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**THE COUSE FOUNDATION
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS'
REPORT**

**FEBRUARY 28, 2021 AND
FEBRUARY 29, 2020**

THE COUSE FOUNDATION

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THE COUSE FOUNDATION

OFFICIAL ROSTER

BOARD OF DIRECTORS

Tim Newton	Chairman
Richard Rinehart	President
Holly Azzari	Vice President
Virginia Couse-Leavitt	Secretary
Jeanne Timber	Treasurer
Anthony Skvarla	Member
Carolyn Quan	Member
Dustin Leavitt	Member
Kristin Bender	Member

ADMINISTRATIVE OFFICIALS

Davison Koenig	Executive Director, Curator
Regina Scherffius	Program Manager
Marissa Hendriks	Archivist and Collections Manager



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Independent Auditors' Report

Board of Directors
The Couse Foundation
Taos, New Mexico

Report on Financial Statements

We have audited the accompanying financial statements of The Couse Foundation (Foundation) a non-profit organization, which comprise the statements of financial position as of February 28, 2021 and February 29, 2020 and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management Responsibility for the Financial Statements

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

Auditors' Responsibility

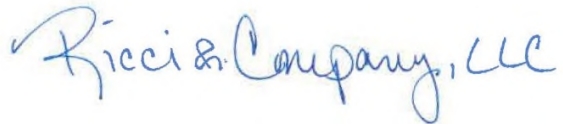
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Couse Foundation as of February 28, 2021 and February 29, 2020 and the changes in its net assets and its cash flows for the years then ended; in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in blue ink that reads "Ricci & Company, LLC". The signature is written in a cursive, flowing style.

Albuquerque, New Mexico
July 6, 2021

FINANCIAL STATEMENTS

THE COUSE FOUNDATION
STATEMENTS OF FINANCIAL POSITION
FEBRUARY 28, 2021 AND FEBRUARY 29, 2020

ASSETS

	<u>2021</u>	<u>2020</u>
Current assets		
Cash and cash equivalents	\$ 729,105	\$ 1,016,878
Investments	26,910	64,713
Prepaid expenses	-	9,404
Inventory	71,365	50,427
Cash surrender value of life insurance	15,085	8,408
Other assets	40,590	590
Total current assets	<u>883,055</u>	<u>1,150,420</u>
Non-current assets		
Property and Equipment, net	1,253,736	1,200,406
Collections	3,281,749	2,618,980
Construction in process	2,378,642	924,600
Total non-current assets	<u>6,914,127</u>	<u>4,743,986</u>
Total assets	<u>\$ 7,797,182</u>	<u>\$ 5,894,406</u>

LIABILITIES AND NET ASSETS

Current Liabilities		
Accounts payable	\$ 78,114	\$ -
Accrued liabilities	4,881	3,965
Paycheck Protection Program loan	44,700	-
Construction line of credit	161,770	-
Other liabilities	650	3,757
Total current liabilities	<u>290,115</u>	<u>7,722</u>
Long Term Liabilities		
Notes payable	475,000	-
Total long term debt	<u>475,000</u>	<u>-</u>
Net Assets		
Without donor restrictions		
Undesignated	3,676,550	2,223,776
Board designated	283,818	-
With donor restrictions	3,071,699	3,662,908
Total net assets	<u>7,032,067</u>	<u>5,886,684</u>
Total liabilities and net assets	<u>\$ 7,797,182</u>	<u>\$ 5,894,406</u>

The Notes to Financial Statements are an integral part of this statement.

**THE COUSE FOUNDATION
STATEMENTS OF ACTIVITIES
YEAR ENDED FEBRUARY 28, 2021**

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and other support			
Contributions	\$ 1,338,602	285,068	1,623,670
Investment revenue	1,081	-	1,081
Net rental income	4,141	-	4,141
Grant revenue	-	21,950	21,950
Net income from sale of inventory	7,720	-	7,720
Unrealized loss on investments	(719)	-	(719)
Loss on sale of investments	(164)	-	(164)
Released from donor restrictions	898,227	(898,227)	-
Total revenue and other support	<u>2,248,888</u>	<u>(591,209)</u>	<u>1,657,679</u>
Expenses			
Program services	349,465	-	349,465
Total program service	<u>349,465</u>	<u>-</u>	<u>349,465</u>
Supporting services			
Managerial and general	121,731	-	121,731
Fundraising	41,100	-	41,100
Total support services	<u>162,831</u>	<u>-</u>	<u>162,831</u>
Total expenses	<u>512,296</u>	<u>-</u>	<u>512,296</u>
Total change in net assets	1,736,592	(591,209)	1,145,383
Net assets, beginning of the year	<u>2,223,776</u>	<u>3,662,908</u>	<u>5,886,684</u>
Net assets, end of the year	<u>\$ 3,960,368</u>	<u>3,071,699</u>	<u>7,032,067</u>

The Notes to Financial Statements are an integral part of this statement.

**THE COUSE FOUNDATION
STATEMENTS OF ACTIVITIES (CONTINUED)
YEAR ENDED FEBRUARY 29, 2020**

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and other support			
Contributions	\$ 291,217	531,290	822,507
Investment revenue	9,058	-	9,058
Net rental income	16,869	-	16,869
Fundraising income	77,769	-	77,769
Net income from sale of inventory	2,716	-	2,716
Unrealized gain on investments	(407)	-	(407)
Gain on sale of investments	6,302	-	6,302
Released from donor restrictions	239,623	(239,623)	-
Total revenue and other support	<u>643,147</u>	<u>291,667</u>	<u>934,814</u>
Expenses			
Program services	267,955	-	267,955
Total program service	<u>267,955</u>	<u>-</u>	<u>267,955</u>
Supporting services			
Managerial and general	124,772	-	124,772
Fundraising	54,407	-	54,407
Total support services	<u>179,179</u>	<u>-</u>	<u>179,179</u>
Total expenses	<u>447,134</u>	<u>-</u>	<u>447,134</u>
Total change in net assets	196,013	291,667	487,680
Net assets, beginning of the year	<u>2,027,763</u>	<u>3,371,241</u>	<u>5,399,004</u>
Net assets, end of the year	<u><u>\$ 2,223,776</u></u>	<u><u>3,662,908</u></u>	<u><u>5,886,684</u></u>

The Notes to Financial Statements are an integral part of this statement.

**THE COUSE FOUNDATION
STATEMENTS OF FUNCTIONAL EXPENSES
YEAR ENDED FEBRUARY 28, 2021**

	Program Services	Management and General	Fundraising	Total
Accounting fees	\$ -	18,799	-	18,799
Advertising and promotion	7,871	-	3,318	11,189
Bank fees	-	1,042	985	2,027
Compensation	130,529	58,363	28,975	217,867
Contract labor	9,885	-	-	9,885
Payroll taxes	10,207	4,627	2,261	17,095
Depreciation	22,562	-	-	22,562
Donations	100	-	-	100
Employee benefits	10,262	4,210	1,907	16,379
Insurance	23,762	9,264	-	33,026
Lecture program	2,150	-	-	2,150
Occupancy	20,386	3,573	1,554	25,513
Office expense	1,554	2,581	986	5,121
Other professional fees	80,248	13,278	14	93,540
Printing and publication	3,387	864	23	4,274
Postage and shipping	268	412	402	1,082
Repairs and maintenance	17,297	869	-	18,166
Research center	600	-	-	600
Travel, meetings and conferences	1,614	235	580	2,429
Curatorial expense	6,781	-	95	6,876
Dues and licenses	-	3,614	-	3,614
Total expenses	<u>\$ 349,465</u>	<u>121,731</u>	<u>41,100</u>	<u>512,296</u>

The Notes to Financial Statements are an integral part of this statement.

THE COUSE FOUNDATION
STATEMENTS OF FUNCTIONAL EXPENSES (CONTINUED)
YEAR ENDED FEBRUARY 29, 2020

	Program Services	Management and General	Fundraising	Total
Accounting fees	\$ -	32,155	-	32,155
Advertising and promotion	23,189	-	26,277	49,466
Bank fees	-	3,059	3,079	6,138
Compensation	106,031	62,582	17,182	185,795
Payroll taxes	8,130	4,880	1,325	14,335
Depreciation	20,295	-	-	20,295
Donations	15,350	-	-	15,350
Insurance	10,823	7,167	-	17,990
Lecture program	2,072	-	-	2,072
Meeting expenses	2,026	1,233	707	3,966
Occupancy	43,904	3,575	-	47,479
Office expense	1,812	3,602	3,400	8,814
Other professional fees	21,584	3,495	-	25,079
Printing and publication	104	104	104	312
Postage and shipping	139	296	321	756
Travel, meetings and conferences	6,059	-	2,012	8,071
Curatorial expense	6,437	-	-	6,437
Dues and licenses	-	2,624	-	2,624
Total expenses	<u>\$ 267,955</u>	<u>124,772</u>	<u>54,407</u>	<u>447,134</u>

The Notes to Financial Statements are an integral part of this statement.

**THE COUSE FOUNDATION
STATEMENTS OF CASH FLOWS
YEARS ENDED FEBRUARY 28, 2021 AND FEBRUARY 29, 2020**

	2021	2020
Cash flow from operating activities		
Net increase in net assets	\$ 1,145,383	\$ 487,680
Adjustments to reconcile net increase in net assets to net cash provided by operating activities		
Depreciation	24,415	22,980
Unrealized (gain) loss on investments	(719)	407
Gain on sale of investments	(164)	(6,302)
Donated investments received	(26,910)	(382,247)
Donated collections received	(979,766)	(35,000)
Contribution of cash surrender value of life insurance	(6,677)	(5,539)
(Increase) decrease in operating assets:		
Accounts receivable	-	7,650
Prepaid expenses	9,404	26,302
Inventory	(20,938)	(12,092)
Other assets	(40,000)	(50)
Increase (decrease) in operating liabilities:		
Accounts payable	78,114	887
Accrued and other liabilities	(2,191)	(1,542)
Net cash provided by operating activities	179,951	103,134
Cash flows from investing activities		
Purchase of property and equipment	(1,531,787)	(217,782)
Proceeds from sale of investments	65,596	326,176
Proceeds from sale of collections	316,997	-
Net cash (used) provided in investing activities	(1,149,194)	108,394
Cash flows from financing activities		
Loan origination costs	-	(11,151)
Proceeds from construction line of credit	161,770	-
Proceeds from Paycheck Protection Program loan	44,700	-
Proceeds from long term debt	475,000	-
Net cash provided (used) in financing activities	681,470	(11,151)
Net change in cash and cash equivalents	(287,773)	200,377
Cash and cash equivalents, beginning of year	1,016,878	816,501
Cash and cash equivalents, end of year	\$ 729,105	\$ 1,016,878
Supplemental disclosures of cash flow information		
Depreciation expense presented in net rental income	\$ 1,853	\$ 2,685

The Notes to Financial Statements are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

**THE COUSE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
FEBRUARY 28, 2021 AND FEBRUARY 29, 2020**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organizations

The mission of the Couse Foundation (Foundation), a nonprofit organization, is to preserve the artifacts, furnishings, residences, 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 Foundation 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.

Basis of Accounting Basis of Accounting

The accompanying financial statements have been prepared using the accrual method of accounting. Under the accrual method of accounting, revenues are recognized when earned rather than when received and expenses are recognized when the related liability is incurred rather than when paid.

Basis of Presentation

The Foundation has adopted the provisions of the Financial Accounting Standards Board (FASB) Accounting Standards Codification 958 (ASC 958). Under FASB ASC 958, the Foundation reports information regarding its financial position and activities according to the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

Net Assets

Net Assets without Donor Restrictions

Represent net assets that are not subject to donor-imposed restrictions.

Net Assets without Donor Restrictions – Board Designated

Represents funds received from the sale of art from Adele Ward that the Board designated to pay expenses of administering, storing, and selling the collection. Additionally, any funds received from future sales of the collection will also be designated for this purpose. At February 28, 2021 and February 29, 2020, the Foundation had net assets without donor restrictions – Board Designated of \$283,818 and \$0, respectively.

Net Assets with Donor Restrictions

Represent net assets subject to donor-imposed restrictions that will be met either by actions of the Foundation or the passage of time or net assets subject to donor-imposed restrictions that must be maintained permanently. At February 28, 2021, the Foundation has net assets of \$176,041 that have temporary donor-imposed restrictions and \$2,895,658 with permanent donor-imposed restrictions. At February 29, 2020, the Foundation has net assets of \$767,250 that have temporary donor-imposed restrictions and \$2,895,658 with permanent donor-imposed restrictions.

**THE COUSE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
FEBRUARY 28, 2021 AND FEBRUARY 29, 2020**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Foundation considers all highly liquid debt instruments with a maturity date of three months or less at the time of purchase to be a cash equivalent. Cash and cash equivalents consist of checking accounts, certificate of deposit, treasury money market and cash on hand. Custodial credit risk is the risk that in the event of bank failure, the Foundation deposits will not be recovered. All of the Foundations bank accounts are fully insured.

Investments

Investments are reported at fair value. Fair value of investments is based on lower of cost or market. The Foundation does not have an investment policy.

Inventory

The Foundation's inventory consists mostly of books available for resale. The inventory is stated at cost.

Property and Equipment

Property and equipment are stated at cost or, if donated, at the estimated fair value at the date donated. Expenditures for property and equipment costing \$2,500 or more and having a useful life in excess of one year are capitalized and depreciated on a straight-line basis over their estimated useful life. Depreciation is computed using primarily the straight-line method using these asset lives:

Buildings	39 years
Equipment	5 – 7 years
Improvements	7 to 39 years

Collections

The Foundation has capitalized its collections since its inception. If purchased, items accessioned into the collection are capitalized at cost, and if donated, they are capitalized at their fair value on the accession date. Gains or losses on the deaccession of collection items are classified on the statement of activities as support without donor restrictions or donor-restricted support depending on donor restrictions, if any, placed on the item at the time of accession. Collection items are depreciated over their estimated useful lives unless they have cultural, aesthetic, or historical value that is worth preserving perpetually, and the Foundation is protecting and preserving essentially undiminished the service potential of the collection item.

**THE COUSE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
FEBRUARY 28, 2021 AND FEBRUARY 29, 2020**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

Contributions received are recorded as increases in net assets with or without donor restrictions, depending on the existence and/or nature of any donor restrictions. When a restriction is fulfilled, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and changes in net assets as net assets released from restrictions.

Gifts of long-lived assets are reported as support without donor restrictions unless the donor has restricted the use of the assets for specific purposes. Long-lived assets with explicit restrictions and gifts of cash that must be used to acquire long-lived assets are reported as support with donor restrictions. Absent explicit donor restrictions about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service. Long-lived assets are recorded at their fair market value on the date of receipt.

Donated Services

A number of volunteers have given significant amounts of their time to the Foundation in support of its mission. However, because there is no objective basis for measuring the value of these services, no amounts have been recorded for donated services.

Income Taxes

The Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and has been classified by the Internal Revenue Service as a public charity. However, unrelated business income would be subject to federal income taxes. The Foundation had no unrelated business income for the years ended February 28, 2021 and February 29, 2020. Consequently, the accompanying financial statements do not reflect any provision for income taxes. Tax returns may be subject to normal federal and state examination within the statute of limitations, which is three years from the date the tax return is filed for federal purposes and four years for the state of New Mexico.

The Foundation has adopted the provisions of ASC No. 740-10, *Income Taxes*, relating to accounting for uncertain tax positions. The Foundation recognizes the tax benefit from uncertain tax positions only if it is more likely than not that the tax positions will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefit is measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. No provisions for the effects of uncertain tax positions have been recorded for the years ended February 28, 2021 and February 29, 2020.

**THE COUSE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
FEBRUARY 28, 2021 AND FEBRUARY 29, 2020**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Forgivable Loans - Paycheck Protection Program (PPP)

The Foundation's policy is to account for forgivable loans received through the Small Business Administration (SBA) under the *Coronavirus Aid, Relief, and Economic Security Act (CARES Act)* Paycheck Protection Program (PPP) as debt in accordance with Accounting Standards Codification (ASC) 470, *Debt*, and other related accounting pronouncements. The forgiveness of debt, in whole or in part, is recognized once the debt is extinguished, which occurs when the Foundation is legally released from the liability by the SBA. Any portion of debt forgiven, adjusted for accrued interest forgiven and unamortized debt issuance costs, is recorded as a gain on extinguishment of debt, and presented in the other income section of the statement of income.

Travel

Amounts classified as travel include all amounts expended for in state and out-of-state travel for all personnel.

Advertising

The cost of all advertising is expensed as incurred.

Estimates in the Preparation of Financial Statements

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 certain reported amounts and disclosures. Accordingly, results could differ from those estimates.

Functional Allocations of Expenses

The costs of providing the program and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited.

Insurance coverage

The Foundation is exposed to various risks of loss. The Foundation carries insurance with various insurance companies. Coverage is provided for Commercial, General Liability, Surety Bond Commercial Property and Art and Museum Articles coverage.

Contingencies

The Foundation has no known pending legal matters as of the date of the audit report for the year ended February 28, 2021 and February 29, 2020.

Reclassifications

Certain reclassifications have been made to the 2020 financial statements to conform with the 2021 financial statement presentation.

THE COUSE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
FEBRUARY 28, 2021 AND FEBRUARY 29, 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Pronouncements

FASB has issued ASU No. 2016-02, *Leases (Topic 842)*. The amendments in this update were issued to increase the transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements. The main difference between previous GAAP and Topic 842 is the recognition of lease assets and lease liabilities for those leases classified as operating leases under previous GAAP. The amendments in this update are effective for fiscal years beginning after December 15, 2021. Early application is permitted; however, The Foundation has not yet adopted Topic 842.

NOTE 2. SIGNIFICANT CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist principally of cash balances. The Foundation maintains its cash deposits in financial institutions. The Federal Deposit Insurance Corporation insures balances up to \$250,000. At February 28, 2021 and February 29, 2020, the Foundation had uninsured funds in the amount of \$145,226 and \$0, respectively. The Foundation has not experienced any losses in this account and believes it is not exposed to any significant credit risk on cash balances.

NOTE 3. INVESTMENTS

FASB ASC 820-10 and subsections establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurements). (The inputs and methodology used for valuing the Foundation's financial assets and liabilities are not indicators of the risks associated with those instruments.) The three levels of the fair value hierarchy under FASB ASC 820-10 are as follows:

Level 1 - Valuation for assets and liabilities traded in active exchange markets, such as the New York Stock exchange. Level I also includes U.S. Treasury and federal agency securities and federal agency mortgage-backed securities, which are traded by dealers of brokers in active markets.

Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 - Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third-party pricing services for identical or similar assets or liabilities.

THE COUSE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
FEBRUARY 28, 2021 AND FEBRUARY 29, 2020

NOTE 3. INVESTMENTS (CONTINUED)

Level 3 - Valuation for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchanges, dealers, or brokers traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

	Fair Value Measurement at Reporting Date Using:			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
At February 28, 2021				
Fidelity Information Services, Inc.	\$ 26,910	26,910	-	-
	<u>\$ 26,910</u>	<u>26,910</u>	<u>-</u>	<u>-</u>

	Fair Value Measurement at Reporting Date Using:			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
At February 29, 2020				
Schwab Securities	\$ 26,290	26,290		
Fidelity Information Services, Inc.	38,423	38,423	-	-
	<u>\$ 64,713</u>	<u>64,713</u>	<u>-</u>	<u>-</u>

NOTE 4. PROPERTY, EQUIPMENT, AND DEPRECIATION

Property and equipment consisted of the following:

	2021	2020
Land	\$ 550,000	\$ 550,000
Buildings	479,235	479,235
Improvements	338,893	292,105
Equipment	69,292	38,335
Land, buildings and equipment	<u>1,437,420</u>	<u>1,359,675</u>
Accumulated depreciation	<u>(183,684)</u>	<u>(159,269)</u>
Net property and equipment	<u>\$ 1,253,736</u>	<u>\$ 1,200,406</u>

Depreciation expense for the years ended February 28, 2021, and February 29, 2020 was \$24,415 and \$22,980, respectively. This includes depreciation expense of \$1,853 and \$2,685 related to the rental activity expense for years ended February 28, 2021 and February 29, 2020, respectively.

THE COUSE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
FEBRUARY 28, 2021 AND FEBRUARY 29, 2020

NOTE 5. DEBT

The Foundation entered into a \$900,000 construction line of credit loan agreement with a financial institution in May 2019. This line of credit is for construction costs associated with the research center and is secured by real estate, calls for monthly interest payments at 6.5%, and matures in May 2022. At February 28, 2021 and February 29, 2020, the principal balance on the loan was \$161,770 and \$0, respectively. See Note 7 for capitalized interest.

Bridge loans payable are as follows:

	<u>2021</u>	<u>2020</u>
Unsecured note payable to a trust, owned by a related party that bears interest at 3.25%, payable quarterly, the principal is due June 2022. (See Note 6)	\$ 100,000	\$ -
Unsecured note payable to a related party that bears interest at 3.25%, payable quarterly, the principal is due June 2022. (see Note 6)	100,000	-
Unsecured note payable to a related party that bears interest at 3.25%, payable quarterly, the principal is due June 2022. (see Note 6)	100,000	-
Unsecured note payable to an individual that bears interest at 3.25%, payable quarterly, the principal is due June 2022.	100,000	-
unsecured note payable to an individual that bears interest at 3.25%, payable quarterly, the principal is due June 2022.	50,000	-
Unsecured note payable to a related party that bears interest at 3.25%, payable quarterly, the principal is due June 2022. (see Note 6)	25,000	-
	475,000	-
Less current portion	<u>-</u>	<u>-</u>
Long term portion	<u>\$ 475,000</u>	<u>\$ -</u>

**THE COUSE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
FEBRUARY 28, 2021 AND FEBRUARY 29, 2020**

NOTE 5. DEBT (CONTINUED)

Principal repayments for the years ending February 28, are as follows:

2022	\$	-
2023		475,000
Thereafter		-
	\$	<u>475,000</u>

NOTE 6. NOTE PAYABLE TO RELATED PARTY

The notes payable to related party represent bridge loan amounts borrowed from Board members ranging from \$25,000 to \$100,000. The balance outstanding at February 28, 2021 and February 29, 2020 was \$325,000 and \$0, respectively. These amounts were borrowed under unsecured promissory notes with interest at 3.25% paid quarterly and the total principal is due June 2022. Total interest capitalized for the year ended February 28, 2021 was \$5,942.

NOTE 7. CONSTRUCTION IN PROGRESS

The construction in process is related to funds expended for the construction of the Lunder Research Center. The Lunder Research Center will be the repository of the works and archives of the members of the Taos Society of Artist and the early 20th century Taos art colony. The Foundation is moving forward with an ambitious plan to open the research center and exhibit facility in 2022. The Foundation has an on-going capital campaign to raise the remaining funds for completing the research center. Interest is expensed unless it is capitalized as part of an asset during construction in process. Interest capitalized on the construction project for the years ended February 28, 2021 and February 29, 2020 was \$13,807 and \$0, respectively.

NOTE 8. COMMITMENTS

On May 8th, 2020, the Foundation entered into a construction contract with Los Alamitos, LLC for the construction of the Lunder Research Center for \$1,900,000. As of February 28, 2021 and February 29, 2020, the total drawn on the contract was \$1,193,627 and \$0, respectively.

NOTE 9. SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the statement of financial position date but before the 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 statement of financial position, 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 statement of financial position date but arose after the statement of financial position date and before financial statements are available to be issued.

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NOTES TO FINANCIAL STATEMENTS
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NOTE 9. SUBSEQUENT EVENTS (CONTINUED)

The Couse Foundation has evaluated subsequent events through July 6, 2021, which is the date the financial statements are available to be issued. The Foundation is not aware of any material subsequent events which would require disclosure in the accompanying notes to the financial statements of the financial statement other than as described below:

On March 18, 2021, the Foundation applied for and was granted full forgiveness on March 24, 2021 of the first Paycheck Protection Program (PPP) loan for \$44,700. At February 28, 2021, the full amount is reported as a current liability.

On April 29, 2021, the Foundation applied for and was granted a second PPP loan in the amount of \$44,200. The Foundation anticipates applying for and being granted full forgiveness of the loan during fiscal year 2022.

On May 2, 2021, the construction line of credit matured and was extended to May 10, 2022. At the extension, the interest rate was lowered from 6.5% to 5.75%.

NOTE 10. AVAILABILITY OF FINANCIAL ASSETS

The Foundation regularly monitors liquidity required to meet its annual operating needs and other contractual commitments for annual operations by maintaining adequate working capital. As of February 28, 2021, the following financial assets are available to meet annual operating needs of the 2021 fiscal year:

Cash and cash equivalents	\$	729,105
Investments		26,910
Total		<u>756,015</u>
Less amounts due within one year		290,115
Restrictions by donor with purpose restrictions		<u>176,041</u>
Financial assets available to meet cash needs	\$	<u><u>289,859</u></u>