
Interlochen Center for the Arts WIAA-FM

Financial Report
May 31, 2024

Independent Auditor's Report	1-2
Financial Statements	
Statement of Financial Position	3
Statement of Activities and Changes in Net Assets	4
Statement of Functional Expenses	5-6
Statement of Cash Flows	7
Notes to Financial Statements	8-12

Independent Auditor's Report

To the Board of Directors
Interlochen Center for the Arts WIAA-FM

Opinion

We have audited the financial statements of Interlochen Center for the Arts WIAA-FM (the "Station"), a department of Interlochen Center for the Arts, which comprise the statement of financial position as of May 31, 2024 and 2023 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 Station as of May 31, 2024 and 2023 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 Station 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.

Emphasis of Matter

Note 1 to the financial statements explains that these financial statements of the Station are intended to present the financial position, changes in financial position, and changes in cash flows of only that portion of Interlochen Center for the Arts' financial statements that are attributable to the transactions of the department. They do not purport to, and do not, present fairly the financial position of Interlochen Center for the Arts as of May 31, 2024 and 2023 or the changes in its financial position or its cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

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 Station'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.

To the Board of Directors
Interlochen Center for the Arts WIAA-FM

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.

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 Station'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 Station'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 & Moreau, PLLC

January 6, 2025

Statement of Financial Position

May 31, 2024 and 2023

	2024	2023
Assets		
Current Assets		
Cash held by Interlochen Center for the Arts	\$ 5,798,745	\$ 5,163,069
Accounts receivable - Net of allowance of \$581 and \$9,000 as of May 31, 2024 and 2023	53,450	32,346
Total current assets	5,852,195	5,195,415
Right-to-use Operating Lease Assets (Note 6)	1,444,626	1,521,787
Property and Equipment - Net (Note 4)	557,164	630,163
Other Assets (Note 5)	994,178	994,178
Total assets	\$ 8,848,163	\$ 8,341,543
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accruals	\$ 59,326	\$ 67,236
Current portion of lease liabilities - Operating (Note 6)	79,931	75,545
Advances	6,807	1,723
Total current liabilities	146,064	144,504
Lease Liabilities - Operating (Note 6)	1,443,044	1,522,977
Net Assets - Without donor restrictions	7,259,055	6,674,062
Total liabilities and net assets	\$ 8,848,163	\$ 8,341,543

Interlochen Center for the Arts WIAA-FM

Statement of Activities and Changes in Net Assets

Years Ended May 31, 2024 and 2023

	2024	2023
Support and Revenue - Without donor restrictions		
Contributions	\$ 1,383,210	\$ 1,283,365
Donated facilities and administrative support from Interlochen Center for the Arts	662,371	403,419
Community service and advertising grant from the Corporation for Public Broadcasting	246,945	230,510
Program underwriting	235,807	205,361
Other income	124,067	118,225
Capital campaign proceeds	242,095	456,563
Total support and revenue - Without donor restrictions	2,894,495	2,697,443
Expenses		
Program services:		
Programming and production	675,187	624,360
Broadcasting	386,725	318,088
Program information	12,410	9,253
Total program services	1,074,322	951,701
Management and general	1,087,941	836,319
Fundraising and membership development	147,239	97,985
Total expenses	2,309,502	1,886,005
Increase in Net Assets	584,993	811,438
Net Assets - Beginning of year	6,674,062	5,862,624
Net Assets - End of year	\$ 7,259,055	\$ 6,674,062

Statement of Functional Expenses

Year Ended May 31, 2024

	Program Services				Support Services			
	Programming and Production	Broadcasting	Program Information	Total	Management and General	Fundraising and Membership Development	Total	Total
Salaries, payroll taxes, and benefits	\$ 237,622	\$ 214,861	\$ 11,771	\$ 464,254	\$ 802,947	\$ 146,744	\$ 949,691	\$ 1,413,945
Program production and acquisition costs	399,324	-	-	399,324	7,468	-	7,468	406,792
Occupancy expenses	-	73,203	-	73,203	32,698	-	32,698	105,901
Professional services	33	-	-	33	52,656	-	52,656	52,689
Production materials and supplies	-	72,131	-	72,131	-	-	-	72,131
Advertising	-	-	-	-	4,192	-	4,192	4,192
Postage and shipping	-	-	639	639	535	495	1,030	1,669
Communications	-	-	-	-	15,060	-	15,060	15,060
Equipment lease and interest expense	-	-	-	-	124,550	-	124,550	124,550
Meetings, travel, and conferences	-	-	-	-	26,166	-	26,166	26,166
Insurance	-	3,605	-	3,605	-	-	-	3,605
Office supplies	-	-	-	-	6,387	-	6,387	6,387
Depreciation	38,208	22,925	-	61,133	15,282	-	15,282	76,415
Total functional expenses	<u>\$ 675,187</u>	<u>\$ 386,725</u>	<u>\$ 12,410</u>	<u>\$ 1,074,322</u>	<u>\$ 1,087,941</u>	<u>\$ 147,239</u>	<u>\$ 1,235,180</u>	<u>\$ 2,309,502</u>

Statement of Functional Expenses

Year Ended May 31, 2023

	Program Services				Support Services			
	Programming and Production	Broadcasting	Program Information	Total	Management and General	Fundraising and Membership Development	Total	Total
Salaries, payroll taxes, and benefits	\$ 236,447	\$ 199,123	\$ 8,351	\$ 443,921	\$ 571,992	\$ 97,673	\$ 669,665	\$ 1,113,586
Program production and acquisition costs	343,018	-	-	343,018	7,436	-	7,436	350,454
Occupancy expenses	-	51,808	-	51,808	29,812	-	29,812	81,620
Professional services	-	-	-	-	40,735	-	40,735	40,735
Production materials and supplies	-	36,615	-	36,615	-	-	-	36,615
Advertising	-	-	-	-	4,065	-	4,065	4,065
Printing and publications	-	-	500	500	-	-	-	500
Postage and shipping	-	-	402	402	337	312	649	1,051
Communications	-	-	-	-	14,951	-	14,951	14,951
Equipment lease and interest expense	-	-	-	-	122,880	-	122,880	122,880
Meetings, travel, and conferences	-	-	-	-	20,725	-	20,725	20,725
Insurance	-	3,605	-	3,605	-	-	-	3,605
Office supplies	-	-	-	-	5,429	-	5,429	5,429
Depreciation	44,895	26,937	-	71,832	17,957	-	17,957	89,789
Total functional expenses	<u>\$ 624,360</u>	<u>\$ 318,088</u>	<u>\$ 9,253</u>	<u>\$ 951,701</u>	<u>\$ 836,319</u>	<u>\$ 97,985</u>	<u>\$ 934,304</u>	<u>\$ 1,886,005</u>

Statement of Cash Flows

Years Ended May 31, 2024 and 2023

	2024	2023
Cash Flows from Operating Activities		
Increase in net assets	\$ 584,993	\$ 811,438
Adjustments to reconcile increase in net assets to net cash from operating activities:		
Depreciation	76,415	89,789
Amortization of lease assets	77,161	82,671
Changes in operating assets and liabilities that (used) provided cash:		
Accounts receivable	(21,104)	62,468
Accounts payable and accruals	(7,910)	39,153
Advances	5,084	(1,204)
Net cash provided by operating activities	714,639	1,084,315
Cash Flows Used in Investing Activities - Purchase of property and equipment	(3,416)	(146,312)
Cash Flows Used in Financing Activities - Principal and interest payments on lease liabilities	(75,547)	(66,362)
Net Increase in Cash	635,676	871,641
Cash - Beginning of year	5,163,069	4,291,428
Cash - End of year	<u><u>\$ 5,798,745</u></u>	<u><u>\$ 5,163,069</u></u>

May 31, 2024 and 2023

Note 1 - Nature of Business

WIAA-FM (the "Station") is a public radio station owned and operated by Interlochen Center for the Arts (the "Center"). The Station is organized for the purpose of providing entertainment and informational programming to listeners in northern Michigan. The Station does not have separate legal status or existence. The financial position and activities of the Station are included in the financial statements of the Center.

Note 2 - Significant Accounting Policies

Basis of Presentation

The financial statements of the Station have been prepared on the basis of generally accepted accounting principles (GAAP), as outlined in the American Institute of Certified Public Accountants' *Audit and Accounting Guide for Not-for-Profit Organizations* and the Corporation for Public Broadcasting publication, *Principles of Accounting and Financial Reporting for Public Telecommunications Entities*. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect amounts reported in the financial statements. Actual results could differ from those estimates.

Cash Held by Interlochen Center for the Arts

Cash is held by the Center. The amounts reflected in the accompanying statement of financial position represent the amounts due to the Station from the Center's pooled cash.

Property and Equipment

Property and equipment are recorded at cost or, if donated, at market value at the date of donation. The straight-line method is used for computing depreciation. Assets are depreciated over their estimated useful lives ranging from 3 to 45 years. Costs of maintenance and repairs are charged to expense when incurred.

Leases

The Station has operating leases for tower space for broadcasting antennas. The Station recognizes expense for operating leases on a straight-line basis over the lease term. The Station made a policy election not to separate lease and nonlease components for tower space. Therefore, all payments are included in the calculation of the right-to-use asset and lease liability.

The Station elected to use the risk-free rate as the discount rate for calculating the right-to-use asset and lease liability in place of the incremental borrowing rate for the tower space.

Classification of Net Assets

Net assets of the Station are classified based on the presence or absence of donor-imposed restrictions.

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions or for which the donor-imposed restrictions have expired or been fulfilled. Net assets in this category may be expended for any purpose in performing the primary objectives of the Station. All net assets of the Station are classified as net assets without donor restrictions as of May 31, 2024 and 2023.

Contributions

Contributions of cash and other assets, including unconditional promises to give in the future, are reported as revenue when received, measured at fair value. Capital campaign proceeds represent funds that the Center originally received directly from donors. The Station records revenue from capital campaign funds in the period the Center decides to expend those funds on behalf of the Station. Since the funds are received and spent in the same period, the Station records these proceeds as support without donor restrictions.

May 31, 2024 and 2023

Note 2 - Significant Accounting Policies (Continued)

Program underwriting revenue is support for programs and events and is recognized as the programs and events occur.

Donated Facilities and Administrative Support from Interlochen Center for the Arts

Donated facilities and administrative support from the Center represent an allocation of common services that the Center provides to the Station. The allocation of these services is based on a formula that was prescribed by the Corporation for Public Broadcasting and agreed upon by the Center and the Station.

Corporation for Public Broadcasting Community Service Grants

The Corporation for Public Broadcasting (CPB) is a private, nonprofit grantmaking organization responsible for funding more than 1,000 television and radio stations. CPB distributes annual Community Service Grants (CSGs) to qualifying public broadcasting entities. CSGs are used to augment the financial resources of public broadcasting entities and thereby enhance the quality of programming and expand the scope of public broadcasting services. Each CSG may be expended over one or two federal fiscal years, as described in the Communications Act, 47 United States Code Annotated, Section 396(k)(7). In any event, each grant must be expended within two years of the initial grant authorization.

According to the Communications Act, funds may be used at the discretion of recipients for purposes relating primarily to production and acquisition of programming. Also, the grants may be used to sustain activities begun with CSGs awarded in prior years.

Certain general provisions must be satisfied in connection with application for and use of the grants to maintain eligibility and meet compliance requirements. These general provisions pertain to the use of grant funds, record keeping, audits, financial reporting, mailing lists, and licensee status with the Federal Communications Commission.

Revenue received for grants is considered a nonexchange contribution transaction and is recognized as the conditions of the grants have been met. Grant funding received in advance of conditions being met is recorded as advances. All grant funding is expended in the year received, and, therefore, there are no amounts that are conditional at May 31, 2024 and 2023.

Functional Allocation of Expenses

Costs of providing the program and support services have been reported on a functional basis in the statement of functional expenses. The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses required allocation on a reasonable basis that is consistently applied. Salaries and related expenses are allocated on the basis of time and effort. Expenses deemed to be indirect to employee work, such as professional services and office supplies, are considered to be management and general expenses. Other expenses utilized by all employees, such as occupancy and program production and acquisition costs, are also allocated on the basis of time and effort. Costs have been allocated between the various program and support services based on estimates determined by management. Although the methods of allocation used are considered appropriate, other methods could be used that would produce different amounts.

Income Taxes

The Station is a not-for-profit corporation and is exempt from tax under the provisions of Internal Revenue Code Section 501(c)(3).

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including January 6, 2025, which is the date the financial statements were available to be issued.

Notes to Financial Statements

May 31, 2024 and 2023

Note 3 - Liquidity and Availability of Resources

The Station had \$5,852,195 and \$5,195,415 of financial assets available within one year of May 31, 2024 and 2023 to meet cash needs for general expenditure consisting of cash held by the Center of \$5,798,745 and \$5,163,069 and accounts receivable of \$53,450 and \$32,346, respectively. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position date.

The Station has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, as part of its liquidity management, the Center invests cash in excess of daily requirements in various short-term investments, including certificates of deposit and short-term treasury instruments.

Note 4 - Property and Equipment

Property and equipment are summarized as follows:

	2024	2023
Buildings	\$ 1,055,598	\$ 1,055,598
Machinery and equipment	2,473,156	2,469,741
Furniture and fixtures	78,773	78,773
Total cost	3,607,527	3,604,112
Accumulated depreciation	3,050,363	2,973,949
Net property and equipment	<u>\$ 557,164</u>	<u>\$ 630,163</u>

Depreciation expense for 2024 and 2023 was \$76,415 and \$89,789, respectively.

Note 5 - Other Assets

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

	2024	2023
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	<u>\$ 994,178</u>	<u>\$ 994,178</u>

The broadcasting licenses have been deemed to 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. For the years ended May 31, 2024 and 2023, the Center has identified no such impairment.

Note 6 - Leases

The Station is obligated under operating leases primarily for tower space for broadcasting antennas, expiring at various dates through September 2045. The right-to-use asset and related lease liability have been calculated using discount rates ranging from 1.84 percent to 4.41 percent. The leases require the Station to pay taxes, insurance, utilities, and maintenance costs. Total rent expense under these leases was \$121,376 and \$119,812 for 2024 and 2023, respectively.

Included in lease expense are variable lease payments totaling \$0 and \$3,778 for 2024 and 2023, respectively, which are dependent on the annual change in the Consumer Price Index for All Urban Consumers (CPI-U) for All Cities, as promulgated by the Bureau of Labor Statistics of the United States Department of Labor, using 1982-94 as a base of 100.

Notes to Financial Statements

May 31, 2024 and 2023

Note 6 - Leases (Continued)

Future minimum annual commitments under these operating leases are as follows:

Years Ending May 31	Amount
2025	\$ 123,685
2026	126,064
2027	128,513
2028	131,036
2029	133,636
Thereafter	<u>1,294,312</u>
Total	1,937,246
Less amount representing interest	<u>414,271</u>
Present value of net minimum lease payments	<u>\$ 1,522,975</u>

Expenses recognized under these leases for the years ended May 31, 2024 and 2023 consist of the following:

	2024	2023
Operating lease cost	\$ 121,376	\$ 116,034
Variable lease cost	<u>-</u>	<u>3,778</u>
Total lease cost	<u>\$ 121,376</u>	<u>\$ 119,812</u>

The Station is also a lessor and receives income under operating leases primarily for tower space for broadcasting antennas, expiring at various dates through September 2045. Total rent income under the leases was \$118,165 and \$116,714 for 2024 and 2023, respectively.

Included in lease income is a variable lease payment that is dependent on the annual change in the Consumer Price Index for All Urban Consumers for All Cities, as promulgated by the Bureau of Labor Statistics of the United States Department of Labor, using 1982-84 as a base of 100.

The underlying owned asset for which the operating leases relate is a communications tower in Interlochen, Michigan with a cost of \$44,299. The communications tower has an accumulated depreciation of \$44,299 for 2024 and 2023. The communications tower is recorded within buildings in the property and equipment (see Note 4).

Future minimum annual income under these operating leases are as follows:

Years Ending May 31	Amount
2025	\$ 120,095
2026	122,073
2027	124,101
2028	60,803
2029	61,840
Thereafter	<u>465,932</u>
Total	<u>\$ 954,844</u>

May 31, 2024 and 2023

Note 7 - Retirement Plan

The Station has a defined contribution retirement plan (through the Center) for all eligible employees. Employer contributions are discretionary and are based on a percentage of employee compensation for the year. Contributions to the plan totaled \$46,049 and \$53,949 for the years ended May 31, 2024 and 2023, respectively.

Note 8 - Nonfederal Financial Support (NFFS)

The Corporation for Public Broadcasting allocates a portion of its funds annually to public broadcasting entities, primarily based on NFFS. NFFS is defined as the total value of cash and the fair market value of property and services received as either a contribution or a payment and meeting all of the respective criteria for each.

A contribution is cash, property, or services given to a public broadcasting entity for general operational purposes. Support received as a contribution by a public broadcasting entity must meet the following criteria to be includable as NFFS: (1) the source may be an entity except the federal government or any other public broadcasting entity; (2) the contribution may take the form of a gift, grant, bequest, donation, or appropriation; (3) the purpose must be for the construction or operation of a noncommercial, educational public broadcast station or for the production, acquisition, distribution, or dissemination of educational television or radio program and related activities; and (4) the recipient must be a public broadcasting entity on behalf of a public broadcast station. However, to eliminate distortions in the TV CSG program precipitated by extraordinary infusions of new capital investments in DTV, all capital contributions received for purposes of acquiring new equipment or upgrading existing or building new facilities regardless of source or form of the contribution are not included in calculating the 2024 or 2023 NFFS. This change excludes all revenue received for any capital purchases.

A payment is cash, property, or services received by a public broadcasting entity from specific sources in exchange for specific services or materials. Support received as a payment by a public broadcasting entity must meet the following criteria to be includable as NFFS: (1) the source must be a state, any agency or political subdivision of a state, an educational institution or organization, or a nonprofit entity; (2) the form of the payment must be appropriations or contract payments in exchange for specific services or materials; (3) the purpose must be for any related activity of the public broadcast station; and (4) the recipient must be a public broadcasting entity on behalf of a public broadcast station.

Reported NFFS for the Station was \$1,861,111 and \$1,945,287 for 2024 and 2023, respectively.