

TAOS CENTER FOR THE ARTS

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
FOR THE YEARS ENDED
DECEMBER 31, 2023**

TAOS CENTER FOR THE ARTS

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**TAOS CENTER FOR THE ARTS
OFFICIAL ROSTER (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2023**

BOARD OF DIRECTORS

Max Moulton	President
Laurie Medley	Vice President
Alford (Andy) Johnson	Treasurer
Christiane Riveles	Secretary
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Mary Domito	Director
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Mary Hunzicker-Dunn	Director
Kandace Nachtrab	Director
Louis Salerno	Director

ADMINISTRATION

Chelsea Reidy	Executive Director
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Independent Auditors' Report

To the Board of Directors of
Taos Center for the Arts
Taos, New Mexico

Opinion

We have audited the accompanying financial statements of Taos Center for the Arts (the Organization) (a nonprofit organization), which comprise the statement of financial position as of December 31, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Organization 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 Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.



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(505) 822 5100



(505) 822 5106



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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 Organization'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 Organization'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.

TKM, LLC

TKM, LLC
Auditors | Advisors | CPAs

Albuquerque, New Mexico
June 14, 2024

FINANCIAL STATEMENTS

**TAOS CENTER FOR THE ARTS
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2023**

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 348,736
Investments	153,640
Accounts Receivable, Net	1,692
Prepaid Expenses	2,466
Inventory	7,995
Other Assets	<u>90</u>
Total Current Assets	<u>514,619</u>

Noncurrent Assets:

Deferred Rent Receivable	819
Property and Equipment, Net	349,913
Land	142,869
Collections	182,674
Construction In Progress	51,035
Endowment	<u>216,400</u>
Total Noncurrent Assets	<u>943,710</u>
Total Assets	<u><u>\$ 1,458,329</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts Payable	\$ 25,128
Accrued Expenses	5,637
Deferred Membership Fees	15,657
Deposits	<u>10,243</u>
Total Current Liabilities	<u>56,665</u>

NET ASSETS

Without Donor Restrictions:

Undesignated	977,851
Board Designated	370,040
With Donor Restrictions	<u>53,773</u>

Total Net Assets	<u>1,401,664</u>
Total Liabilities and Net Assets	<u><u>\$ 1,458,329</u></u>

See Independent Auditors' Report and Notes to Financial Statements

**TAOS CENTER FOR THE ARTS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2023**

	Without Donor Restrictions	With Donor Restrictions	Total 2023
REVENUE, GAINS AND SUPPORT			
Contributions - Public Support	\$ 126,168	\$ 18,482	\$ 144,650
Rental	33,846	-	33,846
In-kind Contributions	52,008	-	52,008
Grants	42,667	107,538	150,205
Concession Sales	89,658	-	89,658
Fundraising	51,594	-	51,594
Dividends and Interest	51,343	-	51,343
Cost of Goods Sold	(194,741)	-	(194,741)
Subtotal Revenue, Gains and Support	<u>660,232</u>	<u>126,020</u>	<u>786,252</u>
Net Assets Released from Restrictions	<u>95,706</u>	<u>(95,706)</u>	<u>-</u>
Total Revenue, Gains and Support	<u>755,938</u>	<u>30,314</u>	<u>786,252</u>
Expenses			
Program Services	<u>405,428</u>	<u>-</u>	<u>405,428</u>
Total Program Services	<u>405,428</u>	<u>-</u>	<u>405,428</u>
Support Services			
General and Administrative	142,564	-	142,564
Fundraising	43,842	-	43,842
Total Support Services	<u>186,406</u>	<u>-</u>	<u>186,406</u>
Total Expenses	<u>591,834</u>	<u>-</u>	<u>591,834</u>
Net Increase (Decrease) in Net Assets	164,104	30,314	194,418
Net Assets, Beginning of Year	1,174,180	23,459	1,197,639
Restatement (Note 12)	<u>9,607</u>	<u>-</u>	<u>9,607</u>
Net Assets, Beginning of Year Restated	<u>1,183,787</u>	<u>23,459</u>	<u>1,207,246</u>
Net Assets, End of Year	<u>\$ 1,347,891</u>	<u>\$ 53,773</u>	<u>\$ 1,401,664</u>

See Independent Auditors' Report and Notes to Financial Statements

**TAOS CENTER FOR THE ARTS
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2023**

	PROGRAM SERVICES			Total Program Services	SUPPORTING SERVICES		Total 2023
	Visual Arts	Big Screen	Live Theater Performance		General and Administrative	Fundraising	
Expenses							
Salaries	\$ 20,793	\$ 82,463	\$ 66,737	\$ 169,993	\$ 80,136	\$ 27,827	\$ 277,956
Benefits	86	342	277	705	332	115	1,152
Payroll Taxes	2,182	8,653	7,003	17,838	8,407	2,920	29,165
Marketing	1,619	1,826	1,619	5,064	1,500	125	6,689
Bad Debt	-	-	2,909	2,909	-	-	2,909
Bank and Merchant Fees	-	9,819	7,408	17,227	286	-	17,513
Contract Labor	6,447	6,447	6,447	19,341	10,362	6,447	36,150
In-Kind	7,281	28,084	16,643	52,008	-	-	52,008
Insurance	-	-	-	-	5,147	-	5,147
Internet and Software	-	-	-	-	9,129	-	9,129
Legal and Accounting	-	-	-	-	6,556	-	6,556
Miscellaneous	-	-	-	-	145	-	145
Occupancy	7,502	17,373	10,266	35,141	4,560	395	40,096
Postage	-	-	-	-	1,012	-	1,012
Program Event	52	34,596	10,384	45,032	3,318	-	48,350
Fundraising	-	-	-	-	-	5,713	5,713
Repairs and Maintenance	10,661	4,643	3,409	18,713	578	59	19,350
Administrative	-	-	-	-	1,296	-	1,296
Interest Expense	-	-	-	-	5,301	-	5,301
Depreciation	4,581	10,608	6,268	21,457	4,499	241	26,197
Total	<u>\$ 61,204</u>	<u>\$ 204,854</u>	<u>\$ 139,370</u>	<u>\$ 405,428</u>	<u>\$ 142,564</u>	<u>\$ 43,842</u>	<u>\$ 591,834</u>

See Independent Auditors' Report and Notes to Financial Statements

**TAOS CENTER FOR THE ARTS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2023**

Cash Flow From Operating Activities

Cash received from fundraising events	\$ 51,594
Cash received from program service fees	476,362
Cash received from interest income	51,343
Cash received from Museum Store	89,658
Cash received - other income	380,709
Cash paid to employees	(308,273)
Cash paid for goods and services	(452,105)
Net Cash Provided By (Used In) Operating Activities	<u>289,288</u>

Cash Flow From Investing Activities

Purchase of Property and Equipment	(95,614)
Interest Reinvested	(11,368)
Purchase of Investments	(36,691)
Disbursement on Investments	5,301
Net Cash Provided By (Used In) Investing Activities	<u>(138,372)</u>

Net Increase (Decrease) - Cash and Cash Equivalents	150,916
Cash and Cash Equivalents, Beginning of Year	<u>197,820</u>
Cash and Cash Equivalents, End of Year	<u>\$ 348,736</u>

Adjustments to Reconcile Changes in Net Assets to

Cash Provided By (Used in) Operating Activities:

Net Increase (Decrease) in Net Assets	\$ 194,418
Noncash Changes in Net Assets	
Depreciation	26,197
Changes in Operating Assets and Operating Liabilities	
(Increase)/Decrease Accounts Receivable	51,549
(Increase)/Decrease Prepaid Assets	(2,466)
(Increase)/Decrease Inventory	(4,244)
(Increase)/Decrease Deferred Lease Receivable	(819)
Increase/(Decrease) Accounts Payable	18,149
Increase/(Decrease) Accrued Payroll Liabilities	(2,775)
Increase/(Decrease) Deferred Membership Fees	3,137
Increase/(Decrease) Deposits	6,142
Net Cash Provided by (Used in) Operating Activities	<u>\$ 289,288</u>

See Independent Auditors' Report and Notes to Financial Statements

NOTES TO FINANCIAL STATEMENTS

**TAOS CENTER FOR THE ARTS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization: Taos Center for the Arts (Organization) is a not-for-profit organization established in 1953 whose purpose is to curate culturally relevant films, art exhibitions, and live performances as well as to provide local, regional, and internationally renowned artists, thinkers and performers the space to inspire creativity and foster a thriving love for the arts.

Financial Statement Presentation: The accompanying financial statements have been prepared following the guidance required under Accounting Standards Codification (ASC) 958-605 "Not-for-Profit Entities-Revenue Recognition" and (ASC) 958-205, "Not-for-Profit Entities-Presentation of Financial Statements. "Under guidance expressed in these statements, "An organization's net assets and its revenues, expenses, gains, and losses are classified based on whether they are restricted by donors. Amounts for each of these two classes of net assets; *with donor restriction and without donor restriction*, are required to be displayed in a statement of financial position and amounts of change in each of these classes of net assets are required to be displayed in a statement of activities. Recognition of the expiration of donor-imposed restrictions in the period in which the restrictions expire is required. Expirations of restrictions that simultaneously increase one class of net assets and decrease another (reclassifications) are reported separately from other transactions in the statement of activities. Amounts for Taos Center for the Art's total assets, liabilities and net assets are to be reported in a statement of financial position; the change in Taos Center for the Art's net assets is reported in a statement of activities; and the change in its cash and cash equivalents is reported in a statement of cash flows.

Net Assets: The Organization is required to report information regarding its financial position and activities according to the following net assets classification:

Net Assets Without Donor Restriction - Net assets without donor restrictions are resources available to support operations and are not subject to donor restrictions. The governing board has designated from net assets without donor restrictions, a board-designated endowment.

Net Assets With Donor Restrictions - Net assets with donor restrictions result from contributions and other inflows of assets, the use of which is limited by donor-imposed stipulations that expire by passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations.

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 received, and expenses are recognized when the related liability is incurred rather than when paid.

Inventory: The Organization's policy is to expense inventory when used and calculate inventory value on a FIFO basis. Inventory is purchased for concession and alcohol sales. Total inventory expensed for the year ended December 31, 2023, was \$ 30,034 and the ending inventory as of December 31, 2023, was valued at \$7,995.

Land: The Organization received donated land assets from multiple donors. The valuation of the land is based on the lower of the value on the date of donation and/or the value reported on the county's property tax assessments.

**TAOS CENTER FOR THE ARTS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Collections: The Organization capitalizes its collections. The collections are made up of the Manby House historical building that are held for educational, research, and cultural purposes. Each of the buildings are preserved and cared for, and activities verifying their existence and assessing their condition are performed continuously. The Organization defines direct care of collections as any activity that involves the protection and preservation of the collection. The Manby House is not being depreciated.

Revenue Recognition:

1) Contributions – Public Support Contributions are recognized when cash or other assets are received. Accounting principles generally accepted in the United States of America requires unconditional promises to give to be recognized when notification of the promise is received. The Organization reports gifts of cash and other assets as donor-restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when stipulated time restriction expires or a purpose restriction is accomplished, donor restricted net assets are reclassified to net assets without donor restriction and reported in the statement of activities as net assets released from restrictions. However, restricted donated assets are reported as increases in net assets without donor restrictions if the restrictions are met in the same reporting period.

Donated materials, facilities, services, and other non-cash donations are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as increases in net assets without donor restrictions, unless the donor has restricted the donated assets to a specific purpose. During the year ended December 31, 2023, the Organization received \$52,008 of contributed theater rent. Donated services are recognized as contributions if the donated services create or enhance non-financial assets or require specialized skills, and are provided by individuals possessing those skills and would otherwise be purchased by the Organization. Many individuals have donated time and services to the Organization. The value of these services has not been recorded in the financial statements because they do not meet the definition of recognition under GAAP.

2) Program Service Revenue and Concession Sales - The Organization sells admission tickets to shows and events and serves food and alcohol during live performances. Revenue from these sales are recognized when earned.

3) Membership Fees - The Organization sells memberships for discounts of shows and events which include annual or lifetime memberships. Revenue is recognized when earned and unearned revenue is deferred for membership fees that extend beyond December 31, 2023.

4) Rental and Lease Income - The Organization has short-term rental agreements for rent of its theater and long-term agreements related to the lease of a portion of its building. The Organization recognizes rental and lease income in the period in which it was earned.

5) Grants - The Organization assesses grant awards whether there are any exchange transactions and for any restrictions. Some grants require expenditures for specified activities before the Organization is reimbursed by the grantor for costs incurred.

6) Advertising - Advertising income is recognized when earned.

**TAOS CENTER FOR THE ARTS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

7) Fundraising - Fundraising revenue is recognized when earned or when the event takes place.

Advertising: The Organization expenses advertising costs as they are incurred, which was \$6,689 for the year ending December 31, 2023.

Functional Classification of Expenses: The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification of expenses by function. Accordingly, certain costs have been allocated among the programs and support services benefited. These costs include administrative labor and related expenses, insurance, internet costs, occupancy, repairs and maintenance, and other shared costs and are allocated based on estimates of time and effort.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Deferred Membership Fees: Income from membership fees received in advance are deferred and recognized over the periods to which the fees relate. At December 31, 2023, the Organization's deferred membership fees totaled \$15,657.

The Organization is supported, in part, by restricted contributions, because a donor's restriction requires resources to be used in a particular manner or in a future period. The Organization must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year and, accordingly, are reflected in the above as a reduction of amounts available for general use.

Tax Exempt Status: The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state law. The Organization may recognize the tax (benefit) expense from uncertain tax positions only if it is more likely than not that the tax positions will be sustained on examination by the tax authorities, based on the technical merits of the position. The Organization files an exempt organization return with Internal Revenue Service (IRS) and the State of New Mexico. It is not a "private foundation" for tax purposes. The Organization had no taxable unrelated business income for the year ended December 31, 2023. Accordingly, no provision for income taxes has been established in the accompanying financial statements.

**TAOS CENTER FOR THE ARTS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023**

NOTE 2 – CASH AND CASH EQUIVALENTS

For purposes of the statement of cash flows, the Organization considers all investments purchased with an original maturity of three months or less to be cash equivalents.

Cash and cash equivalents at December 31, 2023 are as follows:

	Bank Balance	Reconciled Balance
Checking	\$ 113,782	\$ 120,422
Money Market	148,623	148,623
Vanguard	55,947	55,947
Cash Registered	600	600
Undeposited Funds	17,729	17,729
Savings	2,231	2,231
Veezi Clearing	3,624	3,184
Total	<u>\$ 342,536</u>	<u>\$ 348,736</u>

NOTE 3 – CONCENTRATION OF CREDIT RISK

The Organization occasionally maintains cash and cash equivalent balances in excess of the balance insured by the Federal Deposit Insurance Corporation (FDIC). At December 31, 2023, the Organization's has a total bank balance of \$318,352 of which \$305,947 was insured by the FDIC.

NOTE 4 – ACCOUNTS RECEIVABLE

Net accounts receivable consists of grants, pledged, and service fees due to the Organization. As of December 31, 2023, the net receivables were \$21,770. Historically, Management does not believe that these are 100% collectible. As such, an allowance for doubtful accounts in the amount of \$20,078 has been established.

	2023 Accounts Receivable
Accounts Receivables	\$ 21,770
Allowance for Doubtful Accounts	<u>(20,078)</u>
Net Realizeable Value	<u>\$ 1,692</u>

**TAOS CENTER FOR THE ARTS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023**

NOTE 5 – ENDOWMENT

The Organization's endowment funds are invested in pooled funds held and managed by the Taos Community Foundation. The endowment is established for the Organization to have rights to the income while the principal is preserved and not depleted. The income on the endowment consists of funds designated by the governance board to support operations. Endowment funds are classified as net assets without donor restrictions - board designated. The Organization anticipates a 5% net return after fees and has a spending policy of appropriating for distribution each year 4.5% of its board-designated endowment fund's average fair value of the prior four quarters through the calendar year-end preceding the fiscal year in which the distribution is planned. In establishing this policy, the Organization considered the long-term expected investment return on its endowment. Accordingly, over the long-term, the Organization expects the current spending policy to allow its general endowment fund to grow at an average of approximately 1% annually. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through investment return. Changes in endowment net assets for the year ended December 31, 2023 are as follows:

	Without Donor Restrictions
Endowment Net Assets, Beginning of Year	\$ 190,736
Contribution	-
Interest and Dividends	6,969
Realized Gain/Loss on Investments	1,693
Unrealized Gain/Loss on Investments	19,766
Community Impact Fees	(2,319)
Investment Services	(445)
Endowment Net Assets, End of Year	<u>\$ 216,400</u>

**TAOS CENTER FOR THE ARTS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023**

NOTE 6 – INVESTMENTS

The Organization investments consist of money market funds, which are reported as short-term investments. The funds are invested in broker/dealer federal money market funds, which are managed to maintain a net asset value per share of \$1 and are reported at net asset value, which closely approximates fair value. Investment gains and losses are included in the statement of activities.

In determining fair value, the Organization uses various valuation approaches within the fair value measurement framework of accounting standards. Fair value measurements are determined base on the assumptions that market participants would use in pricing an asset or liability. Accounting standards establish a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. The standards define levels within the hierarchy based on the reliability of inputs as follows:

Level 1 - Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. This includes quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, or inputs that are derived principally from or corroborated by observable market data. The Organization did not have any Level 2 inputs.

Level 3 - Inputs are unobservable for the asset or liability. Unobservable inputs reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The Organization did not have any Level 3 inputs. A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Following is a description of the of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at August 31, 2020. The following table sets forth by level, within the fair value hierarchy, the Organization's investment securities at fair value as of December 31, 2023:

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 December 31, 2023				
Investment	\$ 153,640	\$ 153,640	\$ -	\$ -
Endowment	216,400	216,400	-	-
Total	<u>\$ 370,040</u>	<u>\$ 370,040</u>	<u>\$ -</u>	<u>\$ -</u>

**TAOS CENTER FOR THE ARTS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023**

NOTE 7 – PROPERTY AND EQUIPMENT

The Organization capitalizes property and equipment of \$2,500 or more and with a useful life of greater than one year. Property and equipment is stated at cost and is depreciated over its estimated useful life using the straight-line method as follows: Equipment 3-5 years; Equipment 5-7 years; Building improvements 7-39 years.

The property and equipment detail balances as of December 31, 2023 are as follows:

	Balance December 31, 2023
<i>Property and Equipment Not Being Depreciated:</i>	
Land	\$ 142,869
Official Registered Historical Items	182,674
Construction In Progress	51,035
<i>Total Property and Equipment Not Being Depreciated:</i>	376,578
 <i>Property and Equipment Being Depreciated:</i>	
Buildings & Improvements	410,090
Rental Property	81,498
Furniture & Fixtures	20,000
Equipment	271,313
<i>Total Property and Equipment Being Depreciated:</i>	782,901
Less Accumulated Depreciation	432,988
Net Property and Equipment	\$ 349,913

Depreciation expense for the year ended December 31, 2023, was \$26,197.

NOTE 8 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following as of December 31, 2023:

	Without Donor Restrictions	With Donor Restrictions	Total Endowment Net Assets
Undesignated	\$ 977,851	\$ -	\$ 977,851
Donor Restricted Endowment Fund	-	53,773	53,773
Board Designated Endowment Fund	370,040	-	370,040
Total Funds	<u>\$ 1,347,891</u>	<u>\$ 53,773</u>	<u>\$ 1,401,664</u>

**TAOS CENTER FOR THE ARTS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023**

NOTE 9 – DEFERRED RENT RECEIVABLE

The Organization was party to various operating leases during the year ended December 31, 2023. The Organization recognizes rental revenue for these leases on a straight-line basis over the lease terms when collectability is reasonably assured and the tenants have taken possession, or control the physical use, of the leased assets. Such straight-lining of rental revenue results in the recognition of deferred rental income expected to be collected in future periods of a lease agreement, which exceeds the actual contractual rent due periodically from a tenant for its use of the leased real estate throughout approximately the first half of the lease's term. The deferred rental income creates a straight-line rent receivable that is recorded as an asset on the Organization's statement of financial position. This receivable for the deferred rental income recognized typically will continue to increase until approximately the midpoint of a lease's term, subject to the specific payment provisions of the lease, when the periodic contractual rent due from the tenant begins to exceed the straight-line rent revenue recognized. This difference results in decreases to the straight-line rent receivable recorded on the balance sheet until the end of the lease term, at which time the balance of the receivable will be zero. The Organization had a deferred rent receivable of \$819 as of December 31, 2023.

NOTE 10 – LIQUIDITY

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. This policy includes investment of excess cash in short-term instruments. The following reflects the Organization's financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date. Amounts not available include amounts set aside for long-term investing of the board-designated endowments that could be drawn upon if the governing board approves that action. Financial assets as of December 31, 2023:

Cash and Cash Equivalents	\$ 348,736
Investments	153,640
Accounts Receivable, Net	1,692
Inventory	7,995
Other Assets	90
Total Assets Available for General Expenditure	512,153
Less: Amount due within one year	56,665
Less: Restrictions by donor with purpose restrictions	53,773
Financial Assets Available to Meet Cash Needs	<u>\$ 401,715</u>

**TAOS CENTER FOR THE ARTS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023**

NOTE 11 – RELATED PARTY TRANSACTIONS

In the fiscal year 2023, the Taos Center for the Arts (TCA) engaged in related-party transactions with one of its board members. A board member rented TCA's auditorium on three occasions throughout the year, remitting \$725 for each event, resulting in a total of \$2,175 in transactions. For each occasion, TCA conducted its customary business activities, applying the following fee structure:

- A \$1 administrative fee was applied to each ticket sold.
- Renters were subject to a 3% processing fee for all credit card transactions.

NOTE 12 – RESTATEMENT

A restatement in the amount of \$9,607 was needed to adjust depreciation recorded on a non-depreciable asset.

NOTE 13 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 14, 2024, the date which the financial statements were available to be issued.