



THE
COUSE-SHARP
HISTORIC SITE

Two painters. One place.

Financial Statements

February 28, 2017

(With Accountants' Report Thereon)



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Management is responsible for the accompanying financial statements of The Couse Foundation, which comprise the statements of financial position as of February 28, 2017 and February 29, 2016, the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements in accordance with accounting principles generally accepted in the United States of America. I have performed compilation engagements in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. I did not audit or review the financial statements nor was I required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, I do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

A handwritten signature in blue ink, appearing to read 'Douglas Swinehart'.

Douglas Swinehart, CPA
5/26/2017

THE COUSE FOUNDATION
STATEMENT OF FINANCIAL POSITION
February 28, 2017 and February 29, 2016

| | <u>2017</u> | <u>2016</u> |
|----------------------------------|---------------------|---------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 612,393 | \$ 499,744 |
| Inventories | 23,914 | 22,818 |
| Other current assets | 17,255 | - |
| Land, buildings, and equipment | 3,308,268 | 3,277,028 |
| Other assets | 390 | 390 |
| TOTAL ASSETS | <u>\$ 3,962,220</u> | <u>\$ 3,799,980</u> |
| LIABILITIES | | |
| Accounts payable | \$ 2,401 | \$ 1,104 |
| Other liabilities | 1,250 | 1,250 |
| TOTAL LIABILITIES | <u>3,651</u> | <u>2,354</u> |
| NET ASSETS | | |
| Unrestricted | 1,053,389 | 818,082 |
| Temporary restricted | 66,866 | 128,942 |
| Permanently restricted | 2,838,314 | 2,850,602 |
| TOTAL NET ASSETS | <u>3,958,569</u> | <u>3,797,626</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 3,962,220</u> | <u>\$ 3,799,980</u> |

See accompanying notes and accountant's report.

THE COUSE FOUNDATION
STATEMENT OF ACTIVITIES
Year Ended February 28, 2017 and February 29, 2016

| | 2017 | | | | 2016 | | | |
|--|--------------|------------------------|------------------------|--------------|--------------|------------------------|------------------------|--------------|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
| REVENUES, GAINS, AND OTHER SUPPORT | | | | | | | | |
| Contributions | \$ 410,947 | \$ (62,076) | \$ - | \$ 348,871 | \$ 355,111 | \$ 81,022 | \$ - | \$ 436,133 |
| Program service revenue | 2,000 | - | - | 2,000 | 6,000 | - | - | 6,000 |
| Investment income | 711 | - | - | 711 | 213 | - | - | 213 |
| Other revenue | | | | | | | | |
| Net rental income | 16,330 | - | (2,685) | 13,645 | 24,087 | - | (4,589) | 19,498 |
| Net fundraising income | (4,307) | - | - | (4,307) | 31,942 | - | - | 31,942 |
| Net income from sales of inventory | 9,743 | - | - | 9,743 | 888 | - | - | 888 |
| Net income from sale of art asset | 33,250 | - | - | 33,250 | - | - | - | - |
| Total other revenue | 55,016 | - | (2,685) | 52,331 | 56,917 | - | (4,589) | 52,328 |
| TOTAL REVENUES, GAINS, AND OTHER SUPPORT | 468,674 | (62,076) | (2,685) | 403,913 | 418,241 | 81,022 | (4,589) | 494,674 |
| EXPENSES | | | | | | | | |
| Program services | 147,748 | - | 9,603 | 157,351 | 104,508 | - | 7,699 | 112,207 |
| Supporting services | | | | | | | | |
| Management and general | 56,912 | - | - | 56,912 | 51,180 | - | - | 51,180 |
| Fundraising | 28,707 | - | - | 28,707 | 5,078 | - | - | 5,078 |
| TOTAL EXPENSES | 233,367 | - | 9,603 | 242,970 | 160,766 | - | 7,699 | 168,465 |
| CHANGE IN NET ASSETS | 235,307 | (62,076) | (12,288) | 160,943 | 257,475 | 81,022 | (12,288) | 326,209 |
| NET ASSETS AT BEGINNING OF YEAR | 818,082 | 128,942 | 2,850,602 | 3,797,626 | 560,607 | 47,920.00 | 2,862,890 | 3,471,417 |
| NET ASSETS AT END OF YEAR | \$ 1,053,389 | \$ 66,866 | \$ 2,838,314 | \$ 3,958,569 | \$ 818,082 | \$ 128,942 | \$ 2,850,602 | \$ 3,797,626 |

See accompanying notes and accountant's report.

THE COUSE FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended February 28, 2017 and February 29, 2016

| | 2017 | | | | 2016 | | | |
|-----------------------------|-------------------|------------------|------------------|-------------------|-------------------|------------------|-----------------|-------------------|
| | Program | Management | Fundraising | Total | Program | Management | Fundraising | Total |
| | Services | and General | | | Services | and General | | |
| Accounting fees | \$ - | \$ 13,041 | \$ - | \$ 13,041 | \$ - | \$ 13,194 | \$ - | \$ 13,194 |
| Advertising and promotion | 20,026 | 659 | 11,640 | 32,325 | 17,560 | - | 5,033 | 22,593 |
| Bank fees | - | 888 | 887 | 1,775 | - | 4,103 | - | 4,103 |
| Compensation | 24,695 | 24,694 | 5,487 | 54,876 | 21,628 | 21,628 | - | 43,256 |
| Payroll taxes | 2,481 | 2,481 | 551 | 5,513 | 1,693 | 1,694 | - | 3,387 |
| Depreciation | 13,929 | - | - | 13,929 | 10,996 | - | - | 10,996 |
| Insurance | 15,389 | 3,847 | - | 19,236 | 19,737 | - | - | 19,737 |
| Legal fees | - | - | - | - | - | (1,203) | - | (1,203) |
| Occupancy | 46,588 | 1,848 | - | 48,436 | 20,033 | - | - | 20,033 |
| Office expenses | 2,574 | 4,514 | 4,427 | 11,515 | - | 9,475 | - | 9,475 |
| Other fees | 24,281 | 838 | 3,670 | 28,789 | 8,067 | - | - | 8,067 |
| Printing and publications | 1,681 | 1,681 | 1,681 | 5,043 | 2,069 | - | - | 2,069 |
| Postage and shipping | - | 330 | 329 | 659 | 2,675 | - | - | 2,675 |
| Website expenses | - | - | - | - | 404 | - | 45 | 449 |
| Archival & exhibit supplies | 4,488 | - | - | 4,488 | - | - | - | - |
| Dues & licenses | - | 1,950 | - | 1,950 | - | - | - | - |
| Other expenses | 1,219 | 141 | 35 | 1,395 | 7,345 | 2,289 | - | 9,634 |
| | <u>\$ 157,351</u> | <u>\$ 56,912</u> | <u>\$ 28,707</u> | <u>\$ 242,970</u> | <u>\$ 112,207</u> | <u>\$ 51,180</u> | <u>\$ 5,078</u> | <u>\$ 168,465</u> |

See accompanying notes and accountant's report.

THE COUSE FOUNDATION
STATEMENT OF CASH FLOWS
Year Ended February 28, 2017 and February 29, 2016

| | <u>2017</u> | <u>2016</u> |
|---|-------------------|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Increase in net assets | \$ 160,943 | \$ 326,209 |
| Adjustments to reconcile increase in net assets to net net cash provided by operating activities | | |
| Depreciation | 16,614 | 15,585 |
| Donated collections received | - | (164,243) |
| Collections purchased | (5,500) | - |
| Collections sold | 115,000 | - |
| Donations receivable | (1,406) | - |
| (Increase) decrease in operating assets: | | |
| Prepaid expenses | (15,849) | 1,800 |
| Inventory | (1,097) | 577 |
| Increase (decrease) in operating liabilities: | | |
| Payroll liabilities | 1,297 | 67 |
| Rental deposit held | - | (650) |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | <u>270,003</u> | <u>179,345</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Payments for equipment | (3,012) | - |
| Payments for property and improvements | (154,342) | (60,582) |
| NET CASH USED BY INVESTING ACTIVITIES | <u>(157,354)</u> | <u>(60,582)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| NET CASH PROVIDED BY FINANCING ACTIVITIES | <u>0</u> | <u>0</u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 112,649 | 118,763 |
| BEGINNING CASH AND CASH EQUIVALENTS | <u>499,744</u> | <u>380,981</u> |
| ENDING CASH AND CASH EQUIVALENTS | <u>\$ 612,393</u> | <u>\$ 499,744</u> |

See accompanying notes and accountant's report.

THE COUSE FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
February 28, 2017

NOTE 1- ORGANIZATION

The mission of The Couse Foundation is to preserve the artifacts, furnishings, residence and studio of Eanger Irving Couse and two studios of Joseph Henry Sharp, in order to educate the public as to the environment, both personal and historical, in which the members of the Taos Society of Artists worked in the early 20th Century to create an artistic legacy for the Southwest. The organization utilizes the historic site to encourage and support programs and research in the fields of historic preservation, art and art history and related regional studies.

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents. Cash and cash equivalents include all cash balances and highly liquid investments with an initial maturity of three months or less.

Income taxes. The Couse Foundation is exempt from income taxes under Section 501(c)3 of the Internal Revenue Code.

Land, buildings, and equipment. Property and equipment are recorded at cost, unless property is donated, in which case, the asset is valued at the fair market value. Depreciation is computed using the straight-line method for each class of depreciable assets. The Couse Foundation capitalizes expenditures for property and equipment above \$500.

Restricted and unrestricted support and revenue. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (i.e., when the purpose of the restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Operations and Changes in Net Assets as net assets released from restrictions.

Temporarily restricted net assets consist of the Sharp studio restoration, archive facility, and garden restoration projects.

Use of estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 3- LAND, BUILDINGS, AND EQUIPMENT

Land, buildings, and equipment, net of accumulated depreciation at February 28, 2017 and February 29, 2016 is as follows:

| | <u>2017</u> | <u>2016</u> |
|--|---------------------|---------------------|
| Couse-Sharp historic site | \$ 1,029,236 | \$ 1,029,236 |
| Improvements-Couse-Sharp historic site | 202,486 | 48,144 |
| 2012 Couse family gift | 1,378,962 | 1,378,962 |
| 2015 Couse family gift | 487,460 | 487,460 |
| Art collection | 218,943 | 328,443 |
| Furniture and equipment | 17,181 | 14,169 |
| Educational video | 21,154 | 21,154 |
| Archive building project | <u>43,629</u> | <u>43,629</u> |
| Total land, buildings, and equipment | 3,399,051 | 3,351,197 |
| Accumulated depreciation | <u>(90,783)</u> | <u>(74,169)</u> |
| Net land, buildings, and equipment | \$ <u>3,308,268</u> | \$ <u>3,277,028</u> |

NOTE 4- OTHER ASSETS

Other current assets include advance deposits paid for events of \$7,000, prepaid expenses of \$8,849, and donations receivable of \$1,406 at February 28, 2017.

Other assets include utility deposits paid of \$390 at February 28, 2017 and February 29, 2016.

NOTE 5- OTHER LIABILITIES

Other liabilities includes rental deposits being held totaling \$1,250 at February 28, 2017 and February 29, 2016.

NOTE 6- OTHER REVENUE

Other revenue comprises rental income, fundraising income, sales of inventory, and sale of art asset. Rental income is as follows:

| | <u>2017</u> | <u>2016</u> |
|----------------------|------------------|------------------|
| Rental income | \$ 17,150 | \$ 25,600 |
| Insurance expense | 820 | 1,255 |
| Repairs | 0 | 258 |
| Depreciation expense | <u>2,685</u> | <u>4,589</u> |
| Total expenses | <u>3,505</u> | <u>6,102</u> |
| Net rental income | <u>\$ 13,645</u> | <u>\$ 19,498</u> |

NOTE 7- DEPRECIATION EXPENSE

Total depreciation expense for the period ending February 28, 2017 is \$16,614. This includes \$13,929 related to program services, and \$2,685 reflected as rental activity expense.

Total depreciation expense for the period ending February 29, 2016 is \$15,585. This includes \$10,996 related to program services, and \$4,589 reflected as rental activity expense.

NOTE 8- SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the balance sheet date but before financial statements are issued. The Couse Foundation recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the balance sheet, including estimates inherent in the process of preparing the financial statements. The Couse Foundation's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the balance sheet but arose after the balance sheet date and before financial statements are available to be issued.

The Couse Foundation has evaluated subsequent events through May 26, 2017, which is the date the financial statements are available to be issued. The Couse Foundation is not aware of any material subsequent events which would require disclosure in the accompanying footnotes of the financial statements.