

AndersonRanch arts center

Financial Statements

For the Year Ended December 31, 2017

(With Summarized Financial Information for the Year Ended December 31, 2016)



**and
Report Thereon**





Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of the
Anderson Ranch Arts Center

We have audited the accompanying financial statements of the Anderson Ranch Arts Center (the Ranch), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's 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 misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 from 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 auditor's 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 Anderson Ranch Arts Center as of December 31, 2017, 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.

Report on Summarized Comparative Information

We have previously audited the Ranch's 2016 financial statements, and our report dated March 22, 2017, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Raffa P.C.

Raffa, P.C.

Washington, DC
April 6, 2018

ANDERSON RANCH ARTS CENTER
STATEMENT OF FINANCIAL POSITION
December 31, 2017
(With Summarized Financial Information as of December 31, 2016)

	2017	2016
ASSETS		
Cash and cash equivalents	\$ 1,400,032	\$ 885,892
Pledges receivable, net	651,508	1,252,681
Accounts receivable	-	1,022
Inventory and other assets	241,535	213,491
Investments	8,581,641	7,728,466
Fixed assets, net	4,222,907	4,260,998
TOTAL ASSETS	\$ 15,097,623	\$ 14,342,550
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 180,670	\$ 149,078
Deferred revenue	7,065	46,225
TOTAL LIABILITIES	187,735	195,303
Net Assets		
Unrestricted		
Undesignated	5,318,765	4,575,099
Board designated	868,393	815,911
Total Unrestricted	6,187,158	5,391,010
Temporarily restricted	945,862	1,134,521
Permanently restricted	7,776,868	7,621,716
TOTAL NET ASSETS	14,909,888	14,147,247
TOTAL LIABILITIES AND NET ASSETS	\$ 15,097,623	\$ 14,342,550

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

ANDERSON RANCH ARTS CENTER

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2017

(With Summarized Financial Information for the Year Ended December 31, 2016)

	2017				2016
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
REVENUE AND SUPPORT					
Grants and contributions	\$ 1,497,192	\$ 365,779	\$ 180,530	\$ 2,043,501	\$ 3,141,097
Program service revenue	1,967,663	-	-	1,967,663	1,829,573
Special events	1,404,477	-	-	1,404,477	1,478,828
Appropriations for expenditure	277,432	21,882	-	299,314	265,718
Miscellaneous income	21,647	-	-	21,647	31,528
Net assets released from restrictions:					
Satisfaction of time restrictions	359,778	(359,778)	-	-	-
Satisfaction of program restrictions	466,055	(466,055)	-	-	-
TOTAL REVENUE AND SUPPORT	5,994,244	(438,172)	180,530	5,736,602	6,746,744
OPERATING EXPENSES					
Program Services:					
Workshops	2,009,364	-	-	2,009,364	1,833,219
Services	837,790	-	-	837,790	560,013
Residency	41,135	-	-	41,135	13,921
Total Program Services	2,888,289	-	-	2,888,289	2,407,153
Supporting Services:					
Management and general	1,718,669	-	-	1,718,669	2,082,151
Fundraising	818,166	-	-	818,166	770,131
Total Supporting Services	2,536,835	-	-	2,536,835	2,852,282
TOTAL OPERATING EXPENSES	5,425,124	-	-	5,425,124	5,259,435
Change in net assets before nonoperating activities	569,120	(438,172)	180,530	311,478	1,487,309
NONOPERATING ACTIVITIES					
Investment Income:					
Net realized gains (losses)	495,398	210,354	-	705,752	(231,504)
Net unrealized gains (losses)	(31,093)	62,126	-	31,033	316,741
Interest and dividends, net of fees	40,155	19,468	-	59,623	92,165
Loss on uncollectible pledges	-	(20,553)	(25,378)	(45,931)	-
Appropriations for expenditure	(277,432)	(21,882)	-	(299,314)	(265,718)
Change in net assets from nonoperating activities	227,028	249,513	(25,378)	451,163	(88,316)
CHANGE IN NET ASSETS	796,148	(188,659)	155,152	762,641	1,398,993
NET ASSETS, BEGINNING OF YEAR	5,391,010	1,134,521	7,621,716	14,147,247	12,748,254
NET ASSETS, END OF YEAR	\$ 6,187,158	\$ 945,862	\$ 7,776,868	\$ 14,909,888	\$ 14,147,247

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, 2017
(With Summarized Financial Information for the Year Ended December 31, 2016)
Increase (Decrease) in Cash and Cash Equivalents

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 762,641	\$ 1,398,993
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	332,592	302,765
Adjustments to allowance for doubtful pledges	45,931	-
Net realized and unrealized investment gains	(736,785)	(85,238)
Discount on pledges receivable, net of amortization	33,758	6,874
Cash contributions for permanent endowments	(326,500)	(748,672)
Changes in assets and liabilities:		
Pledges receivable	521,484	(264,530)
Accounts receivable	1,022	21,288
Inventory and other assets	(28,044)	(12,272)
Accounts payable and accrued expenses	31,592	43,233
Deferred revenue	(39,160)	(15,895)
NET CASH PROVIDED BY OPERATING ACTIVITIES	598,531	646,546
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(9,689,961)	(5,988,830)
Sales of investments	9,573,572	5,421,261
Purchases of fixed assets	(294,502)	(129,550)
NET CASH USED IN INVESTING ACTIVITIES	(410,891)	(697,119)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments to line of credit	-	(150,000)
Cash contributions for permanent endowments	326,500	748,672
NET CASH PROVIDED BY FINANCING ACTIVITIES	326,500	598,672
NET INCREASE IN CASH AND CASH EQUIVALENTS	514,140	548,099
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	885,892	337,793
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 1,400,032	\$ 885,892

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

ANDERSON RANCH ARTS FOUNDATION

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2017

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 material to the financial statements.

Inventory

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

Investments

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.

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.

Continued

ANDERSON RANCH ARTS FOUNDATION

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2017

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

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, with no salvage value. 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 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

In accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 360, *Property, Plant, and Equipment*, 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, 2017.

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 not recognized as assets in the accompanying statement of financial position. Purchases of collection items are recorded as decreases in unrestricted net assets in the year in which the items are acquired or as temporarily or permanently restricted net assets if the assets used to purchase the items are restricted by donors. 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:

- Unrestricted net assets represent the portion of expendable funds that are available for support of the Ranch's operations. Unrestricted net assets 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 Board of Trustees.
- Temporarily restricted net assets represent amounts that are specifically restricted by donors or grantors for various purposes or for use in future time periods.
- Permanently restricted net assets represent endowment gifts requiring that the principal be invested in perpetuity and that only the investment income be expended for purposes designated by the donor.

Continued

ANDERSON RANCH ARTS FOUNDATION

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2017

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

Revenue Recognition

The Ranch recognizes program service revenue in the period to which the revenue relates. Accordingly, amounts collected in advance are recorded as deferred revenue in the accompanying statement of financial position. Program service revenue consists of tuition, fees, meal sales, housing rentals and other sources of income and is reported on the accompanying statement of activities net of scholarships.

Unrestricted grants and contributions are reported as revenue in the year in which payments are received and/or unconditional promises to give are made. Grants and contributions are considered unrestricted and available for general operations unless specifically restricted by the donor. The Ranch reports grants of cash and other assets as temporarily restricted 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, temporarily restricted net assets are reclassified to unrestricted net assets 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 unrestricted support.

In-Kind Contributions

In-kind contributions are recorded at fair value as revenue and expense in the accompanying statements of activities. Services are recognized as in-kind contributions if the services received create or enhance long-lived assets or if they require specialized skills, are provided by individuals possessing these skills and would typically need to be purchased if not donated. In-kind contributions primarily consist of donated professional services and software licenses.

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 are charged directly to that activity. Certain costs have been allocated proportionately among the programs and supporting services based upon the salaries incurred for each program.

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.

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.

ANDERSON RANCH ARTS FOUNDATION

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2017

2. Pledges Receivable

For the year ended December 31, 2017, 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	\$ 442,500
Due in one to five years	223,150
Due after five years	<u>-</u>
Total Pledges Receivable	665,650
Less: Discount to Present Value	<u>(14,142)</u>
Pledges Receivable, Net	<u>\$ 651,508</u>

3. Investments

Investments, at fair value, consisted of the following as of December 31, 2017:

Cash	\$ 6,733,924
Equity securities	1,697,147
Fixed income securities	<u>150,570</u>
Total Investments	<u>\$ 8,581,641</u>

Investment management fees were \$24,946 for the year ended December 31, 2017, and are accounted for in interest and dividends, net of fees, on the accompanying statement of activities.

4. Fair Value Measurement

In accordance with the provisions of FASB 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.

Continued

ANDERSON RANCH ARTS FOUNDATION

**NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2017**

4. Fair Value Measurement (continued)

The following table summarizes the Ranch's assets measured at fair value on a recurring basis as of December 31, 2017:

	Total <u>Fair Value</u>	Quoted Prices in Active Markets for Identical Assets <u>(Level 1)</u>	Significant Other Observable Inputs <u>(Level 2)</u>	Significant Unobservable Inputs <u>(Level 3)</u>
Equity securities:				
Equity income	\$ 905,689	\$ 905,689	\$ -	\$ -
Equity income growth	424,565	424,565	-	-
Equity international	366,893	366,893	-	-
Fixed income securities:				
Corporate bonds	<u>150,570</u>	<u>-</u>	<u>150,570</u>	<u>-</u>
Total Investments Measured in Fair Value Hierarchy	1,847,717	<u>\$ 1,697,147</u>	<u>\$ 150,570</u>	<u>\$ -</u>
Cash	<u>6,733,924</u>			
Total Investments	<u>\$ 8,581,641</u>			

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.

5. Fixed Assets

Fixed assets were composed of the following as of December 31, 2017:

Buildings and improvements	\$ 8,327,301
Equipment, website and furniture	2,360,257
Land	<u>248,045</u>
Total Fixed Assets	10,935,603
Less: Accumulated Depreciation and Amortization	<u>(6,712,696)</u>
Fixed Assets, Net	<u>\$ 4,222,907</u>

Depreciation and amortization expense was \$332,592 for the year ended December 31, 2017.

ANDERSON RANCH ARTS FOUNDATION

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2017

6. 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, 2017, the Ranch had approximately \$721,000 in excess of federally insured limits.

Employment Agreement

The Ranch signed an employment agreement with its Executive Director effective January 20, 2015. Under the terms of the agreement, if the Ranch terminates the agreement for reasons other than cause, the Executive Director is entitled to receive severance pay of three months' annual salary at the rate at which the Executive Director is being compensated at the time of termination, any earned but unused vacation owed to the Executive Director and any previously earned unpaid salary through the date of termination.

7. Temporarily Restricted Net Assets

As of December 31, 2017, the Ranch's temporarily restricted net assets were available for the following programs or purposes:

Purpose Restricted:	
Scholarships and internships	436,258
Advanced mentored study program	78,843
Residency	86,897
Capital improvements	526
Time Restricted:	
Time-restricted pledges	340,060
Available for appropriation	<u>3,278</u>
Total Temporarily Restricted Net Assets	<u>\$ 945,862</u>

8. 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 permanently restricted net assets (a) the

ANDERSON RANCH ARTS FOUNDATION

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2017

8. Endowment Funds (continued)

Interpretation of Relevant Law (continued)

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 the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets 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, 2017, the Ranch's Board of Trustees appropriated \$299,314 for operations.

ANDERSON RANCH ARTS FOUNDATION

**NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2017**

8. Endowment Funds (continued)

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, 2017, a cumulative deficiency of \$262,308 was recorded as a component of unrestricted net assets.

For the year ended December 31, 2017, the Ranch's endowment had the following activity:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ (493,299)	\$ 23,453	\$ 7,621,716	\$ 7,151,870
Investment return:				
Investment income, net of fees	33,903	19,468	-	53,371
Net appreciation (realized and unrealized)	<u>474,520</u>	<u>272,480</u>	<u>-</u>	<u>747,000</u>
Total Investment Return	<u>508,423</u>	<u>291,948</u>	<u>-</u>	<u>800,371</u>
Contributions	<u>-</u>	<u>-</u>	<u>180,530</u>	<u>180,530</u>
Loss on uncollectible pledges	<u>-</u>	<u>-</u>	<u>(25,378)</u>	<u>(25,378)</u>
Appropriations for expenditure	<u>(277,432)</u>	<u>(21,882)</u>	<u>-</u>	<u>(299,314)</u>
Endowment Net Assets, End of Year	<u>\$ (262,308)</u>	<u>\$ 293,519</u>	<u>\$ 7,776,868</u>	<u>\$ 7,808,079</u>

Permanently Restricted Net Assets

The portions of perpetual endowment funds that are required to be retained permanently, either by explicit donor stipulation or by UPMIFA, are as follows:

Scholarships	\$ 2,169,058
Residency	2,010,387
General operating purposes	1,257,950
Ceramics programs and scholarships	703,023
Photo digital programs	646,355
Woodworking scholarships	432,237
Painting	267,250
Children's programs and scholarships	165,608
Sculpture programs	100,000
Library	<u>25,000</u>
Total Endowment Funds Classified as Permanently Restricted Net Assets	<u>\$ 7,776,868</u>

Continued

ANDERSON RANCH ARTS FOUNDATION

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2017

8. Endowment Funds (continued)

Temporarily Restricted Net Assets

The portion of perpetual endowment funds subject to a time restriction under UPMIFA:

With purpose restrictions	\$ 290,241
Without purpose restrictions	<u>3,278</u>
Total Endowment Funds Classified as Temporarily Restricted Net Assets	<u>\$ 293,519</u>

9. Related Party Transactions

During the year ended December 31, 2017, the Ranch received \$783,000 in grants and contributions from 26 members of its Board of Trustees. Additionally, as of December 31, 2017, the Ranch was promised \$200,000 from eight members of its Board of Trustees.

10. 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, 2017, the Ranch made \$38,080 in contributions to the Plan.

11. 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, 2017.

The Ranch has adopted the authoritative guidance relating to accounting for uncertainty in income taxes included in FASB ASC Topic 740, *Income Taxes*. The Ranch has evaluated its uncertainty in income taxes for the year ended December 31, 2017, and determined that there were no matters that would require recognition in the financial statements or that may have any effect on its tax-exempt status. As of December 31, 2017, the statute of limitations for tax years 2013 through 2015 remains open with the U.S. federal jurisdiction or the various states and local jurisdictions in which the Ranch files tax returns. It is the Ranch's policy to recognize interest and/or penalties related to uncertainty in income taxes, if any, in income tax expense.

ANDERSON RANCH ARTS FOUNDATION

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2017

12. In-Kind Contributions

The Ranch receives various contributions of in-kind support, primarily consisting of professional services and software licenses. In-kind contributions to the Ranch totaled \$25,359 for the year ended December 31, 2017, and are included in management and general and workshops in the accompanying statement of activities.

13. Reclassification

Certain 2016 amounts have been reclassified to conform to the 2017 financial statement presentation.

14. 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, 2016, from which the summarized information was derived.

15. Subsequent Events

In preparing the financial statements, the Ranch has evaluated events and transactions for potential recognition or disclosure through April 6, 2018, the date the financial statements were available to be issued. There were no subsequent events that require recognition or disclosure in the financial statements.