

THE COUSE FOUNDATION

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
FOR THE YEARS ENDED
FEBRUARY 28, 2023, AND 2022**



THE COUSE FOUNDATION

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**THE COUSE FOUNDATION
OFFICIAL ROSTER (UNAUDITED)
FOR THE YEAR ENDED FEBRUARY 28, 2023**

BOARD OF DIRECTORS

Tim Newton	Board Member
Richard Rinehart	Chairman / President
Holly Azzari	Board Member / Vice-president
Virginia Couse-Leavitt	Founder / Secretary
Jeanne Timber	Board Member / Treasurer
Anthony Skvarla	Board Member
Elizabeth Crittenden Palacios	Board Member
Dustin Leavitt	Board Member
Kristen Bender	Board Member
Robert Berquist	Board Member
Thomas Doerk	Board Member
Ilona Spruce	Board Member

ADMINISTRATION

Davison Koenig	Executive Director / Curator
Regina Scherffius	Director of Operations and Comm.
Marissa Hendriks	Director of Lunder Research Center



Independent Auditors' Report

To the Board of Directors of
The Couse Foundation
Taos, New Mexico

Opinion

We have audited the accompanying financial statements of The Couse Foundation (the Foundation) (a nonprofit organization), which comprise the statements of financial position as of February 28, 2023, and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of February 28, 2023, and 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the 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 Foundation'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 generally accepted auditing standards 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 generally accepted auditing standards, 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 Foundation'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 Foundation'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.

Kubiak Melton & Associates, LLC

Kubiak, Melton & Associates, LLC
Auditors – Business Consultants - CPAs

August 14, 2023
Albuquerque, New Mexico

FINANCIAL STATEMENTS

THE COUSE FOUNDATION
STATEMENTS OF FINANCIAL POSITION
FEBRUARY 28,

ASSETS	2023	2022
Current Assets:		
Cash and Cash Equivalents	\$ 255,650	\$ 885,173
Investments	5,517	-
Accounts Receivable, Net	9,416	28,299
Prepaid Expenses	8,633	2,313
Inventory	264,723	290,911
Cash Surrender Value - Life Insurance	26,971	20,018
Other Assets	590	7,740
Total Current Assets	571,500	1,234,454
Noncurrent Assets:		
Property and Equipment, Net	4,880,310	4,988,473
Collections	3,291,899	2,966,356
Total Noncurrent Assets	8,172,209	7,954,829
Total Assets	\$ 8,743,709	\$ 9,189,283
 LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts Payable	\$ 17,759	\$ 10,531
Accrued Expenses	211	13,161
Notes Payable, Current	-	475,000
Other Liabilities	650	650
Total Current Liabilities	18,620	499,342
Noncurrent Liabilities:		
Construction line of Credit, Noncurrent	470,827	898,789
Total Noncurrent Liabilities	470,827	898,789
Total Liabilities	489,447	1,398,131
 NET ASSETS		
Without Donor Restrictions:		
Undesignated	4,741,307	4,142,026
Board Designated	-	265,920
With Donor Restrictions	3,512,955	3,383,206
Total Net Assets	8,254,262	7,791,152
Total Liabilities and Net Assets	\$ 8,743,709	\$ 9,189,283

See Independent Auditors' Report and Notes to Financial Statements

**THE COUSE FOUNDATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED FEBRUARY 28, 2023**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total 2023</u>
REVENUE, GAINS AND SUPPORT			
Contributions	\$ 730,243	\$ 513,058	\$ 1,243,301
Event Sales	392,899	-	392,899
Investment Income	2,864	-	2,864
Net Rental Income	5,400	-	5,400
Grant Revenue	-	34,173	34,173
Net Income (Loss) from Sale of Inventory	16,682	-	16,682
Unrealized Gain (Loss) on Investments	(3,893)	-	(3,893)
Gain (Loss) on Investments	(154)	-	(154)
Subtotal Revenue, Gains and Support	<u>1,144,041</u>	<u>547,231</u>	<u>1,691,272</u>
Net Assets Released from Restrictions	<u>417,482</u>	<u>(417,482)</u>	<u>-</u>
Total Revenue, Gains and Support	<u>1,561,523</u>	<u>129,749</u>	<u>1,691,272</u>
Expenses			
Program Services	<u>690,152</u>	<u>-</u>	<u>690,152</u>
Total Program Services	<u>690,152</u>	<u>-</u>	<u>690,152</u>
Support Services			
Management and General	220,372	-	220,372
Fundraising	<u>317,638</u>	<u>-</u>	<u>317,638</u>
Total Support Services	<u>538,010</u>	<u>-</u>	<u>538,010</u>
Total Expenses	<u>1,228,162</u>	<u>-</u>	<u>1,228,162</u>
Net Increase (Decrease) in Net Assets	333,361	129,749	463,110
Net Assets, Beginning of Year	<u>4,407,946</u>	<u>3,383,206</u>	<u>7,791,152</u>
Net Assets, End of Year	<u>\$ 4,741,307</u>	<u>\$ 3,512,955</u>	<u>\$ 8,254,262</u>

See Independent Auditors' Report and Notes to Financial Statements

**THE COUSE FOUNDATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED FEBRUARY 28, 2022**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total 2022</u>
REVENUE, GAINS AND SUPPORT			
Contributions	\$ 440,902	\$ 957,403	\$ 1,398,305
Event Sales	75,100	-	75,100
Investment Income	244	-	244
Net Rental Income	5,400	-	5,400
Grant Revenue	-	45,700	45,700
Paycheck Protection Program Loan Forgiveness	88,900	-	88,900
Net Income (Loss) from Sale of Inventory	(153,237)	-	(153,237)
Gain (Loss) on Investments	5,093	-	5,093
Revenue, Gains and Support	<u>462,402</u>	<u>1,003,103</u>	<u>1,465,505</u>
Net Assets Released from Restrictions	<u>691,596</u>	<u>(691,596)</u>	<u>-</u>
Total Revenue, Gains and Support	<u>1,153,998</u>	<u>311,507</u>	<u>1,465,505</u>
Expenses			
Program Services	<u>452,932</u>	<u>-</u>	<u>452,932</u>
Total Program Services	<u>452,932</u>	<u>-</u>	<u>452,932</u>
Support Services			
Management and General	177,618	-	177,618
Fundraising	75,870	-	75,870
Total Support Services	<u>253,488</u>	<u>-</u>	<u>253,488</u>
Total Expenses	<u>706,420</u>	<u>-</u>	<u>706,420</u>
Net Increase (Decrease) in Net Assets	447,578	311,507	759,085
Net Assets, Beginning of Year	<u>3,960,368</u>	<u>3,071,699</u>	<u>7,032,067</u>
Net Assets, End of Year	<u>\$ 4,407,946</u>	<u>\$ 3,383,206</u>	<u>\$ 7,791,152</u>

See Independent Auditors' Report and Notes to Financial Statements

**THE COUSE FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED FEBRUARY 28, 2023**

Expenses	Program Services	Management and General	Fundraising	Total 2023
Accounting Fees	\$ 4,747	\$ 40,541	\$ 2,373	\$ 47,661
Cost of Goods Sold	18,289	-	-	18,289
Advertising and Promotion	22,112	-	6,815	28,927
Bank Fees	-	2,797	2,737	5,534
Compensation	268,747	78,251	32,130	379,128
Contract Labor	29,128	3,094	151	32,373
Payroll Taxes	21,167	6,261	2,506	29,934
Depreciation	185,704	-	-	185,704
Interest Expense	-	41,945	-	41,945
Donations	487	-	-	487
Employee Benefits	16,065	7,702	2,387	26,154
Insurance	23,303	5,745	-	29,048
Lecture Program	2,891	-	-	2,891
Occupancy	55,640	3,958	-	59,598
Office Expenses	1,622	19,273	6,146	27,041
Other Professional Fees	-	926	-	926
Postage and Shipping	401	283	703	1,387
Research Center	3,838	-	-	3,838
Travel	3,879	-	1,133	5,012
Meeting Expenses	2,253	2,254	2,900	7,407
Event Expense	686	-	257,657	258,343
Curatorial Expenses	29,170	-	-	29,170
Dues and Licenses	23	7,342	-	7,365
Total	\$ 690,152	\$ 220,372	\$ 317,638	\$ 1,228,162

See Independent Auditors' Report and Notes to Financial Statements

**THE COUSE FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED FEBRUARY 28, 2022**

Expenses	Program Services	Management and General	Fundraising	Total 2022
Accounting Fees	\$ -	\$ 33,523	\$ -	\$ 33,523
Advertising and Promotion	16,357	-	7,880	24,237
Bank Fees	-	1,828	1,828	3,656
Compensation	150,182	60,335	29,557	240,074
Contract Labor	77,771	1,998	-	79,769
Payroll Taxes	11,757	4,789	2,307	18,853
Depreciation	79,802	-	-	79,802
Interest Expense	-	36,956	-	36,956
Donations	100	-	-	100
Employee Benefits	10,591	4,454	2,064	17,109
Insurance	18,880	9,787	-	28,667
Lecture Program	1,245	-	-	1,245
Occupancy	54,599	7,146	-	61,745
Office Expenses	1,545	8,558	4,882	14,985
Printing and Publication	256	-	-	256
Postage and Shipping	749	382	382	1,513
Research Center	2,899	-	-	2,899
Travel	3,351	-	1,048	4,399
Meetings	500	441	226	1,167
Events	-	-	25,696	25,696
Curatorial Expenses	22,348	-	-	22,348
Dues and Licenses	-	7,421	-	7,421
Total	\$ 452,932	\$ 177,618	\$ 75,870	\$ 706,420

See Independent Auditors' Report and Notes to Financial Statements

**THE COUSE FOUNDATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED FEBRUARY 28,**

	2023	2022
Cash Flow From Operating Activities		
Increase (Decrease) in Net Assets	\$ 407,610	\$ 759,085
Reconciliation of Change in Net Assets to Net Cash:		
Depreciation	185,704	79,802
Net Realized / Unrealized Gains / Losses on Investments	3,983	-
Forgiveness of Bridge Loans	(475,000)	-
Donated Investments Received	(5,517)	-
Change in:		
Accounts Receivable, Net	18,883	(28,299)
Prepaid Expenses	(6,320)	(2,313)
Inventory	81,688	(219,546)
Cash Surrender Value - Life Insurance	(6,953)	(4,933)
Other Assets	7,150	32,850
Accounts Payable	7,228	(67,583)
Accrued Expenses	(12,950)	8,280
Paycheck Protection Program Loan	-	(44,700)
Net Cash Provided By (Used In) Operating Activities	205,506	512,643
Cash Flow From Investing Activities		
Purchase of Property and Equipment	(77,541)	(1,435,897)
Purchase of Collection Items	(329,526)	-
Proceeds from Sale of Investments	-	26,910
Proceeds from Sale of Collections	-	315,393
Net Cash Provided By (Used In) Investing Activities	(407,067)	(1,093,594)
Cash Flow From Financing Activities		
Proceeds from Construction Line of Credit	-	737,019
Payments on Long-Term Debt	-	-
Payments on Construcion Line of Credit	(427,962)	-
Procceds from Long-Term Debt	-	-
Net Cash Provided By (Used In) Financing Activities	(427,962)	737,019
Net Increase (Decrease) - Cash and Cash Equivalents	(629,523)	156,068
Cash and Cash Equivalents, Beginning of Year	885,173	729,105
Cash and Cash Equivalents, End of Year	\$ 255,650	\$ 885,173
Supplemental disclosures of cash flow information:		
Depreciation expense included in net rental income	\$ 1,851	\$ 1,851

See Independent Auditors' Report and Notes to Financial Statements

NOTES TO FINANCIAL STATEMENTS

**THE COUSE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED FEBRUARY 28, 2023, AND 2022**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

The mission of The Couse Foundation (Foundation), a non-profit organization, is to preserve the artifacts, furnishings, residences and studio of Eanger Irving Couse, the two studios of Joseph Henry Sharp, and the Lunder Research Center, as the repository of the works and archives of the members of the Taos Society of Artists and the early 20th Century Taos Art Colony, in order to educate the public as to the environment, both personal and historical, to create an artistic legacy of 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

The financial statements of the Foundation have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Financial Statement 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, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Foundation. The Foundation’s Board of Directors may designate assets without restrictions for specific operational purposes from time to time. The net assets without donor restrictions represent the investment in undesignated assets, investment in designated assets, and amounts invested in property and equipment, less accumulated depreciation and amortization and any related debt. At February 28, 2023, and February 28, 2022, the Foundation had net assets without donor restrictions – Board Designated of \$0 and \$265,920, respectively.

**THE COUSE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED FEBRUARY 28, 2023, AND 2022**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets with Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passages of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Contributions restricted by donors are reported as increases in net assets without donor restriction if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. At February 28, 2023, the Foundation has net assets of \$3,512,955 that have restrictions. At February 28, 2022, the Foundation had net assets of \$3,383,206 that had restrictions.

Cash and Cash Equivalents

For purposes of the statements 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, certificates of deposit, treasury money market and cash on hand.

Accounts Receivable, Net

Accounts Receivable represents drawdowns on state and local grants that were remitted prior to year-end but not received until after February 28, 2023, in the amount of \$9,416 and \$28,299 for the years ending February 28, 2023, and 2022 respectively.

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 of books and art available for resale. The inventory is stated at cost and appraised value for art.

**THE COUSE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED FEBRUARY 28, 2023, AND 2022**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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	7-39 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.

Collection items should only be work of art, historical treasures, or similar assets that meet all the following criteria:

- They are held for public exhibition, education, or research in furtherance of public service rather than financial gain;
- They are protected, kept unencumbered, cared for, and preserved;
- They are subject to an organizational policy that requires the use of proceeds from items that are sold to be for acquisitions of new collection items, the direct care of existing collections, or both.

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.

**THE COUSE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED FEBRUARY 28, 2023, AND 2022**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

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, 2023, and February 28, 2022. 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*, related 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, 2023, and February 28, 2022.

Forgivable Loans

The Foundation's policy is to account for forgivable loans received from bridge loans, an unsecured note from a related party, 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 lenders. Debt forgiven in the amount of \$0 and \$88,900 was recognized as revenue in FY 2023 and 2022, respectively.

**THE COUSE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED FEBRUARY 28, 2023, AND 2022**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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, 2023, and February 28, 2022.

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 generally accepted accounting principles (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. Currently, this standard is not applicable to the Foundation.

Functional Expense Allocations

Expenses are charged directly to program and supporting services based on specific identification, when possible. Costs benefiting more than one function are allocated based on measures such as management's estimates of time spent, square footage, etc. Significant expenses that are at least partially allocated include occupancy, supplies, travel, miscellaneous, and insurance. The allocation method for these costs is based on time and effort.

**THE COUSE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED FEBRUARY 28, 2023, AND 2022**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

COVID-19 (Coronavirus) Pandemic

In March 2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. In response to the COVID-19 Pandemic, there have been variations of federal, state, and local mandates that impacted the Foundation's operations. These mandates resulted in an overall decline in economic activity and a rise in economic uncertainties. However, the related financial impact and duration cannot be reasonably estimated at this time.

The safety and health of Foundation employees as well as the general public that we serve is of great importance to the Foundation. We remain committed to the purpose of the Foundation and ensuring that adequate internal controls over financial transactions and reporting were maintained while complying with federal state, and local mandates.

NOTE 2 – CASH AND 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, 2023, and February 28, 2022, the Foundation had uninsured funds in the amount of \$102,704 and \$361,796, 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. Cash at February 28, 2023:

	Bank Balance	Reconcile Balance
Centinel Bank	\$152,439	\$ 133,992
Schwab MM	114,803	114,803
Paypal	6,670	6,670
Petty Cash	-	185
Total	<u>\$273,912</u>	<u>\$ 255,650</u>

THE COUSE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED FEBRUARY 28, 2023, AND 2022

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 1 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. Valuation is obtained from third-party pricing services for identical or similar assets or liabilities.

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, 2023				
Fidelity Information Services	\$ 5,517	\$ 5,517	\$ -	\$ -
Total	<u>\$ 5,517</u>	<u>\$ 5,517</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 28, 2022				
Fidelity Information Services	\$ -	\$ -	\$ -	\$ -
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**THE COUSE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED FEBRUARY 28, 2023, AND 2022**

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	<u>Balance February 28, 2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance February 28, 2023</u>
Property and Equipment Not Being Depreciated:				
Land	\$ 550,000	\$ -	\$ -	\$ 550,000
Total Property and Equipment Not Being Depreciated:	550,000	-	-	550,000
Property and Equipment Being Depreciated:				
Buildings	1,209,806	-	-	1,209,806
Improvements	2,975,450	54,032	-	3,029,482
Equipments	516,703	23,509	-	540,212
Total Property and Equipment Being Depreciated	4,701,959	77,541	-	4,779,500
 Total Property and Equipment	 <u>\$ 5,251,959</u>	 <u>\$ 77,541</u>	 <u>\$ -</u>	 <u>\$ 5,329,500</u>
Less: Accumulated Depreciation	(263,486)	(185,704)	-	(449,190)
Property and Equipment, Net	<u>\$ 4,988,473</u>	<u>\$ (108,163)</u>	<u>\$ -</u>	<u>\$ 4,880,310</u>

Depreciation expense for the years ended February 28, 2023, and February 28, 2022, was \$185,704 and \$79,802, respectively. This includes depreciation expense of \$1,851 and \$1,851 related to the rental activity expense for years ended February 28, 2023, and February 28, 2022, respectively.

**THE COUSE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED FEBRUARY 28, 2023, AND 2022**

NOTE 5 – NOTES / LOANS PAYABLE

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 5.75%, and matured in May 2022. On February 28, 2022 the principal balance on the loan was \$898,789. In June 2022, the loan was refinanced to a 3-year interest-only loan at a 5.75% fixed rate and matures in June 2025. At February 28, 2023 the principal balance of the loan was \$470,827.

Bridge loans payable are as follows:

	<u>2023</u>	<u>2022</u>
Unsecured note payable to a trust, owned by a related party that bears interest at 3.25%, payable quarterly, the principal was due June 2022.	\$ -	\$ 100,000
Unsecured note payable to a related party that bears interest at 3.25%, payable quarterly, the principal was due June 2022.	-	100,000
Unsecured note payable to a related party that bears interest at 3.25%, payable quarterly, the principal was due June 2022.	-	100,000
Unsecured note payable to an individual that bears interest at 3.25%, payable quarterly, the principal was due June 2022.	-	100,000
Unsecured note payable to an individual that bears interest at 3.25%, payable quarterly, the principal was due June 2022.	-	50,000
Unsecured note payable to a related party that bears interest at 3.25%, payable quarterly, the principal was due June 2022.	-	25,000
Total	<u>\$ -</u>	<u>\$ 475,000</u>

**THE COUSE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED FEBRUARY 28, 2023, AND 2022**

NOTE 5 - NOTES PAYABLE (CONTINUED)

Long-term debt is as follows:

Date of Issue	Maturity Date	Interest Rate	Original Amount of Issuance	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
6/9/2022	6/9/2025	5.75%	\$ 898,789	\$ 898,789	\$ -	\$ 427,962	\$ 470,827	\$ -
				\$ 898,789	\$ -	\$ 427,962	\$ 470,827	\$ -

Principal and interest repayments for the future years ending February 28, are estimated as follows:

	Principal	Interest	Total
2024	\$ -	\$ 27,072	\$ 27,072
2025	-	27,072	27,072
2026	470,827	9,024	479,851
Total	\$ 470,827	\$ 63,168	\$ 533,995

NOTE 6 - RELATED PARTY TRANSACTIONS

The notes payable represents bridge loan amounts borrowed from Board members ranging from \$25,000 to \$100,000. The balance outstanding at February 28, 2023, and February 28, 2022 were \$0 and \$325,000, respectively. These amounts were borrowed under unsecured promissory notes with interest at 3.25% paid quarterly and the total principal was due June 2022. Total interest capitalized for the year ended February 28, 2023, and 2022, was \$3,927 and \$7,719, respectively.

NOTE 7 - CONSTRUCTION IN PROGRESS

The construction in progress 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 Artists' and the early 20th century Taos art colony. The construction of research center is complete and was opened in October 2021. Interest is expensed unless it is capitalized as part of an asset during construction in progress. Interest capitalized on the construction project for the years ended February 28, 2023, and February 28, 2022, was \$0 and \$18,688, respectively.

**THE COUSE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED FEBRUARY 28, 2023, AND 2022**

NOTE 8 - 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, 2023, the following financial assets are available to meet annual operating needs of the 2023 fiscal year:

Cash and cash equivalents	\$ 255,650
Accounts Receivable, Net	9,416
Total	<u>265,066</u>
Less: Amount due within one year	18,620
Less: Restrictions by donor with purpose restrictions	70,066
Financial Assets Available to Meet Cash Needs	<u><u>\$ 176,380</u></u>

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 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 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.

The Foundation has evaluated subsequent events through August 14, 2023, which is the date the financial statements are available to be issued. The Foundation had the following subsequent event:

In August 2023, the Foundation obtained a new line of credit from a local institution in the amount of \$250,000, at a rate of 7.75%, secured by real property. The line of credit matures in September of 2024.