

ASPEN HISTORICAL SOCIETY

FINANCIAL STATEMENTS

October 31, 2017

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Aspen Historical Society
Aspen, Colorado

We have audited the accompanying financial statements of Aspen Historical Society (AHS, a nonprofit organization), which comprise the statements of financial position as of October 31, 2017, and the related statements of activities and cash flows for the years 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 of 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk 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 Aspen Historical Society as of October 31, 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Reese Henry & Company, Inc.

Certified Public Accountants
Aspen, Colorado
September 11, 2018

**ASPEN HISTORICAL SOCIETY
STATEMENT OF FINANCIAL POSITION
October 31, 2017**

ASSETS

Cash and Cash Equivalents - unrestricted	\$ 654,460
Pledges Receivable	39,023
Inventory	7,151
Investments - unrestricted	510,308
Cash and Cash Equivalents - restricted	24,054
Investments - restricted	143,821
Land, Buildings and Equipment, net	2,128,084
Development Costs	192,473
TOTAL ASSETS	<u>\$ 3,699,374</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts Payable	\$ 10,462
Accrued Expenses	37,672
Customer Deposit	1,050
Note Payable	215,952
TOTAL LIABILITIES	<u>265,136</u>

NET ASSETS

Unrestricted, Undesignated	2,743,001
Board Designated Funds	484,339
Total Unrestricted	<u>3,227,340</u>
Temporarily Restricted	82,056
Permanently Restricted	124,842
TOTAL NET ASSETS	<u>3,434,238</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,699,374</u>

See accompanying notes and independent auditor's report.

**ASPEN HISTORICAL SOCIETY
STATEMENT OF ACTIVITIES
For the Year Ended October 31, 2017**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS AND OTHER SUPPORT				
Contributions	\$ 116,984	\$ 45,889	\$ -	\$ 162,873
Grants	875,400	-	-	875,400
In Kind Contributions	29,040	-	-	29,040
Sales, Net	14,544	-	-	14,544
Admissions	117,187	-	-	117,187
Investment Income, Net	91,822	-	-	91,822
Insurance Proceeds	149,159	-	-	149,159
Net Assets Released From Restrictions:				
Satisfaction of Program Restrictions	767,354	(767,354)	-	-
TOTAL REVENUES, GAINS AND OTHER SUPPORT	2,161,490	(721,465)	-	1,440,025
EXPENSES AND LOSSES				
EXPENSES				
Programs:				
Museum Operations	699,338	-	-	699,338
Grounds	58,471	-	-	58,471
Education/Exhibits	73,624	-	-	73,624
Total Program Expenses	831,433	-	-	831,433
Supporting Services:				
General and Administration	151,998	-	-	151,998
Fundraising	157,873	-	-	157,873
Total Supporting Services	309,871	-	-	309,871
TOTAL EXPENSES	1,141,304	-	-	1,141,304
CHANGE IN NET ASSETS	1,020,186	(721,465)	-	298,721
NET ASSETS, Beginning	2,207,154	803,521	124,842	3,135,517
NET ASSETS, Ending	\$ 3,227,340	\$ 82,056	\$ 124,842	\$ 3,434,238

See accompanying notes and independent auditor's report.

**ASPEN HISTORICAL SOCIETY
STATEMENT OF CASH FLOWS
For the Year Ended October 31, 2017**

CASH FLOWS FROM OPERATING ACTIVITIES

Change in Net Assets \$ 298,721

Adjustments to Reconcile Change in Net Assets to Net Cash

 Provided by (Used by) Operating Activities:

 Depreciation Expense 71,717

 Unrealized (Gain) Loss on Investments (85,117)

 Realized (Gain) Loss on Sale of Investments (2,348)

 (Increase) Decrease in Pledges Receivable 172,733

 (Increase) Decrease in Inventory (1,988)

 Increase (Decrease) in Accounts Payable 1,788

 Increase (Decrease) in Accrued Expenses 2,575

 Increase (Decrease) in Deposits (2,675)

NET CASH PROVIDED BY (USED BY) OPERATING ACTIVITIES 455,406

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds From the Sale of Investments 129,635

Purchase of Investments (120,049)

Purchase of Equipment and Buildings (677,865)

NET CASH PROVIDED BY (USED BY) INVESTING ACTIVITIES (668,279)

CASH FLOWS FROM FINANCING ACTIVITIES

Payments on Note Payable (5,389)

NET CASH PROVIDED BY (USED BY) FINANCING ACTIVITIES (5,389)

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (218,262)

CASH AND CASH EQUIVALENTS, Beginning 896,776

CASH AND CASH EQUIVALENTS, Ending \$ 678,514

SUPPLEMENTARY CASH FLOW DISCLOSURES:

Interest Paid \$ 8,811

See accompanying notes and independent auditor's report.

ASPEN HISTORICAL SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
October 31, 2017

1. ORGANIZATION AND PURPOSE

The Aspen Historical Society was incorporated in 1963 as a nonprofit organization under the laws of the State of Colorado. The Society brings together people interested in Aspen history by discovering, collecting and preserving materials that help illustrate or establish the history of the Aspen area. The Society has been granted an exemption from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is classified as a publicly supported charity under Section 509(a)(1) of the Code.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The financial statements of the Society have been prepared on the accrual basis. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

BASIS OF PRESENTATION

The Society is required to report information regarding its financial position and activities according to three classes of net assets as follows:

Unrestricted Net Assets: Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets: Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Society and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently Restricted Net Assets: Net assets that are subject to donor-imposed stipulations requiring that they be maintained permanently by the Society. Generally, the donors of these assets permit the Society to use all or part of the income earned on any related investments for general or specific purposes.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include all cash held in deposits and temporary investments with an original maturity of three months or less. Cash and temporary investments with an original maturity of three months or less that are held in investment accounts and are included in investments. Of the total cash balance, \$24,054 is restricted for the Capital Campaign, Mary Eshbaugh Hayes Collection, and Roaring Fork Veterans History Project as listed Note 9.

PLEDGES RECEIVABLE

Unconditional pledges are recognized as contribution revenue in the period the pledge is made and as assets, decreases of liabilities, or expenses depending on the form of the benefits 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. Pledges are recognized when the conditions on which they depend are substantially met.

INVENTORY

Inventory consists of gift shop merchandise, photos and publications and is stated at lower of cost or market determined by first-in, first-out method.

INVESTMENTS

The Society carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the Statement of Financial Position. Unrealized gains and losses are included in the statement of activities. Investment income and gains restricted by a donor are reported as increases in restricted net assets and are released from restriction if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized. \$124,842 is permanently restricted, \$18,979 is temporarily restricted, \$484,339 is board designated and \$25,969 is unrestricted.

FAIR VALUE MEASUREMENTS

The Society uses U.S. generally accepted accounting principles which establish a framework for measuring fair value. That framework provides a hierarchy of fair value that prioritizes the inputs to valuation techniques used to measure fair value into three levels: quoted market prices in active markets for identical assets and liabilities (Level 1); inputs other than quoted market prices that are observable for the asset or liability, either directly or indirectly (Level 2); and unobservable inputs for the asset or liability (Level 3).

LAND, BUILDINGS & EQUIPMENT

Fixed assets are accounted for at cost. Maintenance and repairs are charged to expense as incurred; major renewals and betterments are capitalized. Donated fixed assets are recorded at fair market value at the time of ownership transfer. Depreciation is provided over the estimated useful lives of the respective assets on a straight-line basis. Useful lives range from ten to thirty-nine years for buildings and improvements, and five to seven years for equipment and vehicles. Depreciation expense for the year was \$71,864.

DEVELOPMENT COSTS

Various planning costs (architect fees, planning fees, etc.) related to the construction of a ski museum and the renovation of the Carriage House have been incurred. The Society has selected a site for the ski museum and intends to build a museum in the future. When the projects are completed, these costs will be capitalized as building costs. If the projects are deemed no longer feasible by the Society the costs will be charged to expense.

DONATED COLLECTED ITEMS

The Society does not capitalize donated historical items or recognize them as revenues or gains. Donations need not be recognized if they are added to collections that are held for public exhibition, education, or research in furtherance of public service rather than financial gain; are protected, kept unencumbered, cared for, and preserved; and are subject to a policy that requires the proceeds from sales of collection items to be used to acquire other items for collections.

COMPENSATED ABSENCES

A liability for compensated absences of \$11,946 has been included in accrued expenses on the statement of financial position.

CONTRIBUTIONS

Unconditional contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions received with donor imposed restrictions that are met in the same year in which the contributions are recorded as temporarily restricted and are re-classified as unrestricted contributions when the restrictions have been met.

DONATED SERVICES

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Society. Volunteers provide a variety of services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria were not met.

INCOME TAXES

The Society is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

FASC Topic 740-10, Accounting for Uncertainty in Income Taxes, prescribes when to recognize and how to measure the financial statement effects of income tax positions taken or expected to be taken on its income tax returns. These rules require management to evaluate the likelihood that, upon examination by relevant taxing jurisdictions, those income tax positions would be sustained. Based on that evaluation, the Society only recognizes the maximum benefit of each income tax position that is more than 50% likely of being sustained. To the extent that all or a portion of the benefits of an income tax position are not recognized, a liability would be recorded for the unrecognized benefits, along with any interest and penalties that would result from disallowance of the position. Should any such penalties and interest be incurred, they would be recognized as operating expenses. The Society had no material unrecognized tax

benefits for the year ended October 31, 2017. As a result, no interest or penalties were accrued for unrecognized tax benefits during the year.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles includes the use of estimates that affect the financial statements. Accordingly, actual results could differ from those estimates.

ADVERTISING

The Society elects to expense advertising costs as incurred. Advertising totaled \$19,422 for the fiscal year.

FUNCTIONAL ALLOCATION OF EXPENSES

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

3. PLEDGES RECEIVABLE

The Society has waged a capital campaign for the renovation of the Carriage House and to build its endowment. Capital campaign pledges receivable at October 31, 2017 represent conditional promises to give as follows:

Conditional promises to give	\$ 41,005
Less unamortized discount	<u>(1,982)</u>
Net capital campaign pledges receivable	<u>\$ 39,023</u>

Pledges receivable are due as follows:

Pledges receivable are due as follows:	
Less than one year	\$ 18,005
One to five years	<u>23,000</u>
	<u>\$ 41,005</u>

Pledges with due dates extending beyond one year are discounted at a 3% annual rate of interest. Uncollectible promises to give are expected to be insignificant.

4. INVESTMENTS

Investments are stated at fair value and consist of the following at October 31, 2017:

Cash Equivalents	\$ 80,962
Equities	303,633
Foreign Equities	7,495
Equity Mutual Funds	104,486
Government Bonds	131,368
Fixed Income Mutual Funds	26,185
	<u>\$ 654,129</u>

Investment Income is summarized as follows:

Interest and dividend Income	\$ 9,996
Net realized and unrealized gain	87,465
Investment management fees	(5,639)
	<u>\$ 91,822</u>

The Society's endowment consists of funds established for a variety of purposes. Its endowment includes both donor-restricted funds and funds designated by the Board of Trustees to function as endowments. As required by generally accepted accounting principles, net assets associated with endowments are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Trustees of the Society has not adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA). Though they have not adopted this Act, the Board classifies as permanently restricted net assets (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 in permanently restricted net assets is classified as Board Designated or Temporarily Restricted.

The expendable investment income earned from the corpus, which includes interest and dividends, and realized and unrealized gains, net of administrative fees, is included in the temporarily restricted net assets and is reported as net assets released from restrictions as the funds are spent. The Society is committed to preserving the corpus of its endowment.

The Society has a formal investment policy that was approved by the Board of Trustees. The policy was set to provide long-term financial stability of the Society's assets. It requires the use of an investment manager to manage the portfolio and annually review the policy and outcome with the Board. Endowment assets are invested in a well-diversified asset mix which includes equities and bonds to result in a consistent inflation-protected rate of return that has sufficient

liquidity to make an annual distribution that would approximate the annual earnings without invading corpus. Investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk. The Society's spending policy is to only spend earnings and not invade corpus.

Endowment net asset composition by type of fund as of October 31, 2017 is as follows:

	Unrestricted	Permanently Restricted	Total Net Endowment Assets
Donor-restricted endowment funds	\$ -	\$ 124,842	\$ 124,842
Board designated endowment funds	484,339	-	484,339
Total Funds	<u>\$ 484,339</u>	<u>\$ 124,842</u>	<u>\$ 609,181</u>

Changes in the endowment net assets as of October 31, 2017, are as follows:

	Unrestricted	Permanently Restricted	Total Net Endowment Assets
Endowment Net Assets, beginning of year	\$ 414,257	\$ 124,842	\$ 539,099
Contributions	-	-	-
Investment Income	70,082	-	70,082
Amounts appropriated for expenditures	-	-	-
Endowment Net Assets, end of year	<u>\$ 484,339</u>	<u>\$ 124,842</u>	<u>\$ 609,181</u>

5. FAIR VALUE MEASUREMENTS

GAAP requires disclosure of an estimate of fair value of certain financial instruments. The fair value option was chosen to measure all financial assets and liabilities in order to mitigate volatility in reported changes in net assets. The carrying amount reported in the statement of financial position for cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities approximates fair value because of the immediate or short-term maturities of these financial instruments.

Investments measured on a recurring basis and reported at fair value are classified and disclosed in one of the three fair value hierarchy categories described in Note 2.

The following table summarizes the valuation of these instruments using the fair value hierarchy levels as of October 31, 2017:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Pledges Receivable	\$ 39,023	\$ -	\$ -	\$ 39,023
Investments	654,129	654,129	-	-
	<u>\$ 693,152</u>	<u>\$ 654,129</u>	<u>\$ -</u>	<u>\$ 39,023</u>

The changes in net assets measured at fair value for which the Society has used Level 3 inputs to determine fair value are as follows:

Beginning Balance	\$ 211,756
New Pledges Received and Included in	
Changes in Net Assets	-
Payments Received	(172,586)
Allowance for Uncollectable Pledges	-
Net Present Value Discount Adjustment included in	
Changes in Net Assets	(147)
	<u>\$ 39,023</u>

6. LAND, BUILDINGS AND EQUIPMENT

Land, buildings and equipment consists of the following:

Land, Buildings and Improvements	3,141,398
Furniture and Fixtures	68,049
Equipment	106,149
Vehicles	22,559
	<u>3,338,155</u>
Less Accumulated Depreciation	(1,210,071)
	<u>\$2,128,084</u>

7. BOARD DESIGNATED NET ASSETS

A donor gifted a residence to the Society several years ago. The proceeds were to be used to renovate the Wheeler Stallard museum. After completion of the renovation, the Board agreed to designate the remaining funds to be used for Wheeler Stallard costs. The board designated balance at October 31, 2017 is \$484,339.

8. NOTE PAYABLE

On May 18, 2016, the Society signed a loan agreement with US Bank National Association for the purchase of warehouse space. The note is due in monthly payments of \$1,183, including interest at the fixed rate of 3.97%. The note is secured by any and all security interest, pledges and the real property located at 2550 Hwy 82, Suites D100 and D104, Glenwood Springs, Colorado. The note matures May 18, 2021 but may be prepaid in full or in part at any time without indemnity. The five-year maturity schedule is as follows:

October 31,	
2018	\$ 5,609
2019	5,839
2020	6,056
2021	<u>198,448</u>
	<u>\$ 215,952</u>

9. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following:

Pledges Receivable	\$ 39,023
Hodges - Parlor Room	18,979
Capital Campaign/Carriage House Renovation	12,547
Mary Eshbaugh Hayes Collection Accessioning	10,673
Roaring Fork Veterans History Project	<u>834</u>
	<u>\$ 82,056</u>

10. PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets consist of the Bridge to the Future endowment.

11. SALES, NET

Sales income consists of gift shop, photo and publication sales. Gross sales income was \$18,775 and was reported net of \$4,231 in expenses. Gross sales are net of discounts, estimated returns, and sales taxes.

12. COMMITMENTS AND CONTINGENCIES

On June 2, 2016, the Society signed a contract with Apex Security for electronic alarm monitoring and other services for alarm equipment. The term of the agreement is for 60 months and is automatically renewed for successive period of 12 months unless the Society provides Apex with notice of its intention to terminate the contract. The notice must be in writing and delivered no earlier than 180 days but no later than 90 days prior to the expiration of the initial term. The fee is \$135 per quarter (excluding equipment) during the initial term of the agreement as well as any renewal term.

Total expenses incurred as of 10/31/2017 are \$2,796.

On September 28, 2016, the Society signed a contract with Wells Fargo Financial Leasing, Inc. for the lease of a Ricoh Copier. The term of the lease is for 60 months. Unless otherwise notified in writing 60 days but not more than 90 days before the end of the term, the lease will automatically renew for an additional 3-month period. The lease payment is \$233 per month for the term of the agreement as well as any renewal term.

Total expenses incurred as of 10/31/2017 was \$540.

Minimum future obligations for the next five years are as follows:

October 31,	
2018	3,336
2019	3,336
2020	3,336
2021	2,913
	<u>\$ 12,921</u>

13. DEFINED CONTRIBUTION PLAN

The Society has adopted a 403(b) retirement plan covering all full-time employees. After one full year of employment, the Society will begin to contribute to the employee's individual retirement plan at the rate of 2% of the employee's salary. In addition to the 2% automatic contribution, the Society will match employee contributions up to an additional 4% of the employee's salary. The maximum amount the Society will pay into the individual 403(b) retirement plan is 6% of applicable employees' salaries. Contributions to the plan for the year ended October 31, 2017 were \$25,292.

14. CONCENTRATIONS

Credit Risk

The Society has amounts on deposit at financial institutions that at times exceeds the \$250,000 covered by insurance provided by the U.S Federal Deposit Insurance Corporation (FDIC). The Society has not experienced any losses in these accounts and believes there is no significant risk with respect to these deposits.

As of October 31, 2017, the Society had \$390,135 of its cash deposits exposed to credit risk and not covered under the FDIC Insurance.

Pledges Receivable

Approximately 99% of total outstanding pledges (determined before discount), represent balances on pledges from four donors.

Revenue

The Society received approximately 55% of its revenue from the Aspen Historic Parks and Recreation District during the year ended October 31, 2017.

15. SUBSEQUENT EVENTS

Subsequent events were evaluated through September 11, 2018, which is the date the financial statements were available to be issued.