

# AndersonRanch arts center

## Financial Statements

*For the Year Ended December 31, 2023*

*(With Summarized Financial Information for the Year Ended December 31, 2022)*



**and  
Report Thereon**



**ANDERSON RANCH ARTS CENTER**

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**For the Year Ended December 31, 2023**

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**INDEPENDENT AUDITORS' REPORT**

To the Board of Trustees of the  
**Anderson Ranch Arts Center**

***Opinion***

We have audited the financial statements of Anderson Ranch Arts Foundation (d/b/a Anderson Ranch Arts Center) (the Ranch), which comprise the statement of financial position as of December 31, 2023, and the related statements of activities, functional expenses and cash flows for the year 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 Ranch as of December 31, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinion***

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

***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

## ***Auditors' Responsibilities for the Audit 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 auditors' 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 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 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 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 Ranch'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 Ranch'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.

### ***Summarized Comparative Information***

We have previously audited the Ranch's December 31, 2022 financial statements, and our report dated June 30, 2023, expressed an unmodified audit opinion on those statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Marcum LLP*

Washington, DC  
July 25, 2024

**ANDERSON RANCH ARTS CENTER**  
**STATEMENT OF FINANCIAL POSITION**  
**December 31, 2023**  
**(With Summarized Financial Information as of December 31, 2022)**

	2023	2022
<b>ASSETS</b>		
Cash and cash equivalents	\$ 999,213	\$ 1,064,697
Pledges receivable, net	1,563,166	1,787,104
Other receivables	38,460	37,973
Employee retention tax credit (ERTC) receivable	-	238,171
Inventory and other assets	304,692	230,021
Investments	11,470,860	9,792,052
Beneficial interest in charitable trust	846,201	-
Fixed assets, net	4,416,791	4,667,551
Collections	-	-
	<b>\$ 19,639,383</b>	<b>\$ 17,817,569</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 282,036	\$ 193,811
Contract liability	308,973	240,774
Note payable	468,985	485,991
	<b>1,059,994</b>	<b>920,576</b>
<b>Net Assets</b>		
<b>Without donor restrictions</b>		
Undesignated	4,129,784	4,550,519
Designated by the board for operating reserve	1,525,362	1,113,459
	<b>5,655,146</b>	<b>5,663,978</b>
<b>With donor restrictions</b>		
	<b>12,924,243</b>	<b>11,233,015</b>
	<b>18,579,389</b>	<b>16,896,993</b>
	<b>\$ 19,639,383</b>	<b>\$ 17,817,569</b>

The accompanying notes are an integral part of these financial statements.

**ANDERSON RANCH ARTS CENTER**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended December 31, 2023**  
**(With Summarized Financial Information for the Year Ended December 31, 2022)**

	2023			2022 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
<b>REVENUE AND SUPPORT</b>				
Grants and contributions:				
Individuals and foundations	\$ 2,477,796	\$ 1,575,476	\$ 4,053,272	\$ 4,277,993
In-kind contributions	49,993	-	49,993	53,922
Program service revenue	2,317,739	-	2,317,739	2,159,732
Special events	1,440,336	-	1,440,336	569,905
Appropriations for expenditure	214,907	217,801	432,708	439,900
Miscellaneous income	-	-	-	976
Net assets released from restrictions:				
Satisfaction of time restrictions	45,704	(45,704)	-	-
Satisfaction of program restrictions	895,107	(895,107)	-	-
<b>TOTAL REVENUE AND SUPPORT</b>	<u>7,441,582</u>	<u>852,466</u>	<u>8,294,048</u>	<u>7,502,428</u>
<b>OPERATING EXPENSES</b>				
Program Services:				
Workshops	2,776,372	-	2,776,372	2,609,988
Services	1,596,945	-	1,596,945	1,637,345
Residency	216,101	-	216,101	184,498
<b>Total Program Services</b>	<u>4,589,418</u>	<u>-</u>	<u>4,589,418</u>	<u>4,431,831</u>
Supporting Services:				
Management and general	1,814,355	-	1,814,355	1,884,627
Fundraising	949,675	-	949,675	1,237,951
<b>Total Supporting Services</b>	<u>2,764,030</u>	<u>-</u>	<u>2,764,030</u>	<u>3,122,578</u>
<b>TOTAL OPERATING EXPENSES</b>	<u>7,353,448</u>	<u>-</u>	<u>7,353,448</u>	<u>7,554,409</u>
Change in net assets before nonoperating activities	<u>88,134</u>	<u>852,466</u>	<u>940,600</u>	<u>(51,981)</u>
<b>NONOPERATING ACTIVITIES</b>				
Investment income:				
Net realized and unrealized gains (losses)	77,149	834,020	911,169	(1,486,377)
Interest and dividends, net of fees	40,792	222,543	263,335	137,620
Loss on uncollectible restricted pledges	-	-	-	(62,500)
Appropriations for expenditure	(214,907)	(217,801)	(432,708)	(439,900)
Change in net assets from nonoperating activities	<u>(96,966)</u>	<u>838,762</u>	<u>741,796</u>	<u>(1,851,157)</u>
<b>CHANGE IN NET ASSETS</b>	<u>(8,832)</u>	<u>1,691,228</u>	<u>1,682,396</u>	<u>(1,903,138)</u>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>5,663,978</u>	<u>11,233,015</u>	<u>16,896,993</u>	<u>18,800,131</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 5,655,146</u>	<u>\$ 12,924,243</u>	<u>\$ 18,579,389</u>	<u>\$ 16,896,993</u>

The accompanying notes are an integral part of these financial statements.

**ANDERSON RANCH ARTS CENTER**

**STATEMENT OF FUNCTIONAL EXPENSES**

**For the Year Ended December 31, 2023**

**(With Summarized Financial Information for the Year Ended December 31, 2022)**

	Program Services			Total Program Services	Supporting Services		Total Supporting Services	2023 Total	2022 Total
	Workshops	Services	Residency		Management and General	Fundraising			
Personnel costs	\$ 1,277,257	\$ 610,259	\$ 203,718	\$ 2,091,234	\$ 1,115,909	\$ 391,190	\$ 1,507,099	\$ 3,598,333	\$ 3,605,134
Facility costs	284,834	208,820	1,425	495,079	308,434	39,149	347,583	842,662	995,898
Cost of goods sold	80,092	360,475	-	440,567	-	-	-	440,567	425,978
Depreciation and amortization	234,037	129,867	-	363,904	74,116	-	74,116	438,020	422,098
Honorarium	391,350	1,000	7,000	399,350	-	11,700	11,700	411,050	404,453
Food, beverage and housing	61,514	73,252	-	134,766	730	226,928	227,658	362,424	328,119
Professional fees	39,676	538	150	40,364	200,982	17,955	218,937	259,301	305,511
Artwork and commissions	-	110,378	-	110,378	-	135,914	135,914	246,292	143,180
Travel and entertainment	170,629	7,914	1,711	180,254	21,153	21,681	42,834	223,088	279,796
Supplies and small capital purchases	68,769	66,267	-	135,036	26,150	37,069	63,219	198,255	277,477
Fees and other taxes	61,876	15,715	668	78,259	5,286	22,423	27,709	105,968	110,005
Advertising and publications	58,183	3,552	500	62,235	52	10,887	10,939	73,174	75,418
Other expenses	29,947	1,525	715	32,187	32,088	6,652	38,740	70,927	67,743
Donated goods and services	8,370	-	-	8,370	23,401	12,150	35,551	43,921	53,922
Mailing and printing	9,838	7,383	214	17,435	6,054	15,977	22,031	39,466	59,677
<b>TOTAL EXPENSES</b>	<b>\$ 2,776,372</b>	<b>\$ 1,596,945</b>	<b>\$ 216,101</b>	<b>\$ 4,589,418</b>	<b>\$ 1,814,355</b>	<b>\$ 949,675</b>	<b>\$ 2,764,030</b>	<b>\$ 7,353,448</b>	<b>\$ 7,554,409</b>

The accompanying notes are an integral part of these financial statements.

**ANDERSON RANCH ARTS CENTER**  
**STATEMENT OF CASH FLOWS**  
**For the Year Ended December 31, 2023**  
**(With Summarized Financial Information for the Year Ended December 31, 2022)**

	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 1,682,396	\$ (1,903,138)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	438,020	422,098
Loss on disposal of property and equipment	1,376	-
Discount on pledges receivable	13,745	113,622
Net realized and unrealized investment (gains) losses	(911,169)	1,486,377
Cash contributions for permanent endowments	(82,942)	(177,000)
Changes in assets and liabilities:		
Pledges receivable	210,193	(1,254,367)
Other receivables	(487)	(6,540)
ERTC receivable	238,171	282,767
Inventory and other assets	(74,671)	(2,326)
Beneficial interest in charitable trust	(846,201)	-
Accounts payable and accrued expenses	88,225	(406)
Contract liability	68,199	36,022
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b>824,855</b>	<b>(1,002,891)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of investments	(7,972,661)	(3,613,902)
Sales of investments	6,898,807	5,339,032
Purchases of fixed assets	(188,636)	(201,653)
<b>NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES</b>	<b>(1,262,490)</b>	<b>1,523,477</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from notes payable	-	350,000
Principal repayments of notes payable	(17,006)	(13,909)
Cash contributions for permanent endowments	82,942	177,000
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<b>65,936</b>	<b>513,091</b>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(371,699)</b>	<b>1,033,677</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>2,912,755</b>	<b>1,879,078</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 2,541,056</b>	<b>\$ 2,912,755</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		
Cash and cash equivalents	\$ 999,213	\$ 1,064,697
Cash and cash equivalents held within investments	1,541,843	1,848,058
<b>TOTAL CASH AND CASH EQUIVALENTS</b>	<b>\$ 2,541,056</b>	<b>\$ 2,912,755</b>
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Interest paid	\$ 13,529	\$ 11,951

The accompanying notes are an integral part of these financial statements.

## ANDERSON RANCH ARTS CENTER

### NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2023

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#### 1. Organization and Summary of Significant Accounting Policies

##### **Organization**

The Anderson Ranch Arts Foundation, d/b/a Anderson Ranch Arts Center (the Ranch), was organized as a nonprofit organization under the Colorado Nonprofit Corporation Act on March 7, 1973. The Ranch's purpose is to promote, sponsor and teach artistic courses and programs. The Ranch is located in the ski resort town of Snowmass Village, Colorado. Primary support is provided through donor contributions and program service income.

##### **Basis of Accounting**

The Ranch's policy is to prepare its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

##### **Cash and Cash Equivalents**

The Ranch considers all highly liquid investments not held for long-term investment purposes with purchased maturities of three months or less to be cash equivalents.

##### **Pledges Receivable**

Promises to give are recognized as revenue in the period in which they are pledged and as assets, decreases of liabilities or expenses, depending on the form of the benefits received. Promises to give are recorded at their net realizable value if expected to be collected in one year or at their present value if expected to be collected in more than one year. Conditional promises to give are recognized when the conditions on which they depend are substantially met. The Ranch provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to pledges receivable. Changes in the valuation allowance have not been significant to the financial statements.

##### **Inventory**

Inventory consists of store merchandise, café items and art supplies, which are recorded at the lower of cost or net realizable value using the first-in, first-out method of inventory.

##### **Investments and Fair Value Hierarchy**

Investments consist of cash held for investment purposes, and fixed income and equity securities and are recorded in the financial statements at fair value, with gains and losses included in the statement of activities. Fair value is the price that would be received to sell an asset or liability through an orderly transaction between market participants at the measurement date. Net asset value (NAV) is used as a practical expedient for private equity funds for which a readily determinable fair value is not available.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Unrealized gains or losses are determined by a comparison of fair value at the beginning and end of the year.

## ANDERSON RANCH ARTS CENTER

### NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2023

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#### 1. Organization and Summary of Significant Accounting Policies (continued)

##### **Investments and Fair Value Hierarchy (continued)**

In accordance with the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurement*, the Ranch has measured its applicable financial instruments at fair value on a recurring basis based on the required fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest-level input that is significant to the fair value measurement of the instrument. The three levels of the fair value hierarchy are described as follows:

*Level 1* – Inputs based on quoted prices (unadjusted) in active markets for identical assets or liabilities accessible at the measurement date.

*Level 2* – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly, such as quoted prices for similar assets or liabilities in active markets.

*Level 3* – Unobservable inputs for the asset or liability, including the reporting entity's own assumptions in determining the fair value measurement.

##### **Fixed Assets and Related Depreciation and Amortization**

Fixed assets are recorded at cost and are depreciated on a straight-line basis over their estimated useful lives of three to 40 years. When property and equipment are disposed of or otherwise retired, the cost and related accumulated depreciation are removed, with any resulting gain or loss reflected in the accompanying statement of activities. Expenditures for maintenance and minor repairs are expensed in the year in which they are incurred. Expenditures for major repairs and improvements are capitalized. The capitalization policy is that all equipment and other fixed assets costing in excess of \$5,000 and with an economic life in excess of one year will be recorded as an asset. For a repair or improvement to be capitalized, the expenditure must extend the useful life of the asset repaired or improved.

##### **Impairment of Long-Lived Assets**

The Ranch reviews its property for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If the fair value is less than the carrying amount of the asset, an impairment loss is recognized for the difference. There has been no impairment loss recognized as of December 31, 2023.

##### **Collections**

The Ranch acquires its collections, which include various works of art, primarily by donation or loan, and occasionally by purchases. Collections are held for public exhibition, education or research. Each of the items is catalogued, preserved and cared for, and activities verifying their existence and assessing their condition are continuously performed. The collections are

## ANDERSON RANCH ARTS CENTER

### NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2023

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#### 1. Organization and Summary of Significant Accounting Policies (continued)

##### **Collections (continued)**

not recognized as assets in the accompanying statement of financial position. Purchases of collection items are recorded as decreases in net assets without donor restrictions in the year in which the items are acquired. Contributed collection items are not reflected in the financial statements. Proceeds from deaccessions or insurance recoveries are reflected as increases in the appropriate net asset classes.

##### **Classification of Net Assets**

The Ranch's net assets are reported as follows:

- Net assets without donor restrictions represent the portion of expendable funds that are available for support of the Ranch's operations. Net assets without donor restrictions also include generous donor contributions that have not been restricted by the donor, but have been placed into a reserve fund to be prudently expended at the designation of the Ranch's Board of Trustees.
- Net assets with donor restrictions represent amounts that are specifically restricted by donors or grantors for various purposes or for use in future time periods, as well as endowment gifts requiring that the principal be invested in perpetuity and that only the investment income be expended for purposes designated by the donor.

##### **Revenue Recognition**

The Ranch primarily generates program revenue by providing art classes and supporting food and housing services to patrons of the Ranch. All program revenue included in the accompanying statement of activities is recognized at the point in time when services are provided to patrons. Patrons typically register and pay tuition in advance of scheduled classes, and have the option to prepay for food and housing services as well. The Ranch will occasionally hold special events in which revenue from tickets sold is recognized at the time the event occurs. Accordingly, amounts collected in advance of the services provided or event are recorded as a contract liability in the accompanying statement of financial position.

Grants and contributions are reported as increases in net assets without donor restrictions in the year in which payments are received and/or unconditional promises to give are made. Grants and contributions are considered without donor restriction and available for general operations unless specifically restricted by the donor. The Ranch reports grants of cash and other assets as increases to net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets to a particular purpose or to future periods. When the stipulated time restriction ends or the purpose of the restriction is met, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying statement of activities as net assets released from restrictions. If the restriction ends or is met in the same period in which the restricted contribution was promised, the contribution is reported as an increase to net assets without donor restrictions. Unconditional grants and contributions that have been awarded to the Ranch, but not yet received, are reflected as pledges receivable in the accompanying statement of financial position.

## ANDERSON RANCH ARTS CENTER

### NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2023

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#### 1. Organization and Summary of Significant Accounting Policies (continued)

##### **Revenue Recognition (continued)**

A contribution is considered conditional if the agreement includes a measurable of performance or barrier and a right of return. Conditional promises to give are not recognized until they become unconditional, that is, when the barrier(s) in the agreement are met. Any conditional promises to give for which payments have been received but barrier(s) have not been met are recorded as a grant advance in the accompanying statement of financial position.

##### **In-Kind Contributions**

In-kind contributions are recorded at fair value as revenue and expense in the accompanying statements of activities. In-kind contributions consist of donated supplies, contributed legal services and donated artwork for auction. Donated supplies are recorded at fair value as of the date of donation, based on the market value of such items. Contributed legal services are recognized as in-kind contributions as the services received require specialized skills and would typically need to be purchased if not donated, and are valued based on the fair value of the services performed. Donated artwork is auctioned at the Ranch's fundraising events and valued at the gross proceeds received at auction.

##### **Cost of Goods Sold**

Cost of goods sold primarily consists of art supplies and food items used in providing program service patrons of the Ranch.

##### **Advertising**

Marketing and advertising costs are expensed as incurred.

##### **Functional Allocation of Expenses**

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statement of activities. Expenses that are identified as contributing to a specific activity, such as food, beverage and housing expenses, supplies, and cost of goods sold, are charged directly to that activity. Personnel costs of certain employees are allocated proportionately among the programs and supporting services based on estimates of time and effort. Facilities cost and depreciation expense is charged directly to programs based on the assigned use of each Ranch building. Advertising and publications costs have been allocated to programs based on tuition revenue, while credit card fees, which are included in fees and other taxes, are allocated to programs based on revenue generated by credit card sales transactions.

##### **Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

**ANDERSON RANCH ARTS CENTER**

**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2023**

1. Organization and Summary of Significant Accounting Policies (continued)

**Measurement of Operations**

Operating revenue and expenses generally reflect those revenues and expenses that arise from the Ranch's activities and exclude investment income, which the Ranch defines as all interest, dividends, realized and unrealized gains and losses, and investment fees from investments.

2. Pledges Receivable

For the year ended December 31, 2023, pledges receivable included unconditional promises to give from foundations and individuals. All amounts were deemed fully collectible and were expected to be paid as follows:

Due in less than one year	\$ 769,078
Due in one to five years	723,000
Thereafter	<u>200,000</u>
Total Pledges Receivable	1,692,078
Less: Discount to Present Value (0.3% – 5.1%)	<u>(128,912)</u>
Pledges Receivable, Net	<u>\$ 1,563,166</u>

3. Investments and Fair Value Measurement

The following table summarizes the Ranch's assets measured at fair value on a recurring basis as of December 31, 2023:

	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Investments:				
Equity securities:				
Equity income	\$ 1,274,258	\$ 1,274,258	\$ -	\$ -
Equity income growth	5,094,993	5,094,993	-	-
Equity international	811,166	811,166	-	-
Fixed income securities:				
Corporate bonds	<u>1,979,291</u>	<u>-</u>	<u>1,979,291</u>	<u>-</u>
Total Investments Measured in Fair Value Hierarchy	9,159,708	<u>\$ 7,180,417</u>	<u>\$ 1,979,291</u>	<u>\$ -</u>
Investments measured at NAV	769,309			
Cash	<u>1,541,843</u>			
Total Investments	<u>\$ 11,470,860</u>			

**ANDERSON RANCH ARTS CENTER**

**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2023**

3. Investments and Fair Value Measurement(continued)

Equity securities are valued at the closing price reported in the active market in which the equities are traded. Fixed income securities are valued based on current yields, the securities' terms and conditions, and market activity. Inputs used include market sources, credit information, observed market movement and sector news.

The following table discloses information concerning the fair value measurement of investments calculated using NAV per share as of December 31, 2023:

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (If Currently Eligible)</u>	<u>Redemption Notice Period</u>
Private equity funds <sup>(a)</sup>	\$ 769,309	\$ -	30-90 days	30-90 days
Total	\$ 769,309	\$ -		

<sup>(a)</sup> *Private equity funds* – Private equity funds are defined-life funds that invest in illiquid securities for longer terms. The fair values of the investments in this category have been estimated using the NAV per share of the investments. Investments in this category are subject to monthly to quarterly redemptions after a 12-month lockup period, starting in 2023. The fund values are reduced through distributions that are received from liquidation of the underlying assets.

4. Fixed Assets

Fixed assets were composed of the following as of December 31, 2023:

Buildings and improvements	\$ 9,357,168
Equipment, furniture and website	3,528,163
Land	248,045
Total Fixed Assets	13,133,376
Less: Accumulated Depreciation and Amortization	(8,716,585)
Fixed Assets, Net	\$ 4,416,791

Depreciation and amortization expense was \$438,020 for the year ended December 31, 2023.

5. Beneficial Interest in Charitable Trust

In 2023, the Ranch was notified of its status as a residual beneficiary in a life estate trust agreement from a donor. The trust assets, primarily real estate, are in the control of a trustee and management has no authority over these assets until they are liquidated and distributed.

**ANDERSON RANCH ARTS CENTER**

**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2023**

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5. Beneficial Interest in Charitable Trust (continued)

The present value of the expected future cash flows have been discounted at an interest rate of 4.8%, and totaled \$846,201 as of December 31, 2023. The Ranch received no distributions from the trust during the year ended December 31, 2023 and the gift has an implicit donor restriction for time as it will only be received in a future time period.

6. Note Payable

On June 24, 2020, the Ranch entered into a Small Business Administration loan with its financial institution under the EIDL program for the amount of \$149,900. The note will mature on June 24, 2050, with a fixed interest rate of 2.75% per annum, and is secured by collateral primarily consisting of the Ranch's demand deposit accounts, inventory and equipment. On January 31, 2022, the Ranch's EIDL note payable was amended to increase the note principal to \$500,000. Monthly installment payments of principal and interest of \$641 commenced on June 24, 2021 and increased to \$2,152 upon increasing the note principal, and will continue through the maturity date. For the year ended December 31, 2023, interest expense associated with the EIDL note totaled \$13,529, and as of December 31, 2023, the EIDL note had an outstanding principal balance of \$468,985.

As of December 31, 2023, the future maturities of the note were as follows:

<u>For the Year Ending</u> <u>December 31,</u>	
2024	\$ 12,637
2025	12,989
2026	13,751
2027	13,722
2028	14,104
Thereafter	<u>401,782</u>
Total	<u>\$ 468,985</u>

7. Concentrations, Risks and Contingency

**Financial Instruments**

Financial instruments that potentially subject the Ranch to concentration of credit risk consist principally of cash balances maintained at various creditworthy financial institutions. While the amount at a given bank, at times, exceeds the amount guaranteed by federal agencies and, therefore, bears some risk, the Ranch has not experienced, nor does it anticipate, any losses on its funds. At December 31, 2023, the Ranch had approximately \$1,171,000 in excess of federally insured limits.

## ANDERSON RANCH ARTS CENTER

### NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2023

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#### 7. Concentrations, Risks and Contingency (continued)

##### **Line of Credit**

The Ranch entered into a margin line of credit agreement on August 8, 2018, that is secured by the Ranch's investments held by the same financial institution. The amount available to borrow is a calculated percent of the operating reserve investment balance that fluctuates depending on the types of investments held in the account. As of December 31, 2023, \$115,992 was available to be drawn on the margin line of credit. The interest rate is variable using the financial institution's commercial rate index plus a spread, which, as of December 31, 2023, was 7.44%. The line of credit is due upon demand. As of and for the year ended December 31, 2023, no balance was outstanding and no draws or repayments were made on the line of credit, respectively.

##### **Letter of Credit**

In August 2021, the Ranch entered into an irrevocable letter of credit with a financial institution in the amount of \$74,975 for the benefit of Colorado Department of Labor and Employment Unemployment Insurance Operations in regards to the Ranch's unemployment compensation arrangement. This letter of credit renews annually in August and requires the Ranch to pay an annual fee of approximately 1% of the balance.

##### **Employment Agreement**

The Ranch signed an employment agreement with its President and CEO effective February 23, 2021. Under the terms of the agreement, if the Ranch terminates the agreement for reasons other than cause, the President and CEO is entitled to receive severance pay of three months' annual salary at the rate at which the President and CEO is being compensated at the time of termination, any earned but unused vacation owed to the President and CEO and any previously earned unpaid salary through the date of termination.

##### **Financial Risk**

The Ranch invests in a professionally managed investment portfolio that is exposed to various risks such as interest rate, market volatility and credit risks. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term could materially affect investment balances and the amounts reported in the financial statements.

#### 8. Net Assets

##### **Net Assets Without Donor Restrictions**

The Ranch's net assets without donor restrictions are composed of undesignated amounts and board-designated amounts for a working capital reserve. As of December 31, 2023, the Ranch's net assets without donor restrictions were as follows:

Undesignated	\$ 4,129,784
Board-designated	<u>1,525,362</u>
Total Net Assets Without Donor Restrictions	<u>\$ 5,655,146</u>

**ANDERSON RANCH ARTS CENTER**

**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2023**

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8. Net Assets (continued)

**Net Assets Without Donor Restrictions (continued)**

Board-designated net assets consist of assets restricted by the Board of Trustees to fund an operating reserve that is available to meet the Ranch's working capital requirements in a time of need, as well as to fund various strategic initiatives that are not included in the Ranch's normal operating budget.

**Net Assets With Donor Restrictions**

As of December 31, 2023, the Ranch's net assets with donor restrictions were available for the following programs or purposes:

Purpose restricted:	
Residency	\$ 1,003,901
Scholarships and internships	841,126
Other	466,333
Visiting artist	355,255
3D	257,717
Community outreach	216,884
Capital projects	120,758
Advanced mentored study program	82,000
Time restricted:	
Beneficial interest in charitable trust	846,201
Time-restricted contributions	63,500
Time-restricted pledges	212,657
Available for appropriation from endowment funds	52,029
Permanent endowments:	
Corpus value and endowment pledges receivable	<u>8,405,882</u>
Total Net Assets With Donor Restrictions	<u>\$ 12,924,243</u>

9. Endowment Funds

The Ranch's endowment is composed of donor-restricted endowment funds. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

**Interpretation of Relevant Law**

The Ranch has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Ranch classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment; (b) the original value of subsequent gifts to the permanent endowment; and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at

## ANDERSON RANCH ARTS CENTER

### NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2023

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#### 9. Endowment Funds (continued)

##### **Interpretation of Relevant Law (continued)**

the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as the original value of the permanent endowment is classified as net assets with donor restrictions as available for appropriation until those amounts are appropriated for expenditure by the Ranch in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Ranch 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 Ranch and the donor-restricted endowment fund.
3. General economic conditions.
4. The possible effect of inflation and deflation.
5. The expected total return from income and the appreciation of investments.
6. Other resources of the Ranch.
7. The investment policies of the Ranch.

##### **Return Objectives and Risk Parameters**

To satisfy its long-term rate-of-return objectives, the Ranch 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).

##### **Strategies Employed for Achieving Objectives and Spending Policy**

The Ranch 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 Ranch must hold in perpetuity or for a donor-specified period. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in funds to achieve growth in principal value and income over time sufficient to preserve or increase the purchasing power of the funds, thus protecting the funds against inflation. Actual returns in any given year may vary. Income from the endowment fund is distributed based on a spending rate up to 5% of the average balance of the endowment-invested funds for the previous three years (drawn on an annual basis), as established by the Ranch's Board of Trustees. During the year ended December 31, 2023, the Ranch's Board of Trustees appropriated \$217,801 for operations.

##### **Funds with Deficiencies**

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Ranch to retain as a fund for perpetual duration. As of December 31, 2023, there were no underwater endowment funds.

**ANDERSON RANCH ARTS CENTER**

**NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2023**

9. Endowment Funds (continued)

**Funds with Deficiencies (continued)**

For the year ended December 31, 2023, the Ranch's endowment had the following activity:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 8,660,313	\$ 8,660,313
Investment return, net	-	1,042,142	1,042,142
Contributions	-	27,500	27,500
Appropriations for expenditure	<u>-</u>	<u>(217,801)</u>	<u>(217,801)</u>
Endowment Net Assets, End of Year	<u>\$ -</u>	<u>\$ 9,512,154</u>	<u>\$ 9,512,154</u>

The following reflects the Ranch's endowment net asset composition by fund type as of December 31, 2023:

Original donor-restricted gift amounts required to be maintained in perpetuity:	
Scholarships	\$ 2,788,490
Residency	2,310,197
Ceramics programs and scholarships	742,695
General operating purposes	691,550
Photo digital programs	646,355
Woodworking scholarships	432,237
Painting	303,750
Visiting artist	200,000
Children's programs and scholarships	165,608
Sculpture programs	100,000
Library	<u>25,000</u>
Subtotal Original Gift Amounts	8,405,882
The portion of perpetual endowment funds subject to a time restriction under UPMIFA:	
With purpose restrictions	1,054,243
Without purpose restrictions	<u>52,029</u>
Total Endowment Funds Classified as Net Assets With Donor Restrictions	<u>\$ 9,512,154</u>

## ANDERSON RANCH ARTS CENTER

### NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2023

#### 10. Availability and Liquidity of Funds

The Ranch regularly monitors liquidity required to meet its annual operating needs and other contractual commitments, while also striving to preserve the principal and return on the investment of its funds. The following reflects the Ranch's financial assets as of December 31, 2023, reduced by amounts not available for general use:

Cash and cash equivalents	\$ 999,213
Pledges receivable	1,563,166
Other receivables	38,460
Investments	<u>11,470,860</u>
Total Financial Assets	14,071,699
Less:	
Amounts unavailable for general expenditures within one year:	
Due to donors' restriction for endowment funds	(9,512,154)
Due to donors' restriction for specified purpose or time	(3,412,089)
Amounts unavailable to management without Board approval:	
Board-designated for operating reserve	(1,525,362)
Plus:	
Appropriation of endowment funds for operations within one year	445,800
Time restricted amounts available within one year	<u>256,157</u>
Financial Assets Available to Meet	
General Expenditures Within One Year	<u>\$ 324,051</u>

The Ranch has various sources of liquidity at its disposal, including cash and cash equivalents and investments, which are available for general expenditures, liabilities and other obligations as they come due. Management is focused on sustaining the financial liquidity of the Ranch throughout the year. As a result, management is aware of the cyclical nature of the Ranch's cash flow related to the Ranch's various funding sources and is therefore able to ensure that there is cash available to meet current liquidity needs. To help manage unanticipated liquidity needs, the Ranch has a committed line of credit totaling \$115,992, which was unused and available to draw upon as of December 31, 2023 (see Note 7). As part of its liquidity plan, excess cash is invested in publicly traded investment vehicles, including equity securities, or to support organizational initiatives. The Ranch can liquidate its investments at any time, and therefore the investments are available to meet current cash flow needs. Additionally, the Ranch spends income from the endowment fund based on a spending rate up to 5% of the beginning-of-the-year balance of the endowment-invested funds for the previous year (drawn on an annual basis), as established by the Ranch's Board of Trustees, and has board-designated net asset reserve funds that could be available for current operations with Board approval, if necessary.

## ANDERSON RANCH ARTS CENTER

### NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2023

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#### 11. Related Party Transactions

During the year ended December 31, 2023, the Ranch received approximately \$781,694 in grants and contributions from 27 members of its Board of Trustees.

#### 12. Pension Plan

The Ranch sponsors a defined-contribution retirement plan (the Plan). Employees are generally eligible to participate in the Plan and can defer a portion of their pay, in accordance with the limits established by the Internal Revenue Code (the IRC). The Ranch can make contributions to the Plan at the discretion of its Board of Trustees. For the year ended December 31, 2023, the Ranch made \$55,867 in contributions to the Plan, which is included in personnel costs in the accompanying statement of functional expenses.

#### 13. Income Taxes

The Ranch qualifies as a tax-exempt organization under Section 501(c)(3) of the IRC and is classified as a publicly supported organization under Section 509(a)(1) of the IRC. There is no accrual for income tax expense, as the Ranch had no unrelated business income for the year ended December 31, 2023.

The Ranch performed an evaluation of uncertainty in income taxes for the year ended December 31, 2023, and determined that there are no matters that would require recognition in the financial statements or that may have any effect on its tax-exempt status. U.S. federal jurisdiction and/or the various states and local jurisdictions in which the Ranch files tax returns are open for examination; however, there are currently no examinations pending or in progress. It is the Ranch's policy to recognize interest and penalties related to uncertainty in income taxes, if any, in interest expense and income tax expense, respectively. As of December 31, 2023, the Ranch had no accruals for interest and/or penalties.

#### 14. In-Kind Contributions

The Ranch received the following in-kind contributions during the years ended December 31, 2023, with fair values as follows:

Marketing services	\$	23,401
Flight credits		12,150
Supplies		8,370
Professional services		<u>6,072</u>
Total	\$	<u>49,993</u>

**ANDERSON RANCH ARTS CENTER**

**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2023**

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15. Comparative Financial Statements

The accompanying statement of activities includes certain prior year summarized comparative information in total, but not by net asset class. Accordingly, such information should be read in conjunction with the Ranch's financial statements for the year ended December 31, 2022, from which the summarized information was derived.

16. Reclassifications

Certain reclassification of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented.

17. Subsequent Events

In preparing the financial statements, the Ranch has evaluated events and transactions for potential recognition or disclosure through July 25, 2024, the date the financial statements were available to be issued. There were no subsequent events that required recognition or disclosure in the financial statements.