Report of Independent Auditors and
Consolidated Financial Statements

The Colburn School and Subsidiaries

June 30, 2023 and 2022

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Report of Independent Auditors

The Board of Directors
The Colburn School

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of The Colburn School, including its wholly owned subsidiaries WFBI, LLC and WFGTI, LLC (the "School"), which comprise the consolidated statements of financial position as of June 30, 2023 and 2022, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the School as of June 30, 2023 and 2022, and the changes in their net assets and their 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 Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the School and to meet our other 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 an audit 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 consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 School'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School'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 audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Moss Adams LLP

Los Angeles, California
December 14, 2023

Consolidated Financial Statements

The Colburn School and Subsidiaries
Consolidated Statements of Financial Position
June 30, 2023 and 2022

	2023	2022
ASSETS		
ASSETS		
Cash and cash equivalents	$ 101,012,603	$ 36,824,476
Funds held in trust by others	27,763,069	65,035,410
Contributions receivable, net (Note 4)	118,133,565	147,582,335
Other receivables, net	1,476,701	1,449,635
Prepaid expenses	440,988	329,732
Investments, net (Notes 3, 9)	234,380,478	216,347,161
Land and improvements held for future expansion (Note 5)	33,252,342	33,250,522
Property and equipment, net (Note 5)	131,615,828	123,787,389
Beneficial interest in Colburn Music Fund (Notes 6, 9)	162,082,082	160,802,595
Total assets	$ 810,157,656	$ 785,409,255
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	$ 4,963,072	$ 4,839,253
Deferred tuition	368,015	310,783
Interest rate swap liability (Note 7)	6,177,227	10,063,560
Bonds payable, net (Note 7)	130,841,360	130,627,956
Total liabilities	142,349,674	145,841,552
NET ASSETS		
Without donor restrictions	156,437,846	137,290,483
With donor restrictions (Notes 10, 11)	511,370,136	502,277,220
Total net assets	667,807,982	639,567,703
Total liabilities and net assets	$ 810,157,656	$ 785,409,255

See accompanying notes.

The Colburn School and Subsidiaries
Consolidated Statements of Activities
Years Ended June 30, 2023 and 2022

	Year Ended June 30, 2023			Year Ended June 30, 2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING REVENUE AND SUPPORT						
Net tuition, fees, room and board (Note 15)	$ 6,901,744	$ -	$ 6,901,744	$ 5,975,781	$ -	$ 5,975,781
Investment income distribution (Note 2)	13,044,784	-	13,044,784	10,927,339	-	10,927,339
Colburn Music Fund distribution (Note 6)	8,900,000	-	8,900,000	8,200,000	-	8,200,000
Contributions – cash and financial assets (Note 2)	1,658,271	5,189,038	6,847,309	3,512,066	3,288,351	6,800,417
Contributions – nonfinancial assets (Note 2)	63,607	-	63,607	47,485	25,000	72,485
Governmental grants (Note 2)	-	25,395	25,395	6,869,987	171,045	7,041,032
Other (Note 2)	2,529,144	97,692	2,626,836	1,839,617	1,563	1,841,180
Net assets released from restriction (Note 12)	10,044,966	(10,044,966)	-	9,471,582	(9,471,582)	-
Total operating revenue and support	43,142,516	(4,732,841)	38,409,675	46,843,857	(5,985,623)	40,858,234
OPERATING EXPENSES						
Program Expenses						
CSPA	8,418,578	-	8,418,578	7,960,652	-	7,960,652
Music Academy	2,792,277	-	2,792,277	2,682,499	-	2,682,499
TZDI	2,818,016	-	2,818,016	2,737,078	-	2,737,078
Conservatory	15,776,204	-	15,776,204	15,096,955	-	15,096,955
Performing Arts and Other Academic Programs	5,124,894	-	5,124,894	4,661,080	-	4,661,080
General and Administrative	4,892,641	-	4,892,641	4,478,813	-	4,478,813
Fundraising	1,733,750	-	1,733,750	1,560,809	-	1,560,809
Total operating expenses	41,556,360	-	41,556,360	39,177,886	-	39,177,886
Change in net assets from operating activities	1,586,156	(4,732,841)	(3,146,685)	7,665,971	(5,985,623)	1,680,348
NON OPERATING GAINS AND LOSSES						
Investment income (loss) in excess of income distribution, net	2,584,187	10,352,419	12,936,606	(13,327,612)	(2,216,223)	(15,543,835)
Change in interest in Colburn Music Fund, net of distribution (Note 6)	(8,900,000)	10,479,487	1,579,487	(8,200,000)	(19,040,591)	(27,240,591)
Unrealized gain on interest rate swap (Note 7)	3,886,333	-	3,886,333	9,062,647	-	9,062,647
Loss on extinguishment/restructure of debt (Note 7)	-	-	-	(11,422)	-	(11,422)
Contributions (Note 2)	-	13,360,658	13,360,658	-	248,619,796	248,619,796
Contributions – nonfinancial assets (Note 2)	-	14,510	14,510	-	-	-
Non-operating expenses	(390,630)	-	(390,630)	(325,341)	-	(325,341)
Net assets released from restriction (Note 12)	20,381,317	(20,381,317)	-	23,429,925	(23,429,925)	-
Change in net assets	19,147,363	9,092,916	28,240,279	18,294,168	197,947,434	216,241,602
NET ASSETS AT BEGINNING OF YEAR	137,290,483	502,277,220	639,567,703	118,996,315	304,329,786	423,326,101
NET ASSETS AT END OF YEAR	$ 156,437,846	$ 511,370,136	$ 667,807,982	$ 137,290,483	$ 502,277,220	$ 639,567,703

See accompanying notes.

The Colburn School and Subsidiaries
Consolidated Statements of Cash Flows
Years Ended June 30, 2023 and 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 28,240,279	$ 216,241,602
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation and amortization of bond issuance costs	5,125,965	5,290,446
Provision for doubtful accounts	45,299	15,592
Noncash contributions	(194,364)	(246,170)
Contributions restricted for endowment	(5,052,494)	(1,785,119)
Contributions restricted for campus expansion	(38,420,717)	(114,571,118)
Realized and unrealized (gain) loss on investments, net	(21,900,339)	4,607,616
Unrealized loss (gain) in beneficial interest in Colburn Music Fund	(10,479,487)	19,040,591
Loss on extinguishment/restructure of debt	-	11,422
Unrealized gain on interest rate swap	(3,886,333)	(9,062,647)
Changes in assets and liabilities		
Contributions receivable	29,421,692	(130,133,522)
Other receivables	(45,287)	(1,362,085)
Prepaid expenses	(111,256)	(83,258)
Beneficial interest in Colburn Music Fund	9,200,000	8,200,000
Accounts payable and accrued expenses	123,819	(1,893,675)
Deferred tuition	57,232	(7,537)
Net cash used in operating activities	(7,875,991)	(5,737,862)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(58,206,354)	(100,881,623)
Proceeds from sale of investments	62,267,740	96,656,874
Purchase of improvements held for future expansion	(1,820)	(9,180)
Purchase of property and equipment	(12,741,000)	(16,092,487)
Net cash used in investing activities	(8,681,434)	(20,326,416)
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions restricted for endowment	5,052,494	1,785,119
Contributions restricted for campus expansion	38,420,717	114,571,118
Proceeds from issuance of bonds	-	65,535,000
Repayment of bonds	-	(64,925,000)
Payment for debt issuance costs	-	(583,421)
Net cash provided by financing activities	43,473,211	116,382,816
Net increase in cash and cash equivalents	26,915,786	90,318,538
CASH AND CASH EQUIVALENTS, beginning of year	101,859,886	11,541,348
CASH AND CASH EQUIVALENTS, end of year	$ 128,775,672	$ 101,859,886
RECONCILIATION OF CASH AND CASH EQUIVALENTS, end of year		
Cash and cash equivalents	$ 101,012,603	$ 36,824,476
Funds held in trust by others	27,763,069	65,035,410
	$ 128,775,672	$ 101,859,886
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Interest paid	$ 3,296,628	$ 4,124,514
Non-cash contributions of securities	$ 116,247	$ 173,685
Non-cash contributions of nonfinancial assets	$ 78,117	$ 72,485

See accompanying notes.

Note 1 – Organization

The Colburn School (the "School") is a California not-for-profit corporation located in the heart of downtown Los Angeles, California. Led by an outstanding faculty, the School provides dedicated students the highest quality performing arts education with an emphasis on performance.

The School was founded in 1950 as a preparatory program for the University of Southern California and fulfilled that function until 1980 when it became an independent community school for the performing arts and was accredited as a non-degree-granting institution by the National Association of Schools of Music (NASM). Currently, this program is known as the Colburn School of Performing Arts (CSPA) and offers programs in music, dance, drama and voice to approximately 2,000 students of all ages (toddler to adult) and abilities (novice through advanced). The School also operates community outreach programs that bring performing arts to under-served children in inner-city schools.

The Colburn Conservatory of Music (CSCM), established in 2003, offers undergraduate and graduate degree programs specializing in classical music performance. CSCM programs range from two to four years of study and result in one of the following: a Bachelor of Music degree, a Performance Diploma, a Master of Music degree, an Artist's Diploma, or a Professional Studies Certificate. Admission to CSCM is highly selective, and CSCM provides all students with scholarships that cover full tuition and room and board. CSCM enrolled 133 and 131 students during the years ended June 30, 2023 and 2022, respectively. CSCM is accredited by the NASM as a degree-granting school.

The Colburn Music Academy (CSMA), established in 2010, is a non-degree program designed to provide a comprehensive curriculum of classes to highly gifted pre-college students focused on careers in music. CSMA enrolled 45 students during the years ended June 30, 2023 and 2022.

The Trudl Zipper Dance Institute (TZDI) was created in 2008, carving out the youth and adult dance classes from CSPA. The Dance Academy was created in 2014 under TZDI as a pre-professional training program for a select group of ballet students aged 14–18. TZDI enrolled 246 and 265 students during the years ended June 30, 2023 and 2022, respectively, in its ballet, tap, and modern dance programs. In addition, the Dance Academy enrolled 27 and 19 students during the years ended June 30, 2023 and 2022, respectively.

Performing Arts and Other Academic Programs includes expenses for the Provost Office, Library, and the Production department, which provide additional support to the various programs of study.

Note 2 – Summary of Significant Accounting Policies

Basis of accounting – The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

Consolidation – The consolidated financial statements include the School's subsidiary, WFBI, LLC, a single-member limited liability company. WFBI, LLC was formed on April 22, 2016, for the purpose of owning real investment property. The consolidated statements also include WFGTI, LLC which was formed on August 19, 2019, for the purpose of owning real investment property.

As of June 30, 2023, WFGTI, LLC has no activity and no assets or liabilities. All intercompany transactions are eliminated upon consolidation.

Measure of operations – The School's measure of operations as presented in the consolidated statements of activities includes all revenue and expenses that are integral to its current programs and supporting activities as well as net assets released from restrictions to support operating expenditures. Endowment distributions for operations (see Note 10) are included. The measure of operations also includes the distribution from a related entity, the Colburn Music Fund (the "Fund"), which provides programmatic support.

Reclassification – Certain prior period amounts have been reclassified for consistency with the current period presentation. These reclassifications had no effect on net assets.

Net assets – The School classifies its net assets into two categories based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the School and changes therein are classified and reported as follows:

Without donor restrictions: includes operating revenue and donor support which does not have donor stipulations regarding use of such assets. Quasi-endowments and board-designated funds are also included here.

With donor restrictions: includes donor-imposed 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, the related net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restriction. Also included in this category are certain gifts and income subject to donor-imposed stipulations that they be maintained in perpetuity by the School; the earnings from these endowment funds are available for general or specific purposes as stipulated by the respective donors and subject to the School's spending policy.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets with donor restrictions except for gains and losses on quasi-endowment investments; those changes are recorded in net assets without donor restrictions.

Cash and cash equivalents – Cash and cash equivalents include highly liquid investments purchased with an original maturity of three months or less. Cash subject to donor restrictions and cash held temporarily from the sale or purchase of investments is included in investments.

Funds held in trust by others – Funds held in trust by others include cash and cash equivalents held in a trust by a third party and are restricted for expenses related to the campus expansion project and for bond issuance expenses and interest payments.

Investments and investment income – Investments are recorded at fair value. Unrealized gains and losses reflect the changes in fair values of investments from the prior year. The cost of investments sold is determined by the specific-identification method and is used to compute realized gains and losses. Investments are carried in an investment pool unless special considerations or donor stipulations require that they be held separately. The investment pool is comprised of funds with and without restrictions, including donor-restricted endowments, quasi-endowments, funds with purpose restrictions and funds without restrictions. The pool of funds is invested on a total-return basis in accordance with the School's investment policy statement. Investment income, net of management fees, from pooled funds is allocated using the market-value-unit method. Income distributed for operations is included in the Operating Revenue and Support section of the consolidated statements of activities, and any excess is included in the Non Operating Gains and Losses section.

Concentration of market and credit risk – Market risk represents the potential loss the School faces due to the decrease in the value of marketable securities. Credit risk represents the potential loss the School faces due to the possible non-performance by obligors and counterparts of the terms of their contracts.

The School invests in various investment securities and funds. Investment securities and funds are exposed to various risks such as market and credit risks. Due to the level of risk associated with certain investment securities and funds, it is possible that changes in the value of investments will occur in the near term and that such changes could materially affect the amounts reported in the consolidated financial statements. In order to limit market and credit risks, the School invests in a diversity of financial institutions and mutual funds. Cash equivalents, other securities, and limited amounts of cash held in brokerage accounts are protected by the Securities Investor Protection Corporation (SIPC) in the event of broker-dealer failure, up to $500,000 of protection for each brokerage account, with a limit of $250,000 for claims of uninvested cash balances. The SIPC insurance does not protect against market losses on investments.

The School grants credit primarily to students in the normal course of operations. The credit risk with respect to these receivables, which are included in other receivables, is generally considered minimal due to the wide dispersion of receivables.

The School maintains its cash with high credit quality financial institutions. At times, such cash deposits may be in excess of amounts insured by the Federal Deposit Insurance Corporation up to $250,000. The School has not experienced any losses in such amounts and believes it is not exposed to any significant credit risk on its cash.

The School received 59% and 94% of total contribution revenue from three donors and two donors during the years ended June 30, 2023 and 2022, respectively. At June 30, 2023 and 2022, pledges receivable from these donors was approximately $15,780,000 and $130,000,000, respectively.

Contributions receivable – Contributions, including unconditional promises to give, are recognized as revenues in the period the promise is made, net of estimated uncollectible amounts. All contributions are considered to be available without donor restriction unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as net assets with donor restrictions. Contributions received that are awaiting designation by the donor are reported as net assets with donor restrictions. Donor restricted contributions whose restrictions are satisfied in the year received are reflected in net assets with donor restrictions when received and released from restriction when the related expense is incurred.

Contributions of assets other than cash are recorded at their estimated fair value. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discounts on those amounts are computed using risk-free rates of return applicable to the years in which the promises are received.

Amortization of the discount is included in contribution revenue. Conditional promises to give are not included as support until the conditions on which they depend are substantially met.

The allowance for uncollectible pledges is based upon the historical collectability in addition to any specifically identified uncollectible pledges. At June 30, 2023 and 2022, the allowance for uncollectible pledges was $85,667 and $58,589, respectively.

Other receivables, net – Other receivables include tuition and fee receivables and other miscellaneous receivables, net of an allowance for bad debt. The tuition and fee receivables are related to summer programming fees that were put on installment payment plans upon registration. These receivables are expected to be collected within the next fiscal year according to the terms of the monthly payment plans. There is no interest or security related to these receivables. The allowance for bad debts is based on the historical collectability. At June 30, 2023 and 2022, the allowance for bad debt was $35,161 and $16,940, respectively.

The School also became eligible for an employee retention tax credit under the Coronavirus Aid, Relief, and Economic Security Act. The School filed for approximately $1,313,494 in credits for qualified wages and healthcare expenses paid to eligible employees. The full amount was recognized as governmental grant revenue in the consolidated statements of activities for the year ended June 30, 2022. The credit was not received as of June 30, 2023, and is included in other receivables on the consolidated statements of financial position. The tax credit was received subsequently in July 2023.

Debt issuance costs – Debt issuance costs are capitalized when incurred. Amortization of debt issuance costs is calculated using the straight-line method over the term of the bonds, which approximates the effective interest method. Net debt issuance costs are reported netted against the bonds payable amount.

Property and equipment, net – Property and equipment are stated at cost, less accumulated depreciation. All significant renewals and betterments over $10,000 are capitalized. There is no depreciation recorded on land and it is recorded at cost. For deaccessioned collection items, the School has elected a policy allowing the proceeds to be used for both acquisition of new collection items and the direct care of existing collections. Direct care includes activities necessary for the upkeep of the collection items. Items included in collections are not depreciated as their value is expected to appreciate. Depreciation and amortization is expensed using the straight-line method over the estimated useful life of the asset, which is:

- Instruments – 5, 7, 10, 20, or 30 years depending on the instrument type
- Equipment – 3 years for computers and related equipment and 5 years for office equipment
- Furniture and fixtures – 7 years
- Buildings and improvements – 40 years
- Land – not depreciated
- Construction in progress – not depreciated
- Collections – not depreciated

The Board of Directors has internally designated in a fund without donor restrictions for property renewal and replacement $7,768,823 and $7,292,819 as of June 30, 2023 and 2022, respectively.

When assets are retired or otherwise disposed of, the related cost and accumulated depreciation are removed from the accounts, and any gain or loss arising from such disposition is recorded. Expenditures for repairs and maintenance are charged to expenses as incurred.

Long-lived assets recorded by the School are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying value amount to the future undiscounted net cash flows expected to be generated by the assets. If such assets are determined to be impaired, the impairment is recognized as the difference between the related carrying amounts and fair values. No impairment was recorded during fiscal years ending June 30, 2023 and 2022.

Donated assets – Donated assets are recorded at fair value at the date of the donation, based on appraisals and other objective basis for determining the value or, in certain instances, based on management's best estimate of the fair value.

Beneficial interest in the Colburn Music Fund – Interest in assets held by the Fund is recorded at the reported fair value of the net assets of the fund, with net increases or decreases in net assets being reported as changes to net assets with donor restrictions. The amounts the School will ultimately realize could differ materially and significant fluctuations in fair values could occur from year to year. (See Note 6 for additional information.)

Lease accounting – In February 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2016-02, *Leases*, which supersedes Accounting Standards Codification (ASC) 840, *Leases*, and creates a new topic, ASC 842, *Leases*. This update requires lessees to recognize a lease liability and a right-of-use (ROU) asset for all leases, including operating leases, with an expected term greater than 12 months on its statement of financial position. The update also expands the required quantitative and qualitative disclosures surrounding leases.

The School adopted this ASU on July 1, 2022, and used the modified retrospective adoption method, utilizing the simplified transition option available in the new lease standard, which allows entities to continue to apply the legacy guidance in ASC 840, including its disclosure requirements, in the comparative periods presented in the year of adoption.

Upon adoption, the School did not recognize any operating lease liabilities or ROU assets as the amounts were not material to the consolidated financial statements.

Interest rate swap – An interest rate swap is a contract whereby counterparties exchange different rates in a specified notional amount for a specified period of time. The payment flows are usually netted against each other, with the difference being paid by one party to the other. This swap has not been designated as a hedge under ASC 815, *Derivatives and Hedging*, as the School enters into this instrument for managing its interest rate exposure. The interest rate swap is reported at market value using a zero-coupon discounted cash flow methodology, which considers the scheduled future payment exchanges required under the terms of the swap. Changes in the fair value of the interest rate swap are reported as unrealized gains (assets) or losses (liabilities) on interest rate swap in the consolidated statements of activities.

Revenue and support – Revenues are recognized when control of the promised goods or services is transferred to students and others in an amount that reflects the consideration the School expects to be entitled to receive in exchange for those goods and services. The School applies the five-step revenue model stipulated by ASC 606 to all of its significant revenue streams in order to determine when revenue is earned and recognized. The five-step model requires the School to (i) identify contracts with customers, (ii) identify performance obligations related to those contracts, (iii) determine the transaction price, (iv) allocate that transaction price to performance obligations, and (v) recognize revenue when or as the School satisfies a performance obligation.

The School has various revenue streams that revolve mainly around student enrollment and instruction. Revenue is generated mainly through tuition, housing, meals, and various fees associated with enrollment in the School. The School also hosts summer programs that provide other sources of income.

Revenue is also generated through rental of performance spaces to other arts organizations, late fees and payment plan fees for tuition payments, ticket sales to School performances, vending machine and washing machine usage. Fees, rentals, vending machines and washing machine revenue are recognized at the point of sale or the point of providing the service. Tuition, housing, and meal plan revenue are recognized monthly on a straight-line basis over the period the related services are provided. Ticket sale revenue is recognized when the related event is held.

Deferred tuition at June 30, 2023 and 2022, was $368,015 and $310,783, respectively. Deferred tuition represents the School's performance obligation to transfer future enrollment and instructional services to students. The changes in deferred revenues were caused by normal timing differences between the satisfaction of performance obligations and customer payments.

Café – The School primarily operates The Colburn Café for its students and faculty. Café revenue is recognized at the point of sale. Revenue included in other income was $816,014 and $537,844 for the years ended June 30, 2023 and 2022, respectively.

Special events – Net special events income included in other revenue was $944,276 and $681,882 for the years ended June 30, 2023 and 2022, respectively. Special events revenue is recognized when the related event occurs.

Facility rental – Net rents included in other revenue were $608,787 and $445,304 for the years ended June 30, 2023 and 2022, respectively. Facility rental revenue is recognized monthly over the period of service.

Ticket sales and vending machines – Amounts included in other revenue were $268,841 and $201,149 for the years ended June 30, 2023 and 2022, respectively.

Revenue from governmental grants that are nonreciprocal are treated like contributions. If the grant is conditional, a barrier to entitlement exists; revenue is recognized when the barrier is considered overcome and as allowable expenditures under such agreements are incurred, as an increase to net assets without donor restrictions. If the grant is unconditional, revenue is reported as an increase in net assets without donor restrictions.

Contributions of nonfinancial assets received from donors for the years ending June 30, 2023 and 2022, are summarized below.

	Revenue Recognized for the Years Ended June 30,		Utilization in		
	2023	2022	Programs	Donor Restrictions	Valuation Techniques and Inputs
Donated instruments	$ 38,000	$ 47,485	Performing Arts and Other Academic Programs	No donor restriction	Fair value by third party appraisal
Donated goods	40,117	25,000	Performing Arts and Other Academic Programs	With donor restrictions (various events) released in the same fiscal year	Fair value by manufacturer
	$ 78,117	$ 72,485			

The School remodeled The Colburn Café in 2017 in order to update and refresh its food service capabilities. The café management company, Bon Appetit, participated in the remodel by funding café improvements in the amount of $720,000, of which the conditional contribution is being recognized over 12 years commensurate with the terms of the agreement. In August 2018, Bon Appetit was replaced by Eurest, who assumed the contract and the contribution. Remaining deferred revenue was $288,750 and $348,750 at June 30, 2023 and 2022, respectively, and is included in accounts payable and accrued expenses on the consolidated statements of financial position.

Functional allocation of expenses – The costs of providing the various programs and other activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses that are associated with more than one program or supporting service are allocated based on methods determined by management, including personnel headcount, student headcount, usage, or square footage.

General and administrative includes expenses for central, executive-level activities concerned with management and planning. It includes expense related to the President's Office, Finance Office, Communications, and Insurance.

Fundraising includes expenses related to maintaining relations with the community, alumni, or other constituents for philanthropic purposes.

Income taxes – The School is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (IRC), though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code.

The School has also been recognized by the California Franchise Tax Board as exempt from California franchise and income taxes under Section 23701d of the California Revenue and Taxation Code. The School has processes in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filings and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions. The School follows guidance that clarifies the accounting for uncertainty in tax positions taken or expected to be taken in a tax return, including issues relating to financial statement recognition and measurement. This guidance provides that the tax effects from an uncertain tax position can only be recognized in the consolidated financial statements if the position is "more-likely-than-not" to be sustained if the position were to be challenged by a taxing authority. The assessment of the tax position is based solely on the technical merits of the position, without regard to the likelihood that the tax position may be challenged. The School had determined that there are no material uncertain tax positions that require recognition or disclosure in the consolidated financial statements.

Use of estimates – The preparation of consolidated financial statements in conformity with GAAP 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 consolidated financial statements and the expected amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Note 3 – Investments

The School's investment portfolio at June 30 consists of the following:

	2023	2022
Marketable asset funds	$ 22,144,127	$ 26,920,242
Private investments	212,135,682	189,326,160
Other investment funds	100,669	100,759
Total investments	$ 234,380,478	$ 216,347,161

The investment goal of the School is to maintain or grow its asset size and spending power in real (inflation adjusted) terms with risk at a level appropriate to the School's program objectives. The School diversifies its investments among various financial instruments and asset categories and uses multiple investment strategies. The School's financial assets are managed by an external investment management firm selected by the School to align with the above stated goals.

Net (loss)/income from investments includes the following for the years ended June 30:

	2023	2022
Dividend and interest income	$ 6,226,760	$ 2,032,626
Net realized gain	17,017,638	3,950,554
Net unrealized gain/(loss)	4,882,702	(8,558,170)
Management fees related to investment accounts	(2,145,710)	(2,041,506)
	$ 25,981,390	$ (4,616,496)

Note 4 – Contributions Receivable

Unconditional promises to give are for operating and endowment purposes and are scheduled to be realized in the following periods as of June 30:

	2023	2022
Amounts due in less than a year	$ 95,250,077	$ 53,426,375
Amounts due in 1 to 5 years	21,620,715	94,648,103
Amounts due in more than 5 years	7,224,751	2,725,000
Less: future value discounts on pledges	(5,876,311)	(3,158,554)
Less: allowance for doubtful account	(85,667)	(58,589)
	$ 118,133,565	$ 147,582,335

Discount rates used to calculate the present value of contributions receivable ranged from 0.04% to 4.43%, and 0.04% to 2.87% for the years ended June 30, 2023 and 2022, respectively.

Note 5 – Property and Equipment

Property and equipment, net, of the School include the following as of June 30:

	2023	2022
Land	$ 1,776,839	$ 1,776,839
Construction in progress	43,865,167	31,774,480
Buildings and improvements	143,995,053	144,267,227
Instruments	6,194,154	6,161,691
Equipment, furniture, and fixtures	16,144,481	16,433,357
Collections	1,447,413	1,120,603
Total property and equipment	213,423,107	201,534,197
Less: accumulated depreciation	(81,807,279)	(77,746,808)
	$ 131,615,828	$ 123,787,389

Depreciation expense was $4,916,747 and $5,121,282 for the years ended June 30, 2023 and 2022, respectively.

Land and improvements held for future expansion – In 2016, the School purchased 1.25 acres of land in downtown Los Angeles for $33 million. It is presently used as a parking lot, generating approximately $1,128,000 and $992,000 of parking revenue for the years ended June 30, 2023 and 2022, respectively. It is the School's intention to eventually develop this land for additional School programming. Pre-development work is now underway, which includes program planning, site analysis, land entitlement, and design studies, and these costs have been capitalized as construction in progress.

Note 6 – Beneficial Interest in the Colburn Music Fund

On October 6, 2000, the Fund entered into a Restricted Fund Agreement with Ayr, Inc., of which Richard Colburn was the beneficial owner. Mr. Colburn was the major financer of The Colburn School in downtown Los Angeles, designed to educate youngsters in music and dance. He also was a lifetime director of the Los Angeles Philharmonic and benefactor of the annual Colburn Celebrity Recitals, a co-founder of the Los Angeles Chamber Orchestra (LACO), and a generous supporter of LACO, the Philharmonic, and the Los Angeles Opera as well as numerous other musical organizations in Los Angeles and around the world.

This Agreement was subsequently amended on April 26, 2002, via a Supplemental Restricted Fund Agreement to which the School joined as a signing party. The Supplemental Restricted Fund Agreement made certain provisions of the original Restricted Fund Agreement irrevocable and unmodifiable. The Restricted Fund Agreement (the "Agreement") requires the School to maintain a curriculum such that not less than half of the educational programs (including, but not limited to music education, composition, performance, individual instruction, and similar classes) are in the area of classical music.

Should the School fail to meet this condition, the Fund may alternatively use its assets to fund the study, teaching, and performance of instrumental and vocal classical music and dance in the USA and abroad to other qualified charities. The School has continuously met this curriculum condition.

Under the terms of the Agreement, the Fund holds and administers certain assets in trust for the support of the School. These assets are neither in the possession of nor under the control of the School. Although the Fund and the School are separate legal entities with separate boards, they are deemed financially interrelated organizations as this term is defined in ASC Topic No. 958-605, *Transfers of Assets to a Not-for-Profit Organization or Charitable Trust That Raises or Holds Contributions for Others (ASC 958)*. Therefore, the beneficial interest in the net assets of the Fund at the date of the Agreement, as well as changes in the Fund's net assets, are reflected in the School's with donor restrictions net assets category. The Agreement provides that the Fund, as a private foundation, should distribute annually to the School the amount required by the IRC, which is currently 5% of the Fund's net asset value (NAV). Distribution from the Fund to the School may be made in cash or in-kind contributions.

The assets listed on the School's consolidated statements of financial position represent the net asset value of the Fund.

As reported in the consolidated statements of activities, the distribution from the Fund was $8,900,000 and $8,200,000 for the years ended June 30, 2023 and 2022, respectively. The Fund's fair value as of June 30, 2023 and 2022, was $162,082,082 and $160,802,595, respectively.

Note 7 – Bonds Payable

On May 27, 2015, the School borrowed the proceeds of 2015 Series A and B Variable Rate Revenue Bonds issued by the California Infrastructure and Economic Development Bank (CIEDB) in order to refinance all of its then-outstanding, tax-exempt municipal bonds. Series 2015A bonds totaling $66,060,000 were defeased by the issuance of Series 2019. Series 2015B bonds totaling $64,925,000 were fully repaid as of April 30, 2022.

On November 1, 2019, the School borrowed the proceeds of 2019 Series revenue bonds issued by CIEDB in order to defease and redeem all outstanding Series 2015A Revenue Bonds. The Series 2019 bonds initially bear interest at a fixed rate of 1.75% from their date of issuance until July 31, 2026, after which point the interest rate becomes variable based on various specified indexes. Payments on the bond are interest only prior to the commencement of sinking fund payments. The maturity date is August 1, 2055, with sinking fund payments due beginning August 1, 2046. The sinking fund payments are approximately $6,600,000 due annually from 2046 through 2055. The total amount of Series 2019 borrowed was $66,060,000. The bond is secured by the gross revenues and certain bank accounts of the School.

On May 1, 2022, the School borrowed the proceeds of 2022 Series revenue bonds issued by CIEDB. The Series 2022 bonds bear interest at a variable rate based on various specified indexes. Payments on the bond are interest only until maturity. The maturity date is August 1, 2072. The total amount of Series 2022 borrowed was $65,535,000.

As of June 30, 2023 and 2022, bonds payable consists of:

	June 30, 2023		
	Interest Rate	Maturity Dates	Amount
Series 2019 Bonds	1.75%	August 1, 2055	$ 66,060,000
Series 2022 Bonds	1.81% - 4.91%	August 1, 2072	65,535,000
			131,595,000
Bond issuance costs			(753,640)
Total bonds payable, net			$ 130,841,360

	June 30, 2022		
	Interest Rate	Maturity Dates	Amount
Series 2019 Bonds	1.75%	August 1, 2055	$ 66,060,000
Series 2022 Bonds	1.52% - 1.81%	August 1, 2072	65,535,000
			131,595,000
Bond issuance costs			(967,044)
Total bonds payable, net			$ 130,627,956

CIEDB is a financing conduit through the State of California. The payments on the tax-exempt bonds are obligations of the School and are not guaranteed by the State. The Series 2019 and Series 2022 bonds are unsecured.

For the year ended June 30, 2023, the School incurred $2,253,596 in interest related to the Series 2022 bonds and $1,156,050 in interest related to the Series 2019 bonds. For the year ended June 30, 2022, the School incurred $171,917 in interest related to the Series 2022 bonds, $1,156,050 in interest related to the Series 2019 bonds, and $626,482 in interest related to the Series 2015B bonds.

Interest rate swap – The School has an interest rate swap agreement in the notional amount of $65,000,000 which is notionally tied to the Series 2019 bonds to mitigate interest rate fluctuations. The agreement expires on August 1, 2037, is uncollateralized and effectively sets a rate of 65% of 30-day LIBOR plus 23 basis points against a fixed rate of 3.768%. The net effective interest rate under the swap was 3.768% on June 30, 2023 and 2022.

The valuation of the swap resulted in a net unrealized gain of $3,886,333 and $9,062,647 due to interest rates during the years ended June 30, 2023 and 2022, respectively. As of June 30, 2023 and 2022, the fair value of the swap agreement was an accumulated unrealized loss of $6,177,227 and $10,063,560, respectively, included in the consolidated statements of financial position. Provided that the School holds the swap contract to maturity, the value of the swap contract will be zero. This swapping transaction can be terminated at market rate at any time during the term of the swap.

For the years ended June 30, 2023 and 2022, the School incurred $622,748 and $2,160,278, respectively, in total interest related to the swap.

Note 8 – Liquidity and Availability of Financial Assets

Financial assets available within one year of the consolidated statements of financial position as of June 30 for general expenditure, that is, without donor or contractual restrictions limiting their use are as follows:

	2023	2022
Cash and cash equivalents	$ 101,012,603	$ 36,824,476
Funds held in trust by others	27,763,069	65,035,410
Contributions receivable	118,133,565	147,582,335
Other receivables	1,476,701	1,449,635
Investments	234,380,478	216,347,161
Beneficial interest in Colburn Music Fund	162,082,082	160,802,595
Total financial assets at June 30	644,848,498	628,041,612
Less: financial assets unavailable within one year		
Funds held in trust by others	-	38,486,635
Contributions receivable	28,845,466	96,818,597
Investments – restricted by donors by time	-	1,218,697
Investments – restricted by donors in perpetuity	106,011,282	92,963,075
Beneficial interest in Colburn Music Fund	156,649,920	151,902,595
Total amounts unavailable for general expenditures within one year	291,506,668	381,389,599
Total financial assets available for general expenditures within one year	$ 353,341,830	$ 246,652,013

In the calculation of financial assets, the School includes all cash and cash equivalents in operating accounts. Donor-restricted endowment funds are not considered to be available for general expenditures. The School operates with a balanced budgeting process. The Board-designated funds and quasi-endowment can be released as necessary for future spending initiatives or to assist in meeting short-term funding requirements. As part of the School's liquidity management plan, it considers the composition of its financial assets to ensure sufficient funds are available as obligations come due.

Note 9 – Fair Value Measurements

ASC 820 establishes a fair value hierarchy that distinguishes between assumptions based on market data (observable inputs) and the School's assumptions (unobservable inputs). Determining where an asset or liability falls within that hierarchy depends on the lowest level input that is significant to the fair value measurement as a whole. An adjustment to the pricing method used within either Level 1 or Level 2 inputs could generate a fair value measurement that effectively falls in a lower level in the hierarchy. Investments, interest rate swaps and interest in Colburn Music Fund measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 – Quoted market prices in active markets for identical assets or liabilities. The type of investments in Level 1 includes listed equities held in the name of the School;

Level 2 – Inputs other than Level 1 inputs that are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies; and

Level 3 – Pricing inputs are *unobservable* for the investment and include situations where there is little, if any, market activity for the investment. Investments that are included in this category generally include privately held investments and securities held in partnership format.

The determination of where an asset or liability falls in the hierarchy requires significant judgment. The School evaluates its hierarchy disclosures each reporting period and based on various factors, it is possible that an asset or liability may be classified differently from period to period. However, the School expects that changes in classifications between different levels will be rare.

The following is a description of the valuation methodologies used for investments at fair value, as well as the general classification pursuant to the valuation hierarchy.

When quoted market prices are available in an active market, securities are classified within Level 1 of the fair value hierarchy. If quoted market prices are not available or accessible, then fair values are estimated using pricing models, matrix pricing, or discounted cash flow models. The fair value of securities estimated using pricing models or matrix pricing is generally classified within Level 2 of the fair value hierarchy.

When discounted cash flow models are used, there is limited activity or less transparency around inputs to the valuation, and securities are classified within Level 3 of the fair value hierarchy. Non-publicly traded investments are stated at estimated fair value which, as a practical expedient, is the NAV as provided by the individual investments themselves, and are evaluated for reasonableness by the School's investment managers.

The following is a description of the instruments measured at fair value under ASC 820 as well as the general classifications of such instruments pursuant to the valuation hierarchy described above.

Marketable asset funds

Cash and cash equivalents – These investments are highly liquid instruments held by external investment managers. The carrying value approximates fair value based on the short maturity of those instruments.

Fixed income funds – These investments consist of core and high-yield bonds, fixed-income hedge funds, and private debt.

Public equity – These investments consist of stocks or instruments that are openly traded through a public market.

Private investment funds

Limited partnerships – These investments consist of limited partnerships using various investment strategies to provide a return to investors greater than the market. These investment strategies include investments in emerging markets, international markets, real assets, fixed income funds, distressed securities, venture capital, and private real estate. The fair values of the investments have been estimated by using either the School's ownership percentage of the total NAV or the NAV per share as reported by each underlying fund.

Private equity funds – These investments consist of private equity funds using various investment strategies to provide a return to investors greater than the market. These investment strategies include investments in emerging markets, international markets, distressed securities, and venture capital. The fair values of the investments have been estimated by using either the School's ownership percentage of the total NAV or the NAV per share as reported by each underlying fund.

Other investment funds

Fairbanks – This investment is a 7.5% interest in The Fairbanks Company, an S-corporation which is a manufacturer of industrial products with operations in Rome, Georgia. The fair values of all investments in this fund have been estimated using the NAV per share.

Stark Investments – Private investment of class B shares of Shepherd Investment International, Ltd. The fair values of all investments in this fund have been estimated using the NAV per share.

Beneficial interest in Colburn Music Fund

As discussed in Note 6, the School has a beneficial interest in the Colburn Music Fund. As of June 30, 2023 and 2022, the Colburn Music Fund has cash and cash equivalents, equity securities, fixed-income securities, and alternative investments. The fair value is based on the net assets of the Colburn Music Fund per the audited financial statements. As there is less transparency around inputs to the valuation, this is classified within Level 3 of the fair value hierarchy.

Interest rate swap

As discussed in Note 7, the School entered into an interest rate swap agreement in fiscal year 2006. The fair value of the swap is based on industry standard valuation assumptions and methods, which is the difference between the present value of the future cash flows of the receive swap leg less the present value of the future cash flows of the payment swap leg. Future cash flows are derived from current mid-market rates and prices (Level 2).

The following tables present assets and liabilities recorded at fair value on the School's consolidated statements of financial position on a recurring basis and indicates the fair value hierarchy of the valuation techniques used to measure fair value.

	June 30, 2023				
	Fair Value Measurement				
	Total	Quoted Price in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	NAV
Assets					
Marketable asset funds					
Cash and cash equivalents	$ 7,776,208	$ 7,776,208	$ -	$ -	$ -
Fixed-income funds	10,133,376	10,133,376	-	-	-
Public equity	4,234,543	4,234,543	-	-	-
Private investments					
Limited partnerships	147,867,005	-	-	-	147,867,005
Private equity funds	64,268,677	-	-	-	64,268,677
Other investment funds					
Fairbanks	58,423	-	-	-	58,423
Stark Investments	42,246	-	-	-	42,246
Total investments	$ 234,380,478	$ 22,144,127	$ -	$ -	$ 212,236,351
Beneficial interest in Colburn Music Fund	$ 162,082,082	$ -	$ -	$ 162,082,082	$ -
Liabilities					
Interest rate swap	$ 6,177,227	$ -	$ 6,177,227	$ -	$ -

	June 30, 2022				
	Fair Value Measurement				
	Total	Quoted Price in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	NAV
Assets					
Marketable asset funds					
Cash and cash equivalents	$ 13,357,433	$ 13,357,433	$ -	$ -	$ -
Fixed-income funds	7,450,018	7,450,018	-	-	-
Public equity	6,112,791	6,112,791	-	-	-
Private investments					
Limited partnerships	120,839,148	-	-	-	120,839,148
Private equity funds	68,487,012	-	-	-	68,487,012
Other investment funds					
Fairbanks	58,423	-	-	-	58,423
Stark Investments	42,336	-	-	-	42,336
Total investments	$ 216,347,161	$ 26,920,242	$ -	$ -	$ 189,426,919
Beneficial interest in Colburn Music Fund	$ 160,802,595	$ -	$ -	$ 160,802,595	$ -
Liabilities					
Interest rate swap	$ 10,063,560	$ -	$ 10,063,560	$ -	$ -

The following table presents additional information about the assets recorded at fair value using significant unobservable inputs on the School's consolidated statements of financial position on a recurring basis for which Level 3 inputs were used.

	Beneficial Interest in the Colburn Music Fund (Level 3)
Ending balance, June 30, 2021	$ 188,043,186
Unrealized loss	(19,040,591)
Distributions	(8,200,000)
Ending balance, June 30, 2022	160,802,595
Unrealized gain	10,479,487
Distributions	(9,200,000)
Ending balance, June 30, 2023	$ 162,082,082

The School's determination of fair value of private investments is based upon the best available information provided by the investment manager and may incorporate management assumptions and estimates after considering a variety of internal and external factors. The School has determined, through monitoring activities, to rely on the fair value as determined by the investment managers. The fair value is estimated using NAV per share as a practical expedient.

The following table shows the fair value, unfunded commitments, and redemption restrictions for investments reported at NAV at June 30, 2023:

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Frequency
Private growth	$ 147,867,005	$ 27,103,261	Monthly; Quarterly; Illiquid	10 business days - 180 calendar days
Private diversifiers	64,268,677	1,186,234	Weekly; Monthly; Illiquid	5 business days - 62 calendar days
Fairbanks	58,423	-	Illiquid	Illiquid
Stark Investments	42,246	-	Illiquid	Illiquid
	$ 212,236,351	$ 28,289,495		

Note 10 – Endowment

The School's endowment consists of approximately 57 funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors 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 Directors of the School has interpreted the California Uniform Prudent Management of Institutional Funds Act (CUPMIFA) 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 School classifies as net assets with donor restrictions (a) the original value of gifts donated to the perpetual endowment, (b) the original value of subsequent gifts to the perpetual endowment, and (c) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund is classified as donor restricted net assets until those amounts are appropriated for expenditure by the School in a manner consistent with the standard of prudence prescribed by CUPMIFA.

In accordance with CUPMIFA, the School 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 organization 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/depreciation of investments
6. Other resources of the organization
7. The investment policies of the organization

The composition of endowment net assets by type of fund as of June 30, 2023 and 2022, is as follows:

	June 30, 2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment	$ -	$ 115,253,469	$ 115,253,469
Quasi endowment	93,668,739	-	93,668,739
Total funds	$ 93,668,739	$ 115,253,469	$ 208,922,208

	June 30, 2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment	$ -	$ 102,700,442	$ 102,700,442
Quasi endowment	89,050,534	-	89,050,534
Total funds	$ 89,050,534	$ 102,700,442	$ 191,750,976

Changes in endowment net assets for the year ended June 30, 2023, is as follows:

	June 30, 2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 89,050,534	$ 102,700,442	$ 191,750,976
Investment return			
Investment income, net	111,759	126,353	238,112
Net gains (realized and unrealized)	9,068,794	10,253,087	19,321,881
Total investment return	9,180,553	10,379,440	19,559,993
Contributions	-	5,964,616	5,964,616
Reclassification	-	22,880	22,880
Appropriation of endowment net assets for operating expenditures	(4,562,348)	(3,813,909)	(8,376,257)
Endowment net assets, end of year	$ 93,668,739	$ 115,253,469	$ 208,922,208

Changes in endowment net assets for the year ended June 30, 2022, is as follows:

	June 30, 2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 84,331,358	$ 107,185,475	$ 191,516,833
Investment return			
Investment income, net	1,032,903	994,215	2,027,118
Net losses (realized and unrealized)	(3,303,812)	(3,180,062)	(6,483,874)
Total investment return	(2,270,909)	(2,185,847)	(4,456,756)
Contributions	-	1,402,259	1,402,259
Repayment of internal loan for campus expa	12,952,595	-	12,952,595
Capital improvement fund	500,000	-	500,000
Appropriation of endowment net assets for operating expenditures	(6,462,510)	(3,701,445)	(10,163,955)
Endowment net assets, end of year	$ 89,050,534	$ 102,700,442	$ 191,750,976

Funds with deficiencies – From time to time, the fair value of assets associated with individual donor-restricted funds may fall below the level that the donor or CUPMIFA requires the School to retain as a fund of perpetual duration. When donor-restricted endowment fund deficits exist, they are classified as a reduction of net assets with donor restrictions. Deficiencies for donor-restricted endowment funds were $0 and $6,487 at June 30, 2023 and 2022, respectively.

Return objectives and risk parameters – The School 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 to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the School must hold in perpetuity or for a donor-specified period as well as Board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed inflation by 5% while assuming a moderate level of investment risk. The School expects its endowment funds, over time, to provide an average rate of return of approximately 6.5%–7.0% annually. Actual returns in any given year may vary from this amount.

Strategies employed for achieving objectives – To satisfy its long-term rate-of-return objectives, the School 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 School targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term objectives within prudent risk constraints.

Spending policy and how the investment objectives relate to spending policy – The School has a policy of appropriating for distribution each year 5% of its endowment and quasi endowment funds' average fair value over the prior five years. In establishing this policy, the School considered the long-term expected return on its endowment. This is consistent with the School'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. The actual distribution may vary from the 5% target. For the years ended June 30, 2023 and 2022, the investment draw was $8,376,257 and $10,163,955, respectively.

Note 11 – Net Assets with Donor Restrictions

Net assets with donor restrictions as of June 30, 2023 and 2022, are restricted for the following purposes:

	2023	2022
Endowments		
General endowment	$ 36,019,791	$ 33,660,911
Dance endowment	18,058,008	17,040,921
Core program endowment	14,718,295	13,903,476
Piano chair endowment	8,419,602	7,937,207
CSPA Access Fund endowment	7,446,644	6,762,290
Scholarship endowment	6,394,422	5,946,958
Heifetz chair endowment	5,784,918	5,453,040
RDC viola chair	3,872,511	-
Amron/Sutherland endowment	3,588,231	3,244,745
Wellness endowment	3,448,355	3,248,628
Moe & Arlene Greendale endowment	3,065,910	2,890,290
Nick Nichols CICI chair	1,561,902	-
Dr. Zipper endowment	1,205,253	1,105,664
Richard D. Colburn scholarship endowment	949,463	891,294
Other	561,777	465,177
Austrian-American Council West Award endowment	158,387	149,841
	$ 115,253,469	$ 102,700,442

	2023	2022
For time and purpose restrictions		
Campus expansion	$ 229,137,597	$ 233,208,362
Interest in the Colburn Music Fund	162,082,082	160,802,595
Receivable from Colburn Foundation	1,590,251	2,054,257
Herbert Zipper scholars	1,220,904	1,065,373
Voice instruction	390,427	399,386
Herbert Zipper Archives	350,824	367,553
Music Academy	343,500	144,500
Dance Academy/TZDI	272,639	384,814
Gluck Teaching Fellows	246,000	246,000
Other specific purposes	137,430	223,393
Conservatory violin instruction	100,000	100,000
CSPA Jumpstart Scholar	75,000	101,989
Community school scholarships	72,099	174,304
Community engagement	51,500	103,991
Musical encounter	27,000	-
Fortissima	10,000	24,975
Gala	9,414	18,971
EDI (Equity, Diversity & Inclusion initiatives)	-	99,641
LA County Public Health-Heluna Health	-	56,674
Total time and purpose restrictions	396,116,667	399,576,778
Total net assets with donor restrictions	$ 511,370,136	$ 502,277,220

	2023	2022
Endowment net assets		
Original donor-related gift amounts required to be mainted in perpetuity by donor	$ 78,419,878	$ 72,455,262
Accumulated investment gain less spending policy distributions	36,833,591	30,245,180
Total endowment funds	$ 115,253,469	$ 102,700,442

Note 12 – Net Assets Released from Restrictions

Net assets were released from donor restriction for the years ended June 30, 2023 and 2022, by incurring expenses satisfying the following restricted purposes:

	2023	2022
Operating		
Endowments – appropriation for operations	$ 4,813,909	$ 3,701,445
Colburn Foundation	2,000,000	2,000,000
Community outreach	1,053,833	810,453
Scholarships	1,858,706	1,977,324
Miscellaneous	318,518	982,360
	10,044,966	9,471,582
Non-operating		
Distribution from Colburn Music Fund	8,900,000	8,200,000
Campus expansion	11,481,317	15,229,925
	20,381,317	23,429,925
Total	$ 30,426,283	$ 32,901,507

Note 13 – Retirement Plan

The School has a defined contribution retirement 403(b) plan covering all full-time faculty and staff employees. In order to receive the School's matching contribution, which is 7% as of January 1, 2015, a qualified participant must defer 5% of their eligible compensation. All employee and School contributions are fully vested. The School's contribution to the plan for the years ended June 30, 2023 and 2022, was $853,351 and $780,281, respectively.

Note 14 – Functional Allocation of Expenses

Functional expenses for the years ended June 30, 2023 and 2022, are as follows:

	June 30, 2023								
	CSPA	Music Academy	TZDI	Conservatory	Performing Arts & Other Academic Programs	Total Program Expenses	General & Administrative	Fundraising	Total Operating Expenses
Salaries, wages, and benefits	$ 4,951,525	$ 782,038	$ 1,525,027	$ 6,660,579	$ 3,371,090	$ 17,290,259	$ 3,215,348	$ 1,326,568	$ 21,832,175
Supplies and services	269,895	176,180	314,943	2,055,998	1,012,948	3,829,964	502,643	96,204	4,428,811
General, office, and building expenses	1,217,978	516,108	393,393	2,130,320	484,489	4,742,288	546,881	280,095	5,569,264
Insurance	-	-	-	-	-	-	529,203	-	529,203
Interest and debt service costs	921,093	613,363	272,092	2,294,056	119,311	4,219,915	45,872	14,373	4,280,160
Depreciation and amortization	1,058,087	704,588	312,561	2,635,251	137,056	4,847,543	52,694	16,510	4,916,747
	$ 8,418,578	$ 2,792,277	$ 2,818,016	$ 15,776,204	$ 5,124,894	$ 34,929,969	$ 4,892,641	$ 1,733,750	$ 41,556,360

	June 30, 2022								
	CSPA	Music Academy	TZDI	Conservatory	Performing Arts & Other Academic Programs	Total Program Expenses	General & Administrative	Fundraising	Total Operating Expenses
Salaries, wages, and benefits	$ 4,625,031	$ 741,314	$ 1,476,521	$ 6,474,552	$ 2,836,091	$ 16,153,509	$ 3,050,863	$ 1,175,436	$ 20,379,808
Supplies and services	261,526	155,404	300,196	1,743,963	881,652	3,342,741	410,050	85,235	3,838,026
General, office, and building expenses	1,043,232	433,415	360,441	1,820,413	680,275	4,337,776	446,392	268,449	5,052,617
Insurance	-	-	-	-	-	-	466,181	-	466,181
Interest and debt service costs	929,661	619,068	274,623	2,315,395	120,421	4,259,168	46,298	14,506	4,319,972
Depreciation and amortization	1,101,202	733,298	325,297	2,742,632	142,641	5,045,070	59,029	17,183	5,121,282
	$ 7,960,652	$ 2,682,499	$ 2,737,078	$ 15,096,955	$ 4,661,080	$ 33,138,264	$ 4,478,813	$ 1,560,809	$ 39,177,886

Note 15 – Student Revenues

Student revenues for the years ended June 30 consist of the following:

	2023	2022
Tuition and fees	$ 15,149,123	$ 13,599,675
Room and board	3,256,964	3,105,761
Student revenues, gross	18,406,087	16,705,436
Less: Student financial assistance	(11,504,343)	(10,729,655)
Student revenues, net	$ 6,901,744	$ 5,975,781

Note 16 – Commitments and Contingencies

From time to time, the School may be subject to certain claims that arise in the ordinary course of its activities. The School accrues contingent liabilities when it is probable that future expenditures will be made and such expenditures can be reasonably estimated. In the opinion of management, there are no pending claims or assertions against the School of which the outcome is expected to result in a material adverse effect on the financial position, changes in net assets, or cash flows of the School.

The School has general contracts and commitments to outside parties for certain equipment and facilities that extend through 2028, which are non-cancellable. Total rent expense under operating lease agreements was $25,401 and $14,556 for the years ended June 30, 2023 and 2022, respectively.

Note 17 – Related-Party Transactions

The School receives contributions and promises to give from members of the Board of Trustees and related entities. Total contributions from trustees and related entities for the years ended June 30, 2023 and 2022, were approximately $12,237,000 and $205,106,000, respectively. At June 30, 2023 and 2022, contributions receivable from trustees and related entities totaled approximately $78,766,000 and $110,071,000, respectively.

Note 18 – Subsequent Events

The School has evaluated subsequent event through December 14, 2023, the date on which the consolidated financial statements were available to be issued, and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the consolidated financial statements, other than the receipt of the employee retention tax credit disclosed in Footnote 2.