging	1,190,157	-	-	1,190,157	-	-	-	-	-	-	1,190,157
Retail sales	832,593	-	-	832,593	-	-	-		-	-	832,593
Contributions and grants	16,255,823	1,385,000	1,475,480	19,116,303	8,970,874	3,540,574	-	703,756	13,306,374	26,521,578	45,637,881
Net gain (loss) on investments	-	169,044	70,104	239,148	-	(62,042)	493	2,348	-	(59,201)	179,947
Endowment allocation	1,701,073	-	-	1,701,073	(1,701,073)	-	-	-	-	(1,701,073)	-
Paycheck Protection Program Loan Forgiveness	5,990,150	-	-	5,990,150	-	-	-	-	-	-	5,990,150
Other revenues	1,314,232	16,993	(48,312)	1,282,913	-	7,421	-	-	-	7,421	1,290,334
Total revenues and other additions	68,521,442	1,571,037	1,434,633	71,527,112	(443,066)	3,458,288	(1,512,349)	706,104	13,306,374	15,515,351	87,042,463
Cost of Goods and Services											
Artist fees	716,532	28,716	-	745,248	-	19,221	-	-	-	19,221	764,469
Cost of goods sold	361,559	-	-	361,559	-	-	-	-	-	-	361,559
Total cost of goods and services	1,078,091	28,716	-	1,106,807	-	19,221	-	-	-	19,221	1,126,028
Cost of Operations											
Salaries, wages and benefits	31,128,894	52,266	-	31,181,160	-	343,064	-	-	-	343,064	31,524,224
Food costs	1,498,344	1,090	-	1,499,434	-	9,665	-	-	-	9,665	1,509,099
Contracted services	933,186	775,015	-	1,708,201	-	11,419	-	64,029	-	75,448	1,783,649
Supplies	1,639,406	1,742,165	-	3,381,571	-	164,477	-	135,012	-	299,489	3,681,060
Repairs and maintenance	985,426	94,116	-	1,079,542	-	9,984	-	4,813	-	14,797	1,094,339
Leases and rentals	290,193	3,274	-	293,467	-	4,254	-	-	-	4,254	297,721
Utilities	1,072,932	-	-	1,072,932	-	-	-	-	-	-	1,072,932
Insurance	353,520	-	-	353,520	-	-	-	(23,780)	-	(23,780)	329,740
Telephone and postage	490,162	1,596	-	491,758	-	-	-	-	-	-	491,758
Other operational	90,496	171,491	-	261,987	-	337	-	-	-	337	262,324
Total cost of operations	38,482,559	2,841,013	-	41,323,572	-	543,200	-	180,074	-	723,274	42,046,846

Interlochen Center for the Arts

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

	2022										
	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	$ 1,033,607	$ -	$ -	$ 1,033,607	$ -	$ 500	$ -	$ -	$ -	$ 500	$ 1,034,107
Travel and entertainment	448,912	4,347	-	453,259	-	164,362	-	-	-	164,362	617,621
Professional services	644,539	290,382	-	934,921	-	600	-	-	-	600	935,521
Other	426,355	47,293	-	473,648	-	16,908	-	-	-	16,908	490,556
Total general and administrative	2,553,413	342,022	-	2,895,435	-	182,370	-	-	-	182,370	3,077,805
Total expenses before depreciation	42,114,063	3,211,751	-	45,325,814	-	744,791	-	180,074	-	924,865	46,250,679
Increase (decrease) in net assets before depreciation and non-operating items	26,407,379	(1,640,714)	1,434,633	26,201,298	(443,066)	2,713,497	(1,512,349)	526,030	13,306,374	14,590,486	54,098,158
Depreciation Expense	2,945,804	-	-	2,945,804	-	-	-	-	-	-	2,945,804
Assets Released From Restrictions/Transfers											
Non-operating items - capital and other	(18,894,015)	2,519,001	18,230,879	1,855,865	445,981	(484,999)	(401,542)	(2,449,135)	1,033,830	(1,855,865)	-
Net Increase (Decrease) in Net Assets	4,567,560	878,287	19,665,512	25,111,359	2,915	2,228,498	(1,913,891)	(1,923,105)	14,340,204	12,734,621	37,845,980
Net Assets, beginning of year	51,573,944	52,190,965	50,502,303	154,267,212	118,551	1,643,050	21,984,347	2,459,901	39,159,635	65,365,484	219,632,696
Net Assets, end 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

See accompanying independent auditor's report on supplementary information.