Anderson Ranch Arts Center

Financial Report

December 31, 2025

Anderson Ranch Arts Center
(A Colorado Non-Profit Corporation)
December 31, 2025

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McMahan and Associates, L.L.C.
Certified Public Accountants and Consultants
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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Anderson Ranch Arts Center
Aspen, CO

Opinion

We have audited the accompanying financial statements of Anderson Ranch Arts Center (the "Ranch"), which comprise the statement of financial position as of December 31, 2025, 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 accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2025, 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 ("U.S. GAAP").

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("U.S. GAAS"). Our responsibilities under those standards are further described in the *Auditor's 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 audit. 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 U.S. GAAP, 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 for one year after the date that the financial statements are issued.

Auditor's 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 auditor's 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 U.S. GAAS 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 U.S. GAAS, 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.

McMahan and Associates, L.L.C.

McMahan and Associates, L.L.C.
Avon, Colorado
June 5, 2026

Anderson Ranch Arts Center
(A Colorado Non-Profit Corporation)
Statement of Financial Position
December 31, 2025

	2025
Assets:	
Cash	1,322,268
Investments, at fair value	14,858,821
Contributions and accounts receivable, net of pledge discount of $110,045	1,717,306
Prepaid expenses	27,207
Deposits	99,204
Inventory	310,085
Beneficial interest in trust	300,000
Property and equipment, net of accumulated depreciation of $8,629,970	3,922,821
Total Assets	22,557,712
Liabilities and Net Assets:	
Accounts payable and accrued expenses	419,132
Deferred Revenue	322,695
Notes Payable	439,680
Total Liabilities	1,181,507
Net Assets:	
Without donor restriction:	
Unrestricted	3,688,796
Board designated operating reserve	855,880
Total without donor restriction	4,544,676
With donor restriction:	
Donor restricted	16,831,529
Total with donor restriction	16,831,529
Total Net Assets	21,376,205
Total Liabilities and Net Assets	22,557,712

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

Anderson Ranch Arts Center
(A Colorado Non-Profit Corporation)
Statement of Activities
For the Year Ended December 31, 2025

	Without Donor Restriction	With Donor Restriction	Total
Revenue, Gains and Support			
Grants and contributions	2,245,566	728,076	2,973,642
Contributed non-financial assets	121,137	-	121,137
Program service fees	2,324,039	-	2,324,039
Special events	1,636,746	15,000	1,651,746
Sales	463,212	-	463,212
Other revenue	130,694	-	130,694
Investment income, net of $83,458 of related expenses	31,323	2,084,217	2,115,540
Net assets released from restrictions:			
Endowment draw	461,572	(461,572)	-
Time and purpose restrictions	1,045,800	(1,045,800)	-
Total revenue, gains, and support	8,460,089	1,319,921	9,780,010
Expenses:			
Program services:			
Workshops	970,748	-	970,748
Programs	2,947,406	-	2,947,406
Services	1,793,802	-	1,793,802
	5,711,956	-	5,711,956
Supporting services:			
Management and general	1,890,742	-	1,890,742
Development	1,169,805	-	1,169,805
	3,060,547	-	3,060,547
Total Expenses	8,772,503	-	8,772,503
Change in Net Assets	(312,414)	1,319,921	1,007,507
Net Assets - January 1 (Restated)	4,857,090	15,511,608	20,368,698
Net Assets - December 31	4,544,676	16,831,529	21,376,205

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

Anderson Ranch Art Center
(A Colorado Non-Profit Corporation)
Statement of Functional Expenses
For the Year Ended December 31, 2025

	Program Services			Support Services		
	Workshops	**Programs**	**Services**	**Management and General**	**Development Expenses**	**Total**
Expenses:						
Payroll	-	1,851,443	388,375	1,156,582	555,506	3,951,906
Artistic	13,890	111,292	24,346	-	11,855	161,384
Program services	420,381	277,865	359	-	-	698,605
Marketing	1,935	86,085	17,446	54,858	34,480	194,804
Professional fees	4,609	130,248	17,658	260,966	31,441	444,921
Facilities	87,954	95,209	135,762	109,083	14,966	442,973
Cafe and events	-	32,763	932,912	-	394,270	1,359,945
Supplies	194,783	40,315	55,968	21,216	13,974	326,255
General and administrative	13,666	254,332	128,440	217,864	107,734	722,036
Travel and entertainment	5,585	17,502	1,487	12,901	5,579	43,053
Depreciation expense	227,946	50,352	91,050	57,273	-	426,621
	970,748	2,947,406	1,793,802	1,890,742	1,169,805	8,772,503

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

Anderson Ranch Arts Center
(A Colorado Non-Profit Corporation)
Statement of Cash Flows
For the Year Ended December 31, 2025

	2025
Cash Flows From Operating Activities:	
Cash received from contributions	4,220,304
Cash received from program service fees	2,327,814
Cash received from interest	31,324
Cash received from special events	1,651,746
Sales and other cash receipts	494,702
Cash paid for grants, goods, and services	(4,453,660)
Cash paid to employees	(3,773,888)
Cash paid for interest	(12,316)
Net Cash Provided (Used) by Operating Activities	486,026
Cash Flows From Investing Activities:	
Purchase of fixed assets	(228,385)
Net (purchases) sale of investments	318,846
Net Cash Provided (Used) by Investing Activities	90,461
Cash Flows From Financing Activities:	
Principal repayments	(16,120)
Net Cash Provided (Used) by Financing Activities	(16,120)
Net Change in Cash and Cash Equivalents	560,367
Cash and Cash Equivalents - Beginning of year	761,901
Cash and Cash Equivalents - End of year	1,322,268
Reconciliation of Change in Net Assets to Net Cash Provided (Used) by Operating Activities:	
Change in net assets	1,007,507
Adjustments to reconcile:	
Depreciation	426,621
Investment (gain) loss	(2,167,675)
(Increase) decrease in accounts receivable	409,113
(Increase) decrease in prepaid expense	(27,207)
(Increase) decrease in deposits and other assets	(99,204)
(Increase) decrease in inventory	6,735
(Increase) decrease in beneficial interest	837,549
Increase (decrease) in accounts payable	(89,206)
Increase (decrease) in accrued payroll	178,018
Increase (decrease) in other liabilities	3,775
Total Adjustments	(521,481)
Net Cash Provided (Used) by Operating Activities	486,026
Schedule of Non-Cash Investing Activities	
Contributed nonfinancial assets	121,137

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

1. Organization

The Anderson Ranch Arts Foundation, dba Anderson Ranch Arts Center "the Ranch" is incorporated in the State of Colorado as a non-profit corporation and located in the resort town of Snowmass Village. The By-Laws and Articles of Incorporation are dated March 7, 1973.

Anderson Ranch Arts Center's mission is to foster transformative educational experiences and community, embracing traditional and contemporary art making on our vibrant Rocky Mountain campus.

2. Summary of Significant Accounting Policies

A. Basis of Accounting

The financial statements of the Ranch have been prepared on the accrual basis of accounting, which recognizes revenues when earned and expenses when incurred.

B. Basis of Presentation

The Ranch follows the requirements of Financial Accounting Standards Board Accounting Standards Codification, *Not-for-Profit Entities ("ASC 958")*. Under ASC 958, the Ranch is required to report information regarding its financial position and activities based upon the existence or absence of donor-imposed restrictions into these two classes: with donor restriction and without donor restriction.

C. Cash and Cash Equivalents

The Ranch considers all unrestricted highly liquid investments with an initial maturity of three months or less, and which are not held by investment managers as part of an investment portfolio, to be cash equivalents.

D. Contributions Receivable

Unconditional pledges are recognized as revenues in the period the pledge is received. Pledges are recorded at net realizable value if expected to be collected in one year and at fair value if expected to be collected in more than one year. Conditional pledges are recognized when the conditions on which they depend are substantially met.

E. Inventory

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

F. Investments

Investments in marketable equity and fixed income securities with readily determinable fair values are recorded at fair value as required by ASC 958, *Not-for-Profit Entities*.

The fair values for alternative investments represent the Ranch's pro-rata interest in the net assets of each investment and are based on financial information determined and reported by investment managers or on the basis of other information evaluated. Investment income consists of the Ranch's distributive share of any interest, dividends, capital gains and capital losses, generated from the Ranch's investments, as well as the change in fair value of the investments.

2. Summary of Significant Accounting Policies (continued)

G. Fair Value Measurements

The carrying amounts reported in the statement of financial position for cash and cash equivalents, prepaid and other assets, accounts payable and accrued liabilities, approximate fair value because of the immediate or short-term maturities of these financial instruments. The Ranch has adopted ASC 820, *Fair Value Measurement and Disclosure*, which among other things requires enhanced disclosures about financial assets that are measured and reported at fair value on a recurring basis. ASC 820 establishes a hierarchal disclosure framework which prioritizes and ranks the level of market price observability used in measuring financial assets at fair value. The hierarchy prioritizes the inputs into the following three levels:

Level 1 - Quoted prices are available in active markets for identical investments as of the reporting date. The type of investments included in Level I include money-market funds, mutual funds, listed equities, listed derivatives, cash, and cash equivalents. For the Ranch, Level I investments consist of equity securities and mutual funds.

Level 2 - Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Investments which are generally included in this category include corporate and government bonds, less liquid and restricted equity securities and certain over-the-counter derivatives. For the Ranch, Level 2 investments consist of money-market funds and pooled investments.

Level 3 - Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation. Investments that are included in this category generally include limited partnership interests in corporate private equity and real estate funds, funds of hedge funds, and distressed debt. For the Ranch, Level 3 investments consist of investments made through investment vehicles such as limited partnerships and private corporations which in turn invest in funds of funds, and hedge funds.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. These classifications (Level 1, 2, and 3) are intended to reflect the observability of inputs used in the valuation of investments and are not necessarily an indication of risk or liquidity.

We use net asset value (NAV) per share, or its equivalent, such as member units or an ownership interest in partners’ capital, as a practical expedient to estimate the fair values of certain hedge funds, private equity funds, funds of funds, and limited partnerships, which do not have readily determinable fair values. Investments that are measured at fair value using NAV per share as a practical expedient are not classified in the fair value hierarchy.

2. Summary of Significant Accounting Policies (continued)

H. Property and Equipment

Property and equipment are stated at cost, or if donated, at the fair value at the date of donation. Property and equipment are depreciated using the straight-line method over the estimated useful lives of the asset's ranging from three to forty years. The Ranch capitalizes all fixed asset purchases over $5,000 with an estimated useful life of three years or more. 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. For a repair or improvement to be capitalized, the expenditure must extend the useful life of the asset repaired or improved.

I. 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 net assets without donor restrictions in the year in which the items are acquired. 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 and are only used for the care of the collection or purchases of the collection.

J. Classification of Net Assets

The Ranch’s net assets are reported as follows:

Net assets without donor restrictions – Net assets that represent the portion of expendable funds that are available for support of the Ranch’s operations. Net assets without donor restrictions 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 Ranch’s Board of Trustees.

Net assets with donor restrictions – Net assets that represent amounts that are specifically restricted by donors or grantors for various purposes or for use in future time periods, as well as endowment gifts requiring that the principal be invested in perpetuity and that only the investment income be expended for purposes designated by the donor.

2. Summary of Significant Accounting Policies (continued)

K. Revenue Recognition

The Ranch recognizes revenue in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 606, Revenue from Contracts with Customers. Revenue is recognized when control of promised goods or services is transferred to customers in an amount that reflects the consideration the Ranch expects to be entitled to in exchange for those goods or services.

Program Service Revenue: The Ranch generates program service revenue primarily from workshops, classes, and related services, including housing and food services provided to patrons. These services are generally provided over a defined period of time (e.g., the duration of a workshop or stay). Accordingly, revenue related to these services is recognized over time as the services are provided to participants, typically on a straight-line basis over the service period, which faithfully depicts the transfer of services.

Participants typically register and remit payment in advance of the scheduled services. Amounts received in advance are recorded as deferred revenue (contract liabilities) and recognized as revenue as the related services are performed.

Special Events and Sales Revenue: Revenue from special events, ticket sales, and retail sales is recognized at a point in time, which is when the event occurs or when control of the goods is transferred to the customer.

Grants and Contributions: Grants and contributions are recognized in accordance with ASC 958, Not-for-Profit Entities. Contributions are recognized when received or when an unconditional promise to give is made. Contributions are reported as increases in net assets without donor restrictions unless donor-imposed restrictions exist. Conditional contributions are not recognized until the conditions on which they depend have been substantially met.

Net Assets Released from Restrictions: When donor-imposed restrictions are satisfied, either by the passage of time or fulfillment of purpose, the related amounts are reclassified from net assets with donor restrictions to net assets without donor restrictions and reported as net assets released from restrictions in the statement of activities.

L. Non-cash Charitable Contributions

The non-cash charitable contributions are recorded at fair value as revenue and expense in the accompanying statements of activities. Non-cash charitable contributions consist of legal services, art moving and storage, donated airline tickets, and art supplies which are recorded at fair value as of the date of donation.

2. Summary of Significant Accounting Policies (continued)

M. 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, such as food, beverage and housing expenses, supplies, and cost of goods sold, are charged directly to that activity. Personnel costs of certain employees are allocated proportionately among the programs and supporting services based on estimates of time and effort. Facilities cost and depreciation expense is charged directly to programs based on the assigned use of each Ranch building. Advertising and publications costs have been allocated to programs based on tuition revenue, while credit card fees, which are included in fees and other taxes, are allocated to programs based on revenue generated by credit card sales transactions.

N. 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.

3. Contributions Receivable

For the year ended December 31, 2025 contributions receivable included unconditional promises to give from foundations and individuals. All amounts were deemed fully collectible and were expected to be paid as follows:

	2025
Due in less than one year	$ 820,351
Due in one to five years	1,007,000
Thereafter	-
Total contributions receivable	1,827,351
Less: discount to present value (3.4% - 5.08%)	(110,045)
Contributions receivable, net	$ 1,717,306

4. Investments

The Ranch had the following investments as of December 31, 2025:

	2025
Domestic equities	$ 8,015,450
Absolute return	1,965,220
International equity	1,059,894
Fixed income	3,091,954
Private equity	726,303
	$ 14,858,821

5. Investments (continued)

The following table summarizes the Ranch’s assets measured at fair value on a recurring basis as of December 31, 2025:

	Total	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and equivalents	$ 1,322,268	$ 1,322,268	$ -	$ -
Investments:				
Equity Securities:	-	-	-	-
Domestic equities	8,015,450	8,015,450	-	-
Absolute return	1,965,220	1,965,220	-	-
International Equity	1,059,894	1,059,894	-	-
Fixed Income Securities:	-	-	-	-
Corporate Bonds	3,091,954	-	3,091,954	-
Total Investments Measured in Fair Value Hierarchy	$ 14,132,518	$ 11,040,564	$ 3,091,954	$ -
Investments Measured at NAV	726,303			
Total Investments	$ 14,858,821			

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.

The following table discloses information concerning the fair value measurement of investments calculated using NAV per share as of December 31, 2025:

	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Private equity funds[a]	$ 726,303	$ -	30-90 days	30-90 days
Total	$ 726,303	$ -		

[a] Private equity funds – Private equity funds are defined-life funds that invest in illiquid securities for longer terms. The fair values of the investments in this category have been estimated using the NAV per share of the investments. The fund values are reduced through distributions that are received from liquidation of the underlying assets.

5. Investments (continued)

The Ranch had the following components of investment income as of December 31, 2025:

	2025
Interest and dividend income	$ 371,495
Net realized gains (losses)	473,074
Net unrealized gains (losses)	1,354,429
Less investment management and advisory fees	(83,458)
Total net investment return	$ 2,115,540

6. Beneficial Interest in Charitable Trust

In 2023, the Ranch was notified of its status as a residual beneficiary in a life estate trust agreement from a donor. The trust assets, primarily real estate, are in the control of a trustee and management has no authority over these assets until they are liquidated and distributed.

In 2025, a portion of the trust was received. As of December 31, 2025 the estimated remaining value of the trust to be received was $300,000 which was expected in 2026.

7. Property and Equipment

Property and equipment consists of the following at December 31, 2025:

	2025
Land	248,045
Buildings and improvements	9,302,945
Furniture Fixtures and Equipment	3,001,801
Total Fixed Assets	12,552,791
Less accumulated depreciation and amortization	(8,629,970)
Fixed Assets, Net	$ 3,922,821

Depreciation expense for the year ended December 31, 2025 was $426,621.

8. Mortgage Payable

On January 31, 2022, the Ranch entered into an amended Small Business Administration loan with its financial institution under the EIDL in the amount of $500,000. The note will mature on June 24, 2050, with a fixed interest rate of 2.75% per annum, and is secured by collateral primarily consisting of the Ranch's demand deposit accounts, inventory and equipment. Monthly installment payments of principal and interest of $2,152 will continue through the maturity date. For the year ended December 31, 2025, interest expense associated with the EIDL note totaled $12,316, and as of December 31, 2025, the EIDL note had remaining required payments of:

8. Mortgage Payable (continued)

For the Year Ending December, 31	2025
2026	$ 13,700
2027	14,082
2028	14,474
2029	14,877
2030	15,291
Thereafter	367,256
Total:	$ 439,680

9. Concentrations, Risks, and Contingency

A. Employment Agreement

The Ranch entered into a three-year employment agreement with its President and CEO effective January 1, 2025. Under the terms of the agreement, if the Ranch terminates the agreement for reasons other than cause, the President and CEO is entitled to receive severance pay of three months' annual salary at the rate at which the President and CEO is being compensated at the time of termination, any earned but unused accrued obligation, such as Paid Time Off, and any previously earned unpaid salary through the date of termination.

B. Financial Risk

The Ranch invests in a professionally managed investment portfolio that is exposed to various risks such as interest rate, market volatility and credit risks. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term could materially affect investment balances and the amounts reported in the financial statements.

10. Net Assets

Net Assets Without Donor Restrictions - The Ranch's net assets without donor restrictions are composed of undesignated amounts and board-designated amounts for a working capital reserve. As of December 31, 2025, the Ranch's net assets without donor restrictions were as follows:

	2025
Unrestricted	$ 3,688,796
Board designated operating reserve	855,880
Total Net Assets Without Donor Restrictions	$ 4,544,676

Board-designated net assets consist of assets restricted by the Board of Trustees to fund an operating reserve that is available to meet the Ranch's working capital requirements in a time of need, as well as to fund various strategic initiatives that are not included in the Ranch's normal operating budget.

Net Assets With Donor Restrictions - As of December 31, 2025, the Ranch's net assets with donor restrictions were available for the following programs or purposes:

	2025
Temp. Restricted	
General scholarships	$ 151,018
Residency	600,000
Visiting artists	278,771
Interns	152,000
Community outreach	58,037
Anderson Ranch Editions (ARE)	50,000
Time restrictions:	
Time - restricted contributions	560,000
Time - restricted pledges	95,000
Corpus value of endowment	14,886,703
Total Net Assets With Donor Restrictions	$ 16,831,529

11. 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.

A. 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 net assets with donor restrictions (a) the 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 as the original value of the permanent endowment is classified as net assets with donor restrictions as available for appropriation 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.

B. 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).

C. 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, 2025, the Ranch's Board of Trustees appropriated $461,572 for operations.

11. Endowment Funds (continued)

D. 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, 2025, there were no underwater endowment funds.

E. Endowment Composition

For the year ended December 31, 2025, the Ranch's endowment had the following activity:

	2025
Endowment net assets at December 31, 2024	$ 10,782,144
Investment return, net	2,080,168
Contributions	2,485,963
Appropriations for expenditure	(461,572)
Endowment net assets at December 31, 2025	$ 14,886,703

The following reflects the Ranch's endowment net asset composition by fund type as of December 31, 2025:

	2025
Original donor-restricted gift amounts required to be maintained in perpetuity:	
Scholarships	$ 4,153,092
Ceramics program and scholarships	1,189,229
Photo digital programs and scholarships	898,109
Woodworking program and scholarships	607,165
Painting program and scholarships	482,254
Children's programs and scholarships	234,457
Sculpture programs and scholarships	140,907
Visiting artists	454,331
Library	36,115
Operations	3,927,480
Available for Board appropriation	2,763,564
Subtotal Original Gift Amounts	$ 14,886,703

12. Liquidity and Availability

The Ranch regularly monitors liquidity required to meet its annual operating needs and other contractual commitments, while also striving to preserve the principal and return on the investment of its funds. The following reflects the Ranch's financial assets as of December 31, 2025, reduced by amounts not available for general use:

	2025
Cash and cash equivalents	$ 1,322,268
Contributions and accounts receivable	1,717,306
Beneficial interest in trust	300,000
Available for Board appropriation from endowment	2,763,564
Less: restricted contributions receivable	(1,714,370)
Financial Assets Available to Meet General Expenditures Within One Year	$ 4,388,768

The Ranch has various sources of liquidity at its disposal, including cash and cash equivalents and investments, which are available for general expenditures, liabilities and other obligations as they come due. Management is focused on sustaining the financial liquidity of the Ranch throughout the year. As a result, management is aware of the cyclical nature of the Ranch's cash flow related to the Ranch's various funding sources and is therefore able to ensure that there is cash available to meet current liquidity needs. As part of its liquidity plan, excess cash is invested in publicly traded investment vehicles, including equity securities, or to support organizational initiatives. The Ranch can liquidate its investments at any time, and therefore the investments are available to meet current cash flow needs. Additionally, the Ranch spends income from the endowment fund based on a spending rate up to 5% of the beginning-of-the-year balance of the endowment-invested funds for the previous year (drawn on an annual basis), as established by the Ranch's Board of Trustees, and has board-designated net asset reserve funds that could be available for current operations with Board approval, if necessary.

13. Related Party Transactions

During the year ended December 31, 2025, the Ranch received approximately $723,798 in grants and contributions from 28 members of its Board of Trustees.

14. 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, 2025, the Ranch made $64,866 in contributions to the Plan, which is included in personnel costs in the accompanying statement of functional expenses.

15. 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, 2025.

The Ranch performed an evaluation of uncertainty in income taxes for the year ended December 31, 2025, and determined that there are no matters that would require recognition in the financial statements or that may have any effect on its tax-exempt status. U.S. federal jurisdiction and/or the various states and local jurisdictions in which the Ranch files tax returns are open for examination; however, there are currently no examinations pending or in progress. It is the Ranch's policy to recognize interest and penalties related to uncertainty in income taxes, if any, in interest expense and income tax expense, respectively. As of December 31, 2025, the Ranch had no accruals for interest and/or penalties.

16. Contributed Nonfinancial Assets

The Ranch received contributed nonfinancial assets during the year ended December 31, 2025, which are recorded as contributions at their estimated fair value at the date of donation in accordance with accounting principles generally accepted in the United States of America (GAAP).

Contributed nonfinancial assets consisted of the following:

Donated services, consisting primarily of legal fees, airline tickets, and specialty art moving, storage and care services totaled $111,055. The Ranch received donated services from volunteers and professionals. Donated services are recognized if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The fair value of these services is estimated based on current rates for similar services.

Materials and supplies consisting of art supplies totaled $10,082: Donated materials and supplies are valued based on estimated fair market value of identical or similar products at the date of contribution.

For the year ended December 31, 2025, contributed nonfinancial assets recognized within the statement of activities totaled $121,137. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions and were utilized in the Ranch's programs and supporting services. In situations where donor restrictions were present, those assets were used in accordance with the restrictions. The Ranch does not sell contributed nonfinancial assets and instead utilizes such contributions to support its programs and operations.

17. Subsequent Events

In preparing the financial statements, the Ranch has evaluated events and transactions for potential recognition or disclosure through June 5, 2026, the date the financial statements were available to be issued. There were no subsequent events that required recognition or disclosure in the financial statements.

18. Restatement

The beginning net assets were reallocated between with and without donor restrictions by $657,550 due to an error on the previous financial statements. The total net assets did not change.