Audited Financial Statements
August 31, 2019 and 2018

Riverside Art Museum

RIVERSIDE ART MUSEUM

EideBailly

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Independent Auditor's Report

To the Board of Trustees
Riverside Art Museum
Riverside, California

Report on the Financial Statements
We have audited the accompanying financial statements of the Riverside Art Museum (RAM) (a California nonprofit organization), which comprise the statement of financial position as of August 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of RAM as of August 31, 2019, 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.

Emphasis of Matter- Change in Accounting Principle
As discussed in Note 2 to the financial statements, RAM has adopted the provisions of Financial Accounting Standards Board Accounting Standards Update No. 2016-14, *Presentation of Financial Statements of Not-For-Profit Entities*. Accordingly, the August 31, 2018 financial statements have been restated to adopt this standard. Our opinion is not modified with respect to this matter.

Other Matter
The financial statements of RAM as of and for the year ended August 31, 2018, were audited by Vavrinek, Trine, Day & Co., LLP, who joined Eide Bailly, LLP on July 22, 2019, and whose report dated May 10, 2019, expressed an unmodified opinion on those statements.

Eide Bailly LLP

Riverside, California
April 22, 2020

	2019	2018
Assets		
Current Assets		
Cash and cash equivalents	$ 759,776	$ 986,704
Restricted cash and cash equivalents	84,215	84,110
Investments	1,630,427	506,966
Promises to give	251,517	498,515
Grants receivable	382,868	38,122
Other receivables	33,052	25,839
Prepaid expenses	22,654	2,077
Inventory	3,951	7,746
Total current assets	3,168,460	2,150,079
Noncurrent Assets		
Promises to give, net	380,244	520,047
Grant receivable, net	356,535	-
Beneficial interests in charitable trust held by other	10,000	10,000
Restricted investments	216,305	216,305
Property and equipment, net	988,556	966,698
Total noncurrent assets	1,951,640	1,713,050
Total Assets	$ 5,120,100	$ 3,863,129
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued liabilities	$ 58,002	$ 52,995
Accrued payroll	59,473	56,349
Income taxes payable	19,526	35,131
Deposits	27,500	38,000
Deferred revenue	72,706	90,549
Total liabilities	237,207	273,024
Net Assets		
Without donor restrictions	1,738,957	1,500,588
With donor restrictions	3,143,936	2,089,517
Total net assets	4,882,893	3,590,105
Total Liabilities and Net Assets	$ 5,120,100	$ 3,863,129

		Without Donor Restrictions	With Donor Restrictions	Total 2019
Revenues				
Contributions		$ 127,051	$ 354,446	$ 481,497
Grants		79,870	1,320,200	1,400,070
Admissions		32,832	-	32,832
Membership dues		54,079	-	54,079
Tuition		491,214	-	491,214
Art sales		7,597	-	7,597
Blue Door Museum Store		17,667	4,531	22,198
Investment income, net		44,923	29,739	74,662
Rental income	$ 302,260			
Less: rental activity	(178,836)	123,424	-	123,424
Fundraising and other revenues		122,148	135,763	257,911
Special events revenue	$ 38,434			
Less cost of direct benefit to donors	(17,163)	21,271	-	21,271
Miscellaneous income		2,957	-	2,957
Net asset released from restriction		790,260	(790,260)	-
Total support and revenues		1,915,293	1,054,419	2,969,712
Expenses				
Program services				
Museum and exhibits		419,283	-	419,283
Education		517,964	-	517,964
Community Outreach		65,606	-	65,606
Blue Door Museum Store		25,379	-	25,379
Cheech Center		164,294	-	164,294
Total program expenses		1,192,526	-	1,192,526
Supporting services				
Fundraising and membership development		170,696	-	170,696
Management and general		313,702	-	313,702
Total supporting services		484,398	-	484,398
Total expenses		1,676,924	-	1,676,924
Change in Net Assets		238,369	1,054,419	1,292,788
Net Assets, Beginning of Year		1,500,588	2,089,517	3,590,105
Net Assets, End of Year		$ 1,738,957	$ 3,143,936	$ 4,882,893

		Without Donor Restrictions	With Donor Restrictions	Restated Total 2018 (Restated)
Revenues				
Contributions		$ 100,038	$ 1,384,746	$ 1,484,784
Grants		83,886	87,479	171,365
Admissions		29,148	-	29,148
Membership dues		66,236	-	66,236
Tuition		390,240	-	390,240
Art sales		45,959	-	45,959
Blue Door Museum Store		18,390	-	18,390
Investment income, net		59,445	23,897	83,342
Rental income	$ 284,319			
Less: rental activity	(208,531)	75,788	-	75,788
Fundraising and other revenues		97,810	133,726	231,536
Special events revenue	$ 43,684			
Less cost of direct benefit to donors	(19,489)	24,195	-	24,195
Miscellaneous income		312	-	312
Net asset released from restriction		524,407	(524,407)	-
Total support and revenues		1,515,854	1,105,441	2,621,295
Expenses				
Program services				
Museum and exhibits		445,312	-	445,312
Education		386,073	-	386,073
Community Outreach		8,389	-	8,389
Blue Door Museum Store		16,142	-	16,142
Cheech Center		164,409	-	164,409
Total program expenses		1,020,325	-	1,020,325
Supporting services				
Fundraising and membership development		146,617	-	146,617
Management and general		361,436	-	361,436
Total supporting services		508,053	-	508,053
Total expenses		1,528,378	-	1,528,378
Change in Net Assets		(12,524)	1,105,441	1,092,917
Net Assets, Beginning of Year - Restated		1,513,112	984,076	2,497,188
Net Assets, End of Year		$ 1,500,588	$ 2,089,517	$ 3,590,105

	Program Services					
	Museum and Exhibits	Education	Community Outreach	Blue Door Museum Store	Cheech Center	Total Program Services
Expenses						
Salaries, related taxes and employee benefits	$ 95,784	$ 374,822	$ 23,271	$ 7,122	$ 64,729	$ 565,728
Advertising and promotion	3,772	508	1,500	70	97	5,947
Awards and scholarships	140	410	225	-	-	775
Bad debt expense	-	-	-	-	-	-
Bank charges	943	4,760	1,084	728	4,362	11,877
Conferences/reception	3,174	2,781	-	747	7,348	14,050
Contract services	61,932	9,318	12,162	730	21,619	105,761
Delivery and freight	8,165	-	500	9	94	8,768
Depreciation	70,616	13,489	-	2,156	-	86,261
Dues and subscription	11,565	1,655	75	116	3,954	17,365
Equipment rental	4,312	462	-	74	1,512	6,360
Insurance	29,748	5,157	-	824	-	35,729
Interest expense	-	-	-	-	-	-
Miscellaneous expense	-	-	-	-	-	-
Payment to artists	22,174	30,162	12,135	9,740	-	74,211
Postage	2,439	425	928	66	14	3,872
Printing	19,451	3,766	6,540	329	4,941	35,027
Professional fees	-	560	-	-	51,672	52,232
Repairs and maintenance	27,766	5,229	-	723	-	33,718
Supplies	8,027	45,814	5,544	407	2,607	62,399
Taxes, licenses and permits	440	324	343	36	71	1,214
Teachers	-	5,375	1,100	-	286	6,761
Travel, meals and entertainment	683	3,821	199	2	988	5,693
Utilities and telephone	48,152	9,126	-	1,500	-	58,778
Total functional expenses	$ 419,283	$ 517,964	$ 65,606	$ 25,379	$ 164,294	$ 1,192,526

	Supporting Services				
	Fund raising	Membership Development	Management and General	Total Supporting Services	Total Expenses
Expenses					
Salaries, related taxes and employee benefits	$ 119,477	$ -	$ 183,917	$ 303,394	$ 869,122
Advertising and promotion	144	-	829	973	6,920
Awards and scholarships	3,000	-	-	3,000	3,775
Bad debt expense	5,000	3,000	240	8,240	8,240
Bank charges	2,123	657	1,619	4,399	16,276
Conferences/reception	11,351	-	1,241	12,592	26,642
Contract services	9,461	-	10,468	19,929	125,690
Delivery and freight	60	-	29	89	8,857
Depreciation	2,348	-	2,910	5,258	91,519
Dues and subscription	337	-	9,658	9,995	27,360
Equipment rental	890	-	2,568	3,458	9,818
Insurance	898	-	8,647	9,545	45,274
Interest expense	-	-	498	498	498
Miscellaneous expense	-	-	599	599	599
Payment to artists	1,000	-	-	1,000	75,211
Postage	1,519	420	1,433	3,372	7,244
Printing	3,043	232	3,600	6,875	41,902
Professional fees	602	-	70,899	71,501	123,733
Repairs and maintenance	746	-	1,878	2,624	36,342
Supplies	2,654	-	5,270	7,924	70,323
Taxes, licenses and permits	144	-	4,490	4,634	5,848
Teachers	-	-	-	-	6,761
Travel, meals and entertainment	2	-	215	217	5,910
Utilities and telephone	1,588	-	2,694	4,282	63,060
Total functional expenses	$ 166,387	$ 4,309	$ 313,702	$ 484,398	$ 1,676,924

	Program Services					
	Museum and Exhibits	Education	Community Outreach	Blue Door Museum Store	Cheech Center	Total Program Services
Expenses						
Salaries, related taxes and employee benefits	$ 118,882	$ 160,130	$ 674	$ 7,203	$ -	$ 286,889
Advertising and promotion	2,846	80	-	75	658	3,659
Awards and scholarships	-	900	50	-	-	950
Bad debt expense	-	885	50	-	-	935
Bank charges	16	1,414	10	83	2,201	3,724
Conferences/reception	2,040	6,206	-	-	71,965	80,211
Contract services	57,326	13,805	4,050	444	33,246	108,871
Cost of goods sold	-	-	-	2,866	-	2,866
Delivery and freight	3,671	365	-	-	127	4,163
Depreciation	70,729	13,511	-	2,159	-	86,399
Dues and subscription	5,275	1,281	-	-	3,209	9,765
Equipment rental	5,220	623	-	93	734	6,670
Insurance	25,881	4,398	-	719	106	31,104
Interest expense	-	-	-	-	-	-
Payment to artists	31,522	6,390	175	-	1,000	39,087
Postage	1,038	785	-	58	1,339	3,220
Printing	35,258	1,834	7	30	10,745	47,874
Professional fees	1,780	120	-	-	33,354	35,254
Repairs and maintenance	14,986	2,239	-	331	-	17,556
Supplies	19,002	36,810	1,213	683	4,732	62,440
Taxes, licenses and permits	177	187	30	-	355	749
Teachers	3,300	117,547	2,040	-	-	122,887
Travel, meals and entertainment	554	7,812	90	-	638	9,094
Utilities and telephone	45,809	8,751	-	1,398	-	55,958
Total functional expenses	$ 445,312	$ 386,073	$ 8,389	$ 16,142	$ 164,409	$ 1,020,325

	Supporting Services				
	Fund raising	Membership Development	Management and General	Total Supporting Services	Total Expenses
Expenses					
Salaries, related taxes and employee benefits	$ 104,417	$ 864	$ 197,316	$ 302,597	$ 589,486
Advertising and promotion	57	-	3,190	3,247	6,906
Awards and scholarships	-	-	-	-	950
Bad debt expense	5,000	1,000	-	6,000	6,935
Bank charges	298	226	11,231	11,755	15,479
Conferences/reception	6,380	-	2,490	8,870	89,081
Contract services	9,196	-	39,290	48,486	157,357
Cost of goods sold	-	-	-	-	2,866
Delivery and freight	191	-	(62)	129	4,292
Depreciation	2,352	-	3,838	6,190	92,589
Dues and subscription	329	30	13,773	14,132	23,897
Equipment rental	376	-	2,343	2,719	9,389
Insurance	-	-	6,043	6,043	37,147
Interest expense	-	-	707	707	707
Payment to artists	-	-	1,300	1,300	40,387
Postage	2,856	222	1,519	4,597	7,817
Printing	3,256	-	14,583	17,839	65,713
Professional fees	520	-	12,210	12,730	47,984
Repairs and maintenance	2,617	-	16,564	19,181	36,737
Supplies	4,295	457	11,092	15,844	78,284
Taxes, licenses and permits	314	-	17,711	18,025	18,774
Teachers	26	-	-	26	122,913
Travel, meals and entertainment	(185)	-	3,039	2,854	11,948
Utilities and telephone	1,523	-	3,259	4,782	60,740
Total functional expenses	$ 143,818	$ 2,799	$ 361,436	$ 508,053	$ 1,528,378

	2019	2018
Cash Flows from Operating Activities		
Change in net assets	$ 1,292,788	$ 1,092,917
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Provision for bad debts	8,240	-
Net realized and unrealized (gain) loss on investments	(32,527)	(51,392)
Depreciation	105,798	106,890
(Increase) decrease in:		
Promises to give	386,801	(978,854)
Grants receivable	(709,521)	237,387
Other receivables	(7,213)	59,969
Prepaid expenses	(20,577)	(2)
Inventory	3,795	32,636
Increase (decrease) in:		
Accounts payable and accrued liabilities	5,007	39,467
Accrued payroll	3,124	22,526
Income taxes payable	(15,605)	-
Deposits	(10,500)	6,500
Deferred revenue	(17,843)	(62,741)
Net cash provided by operating activities	991,767	505,303
Cash Flows from Investing Activities		
Purchases of investments	(1,090,934)	(59,255)
Proceeds from sale of investments	-	146,876
Purchases of property and equipment	(127,656)	(59,130)
Net cash used in investing activities	(1,218,590)	28,491
Cash Flows from Financing Activities		
Borrowings from revolving line of credit	40,000	55,000
Repayments on borrowing from revolving line of credit	(40,000)	(55,000)
Net cash used in financing activities	-	-
Net Increase (Decrease) in Cash and Cash Equivalents	(226,823)	533,794
Cash and Cash Equivalents, Beginning of Year	1,070,814	537,020
Cash and Cash Equivalents, End of Year	$ 843,991	$ 1,070,814
Supplemental Disclosure of Cash Flow Information		
Interest paid	$ 498	$ 707

Note 1 - Nature of Operations

Nature of Activities

The Riverside Art Museum (RAM) is a not-for-profit organization which provides art exhibits and gallery space for the display of visual art works, principally works by California artists and in particular those artists active within the Inland Empire region. RAM has an expansive art education program serving children and adults, both on and offsite. RAM offers exhibitions and educational and cultural programs, including a museum shop to stimulate public awareness, interest, and appreciation of art for Riverside and surrounding communities. In addition, RAM rents a section of the facility for special events.

The mission of RAM is "to integrate art into the lives of people in a way that engages, inspires, and builds community by presenting thought-provoking exhibits and providing quality art classes that instill a lifelong love of the arts." RAM's roots date to the early 1950s when a loosely-knit group of artists formed the Riverside Art Association to encourage study and appreciation of the arts. In 1959, they incorporated as a 501(c)(3) not-for-profit, and in 1967, RAM purchased its current location, the former Riverside YWCA. Situated in the city's Historic Mission Inn District, this architecturally-significant structure, built in 1929, was designed by world-renowned architect Julia Morgan, best known for her design of Hearst Castle. It houses two main floor galleries, two smaller second floor galleries, classroom printmaking studio, administration spaces, and a third floor rooftop space used primarily for special events.

Today, RAM engages 50,000 diverse residents and visitors annually through a rich variety of art exhibitions, vibrant arts education programming, and community outreach. RAM extends its reach beyond the walls of the museum to bring creative opportunities to school children, at-promise and justice-involved youth, and local residents at non-traditional sites such as community centers, parks, and vacant public spaces and alleyways. RAM's Branch program provides affordable housing for an artist-in-resident who provides art for residents of Riverside's Eastside community.

RAM stewards a collection of approximately 1,500 objects, including print (lithographs, serigraphs, intaglio, monotype, relief, photographs, and posters), mixed media, paintings, and watercolors of California landscapes. Some notable artists in RAM collection include Karl Benjamin, Rex Brandt, Millard Sheets, Toulouse Lautrec, Marc Chagall, Alberto Giacometti, Shepard Fairey, and Sister Corita Kent.

In May 2017, in consideration of its future and the changing demographics of the region and state, RAM entered into a 'memorandum of understanding' with entertainer/art collector Cheech Marin and the City of Riverside. This agreement will see the city's downtown library building repurposed to house the Cheech Marin Center for Chicano Art, Culture, and Industry of the Riverside Art Museum (the Cheech), with a projected opening in 2021. The Cheech will house Marin's donated collection, among other works. Marin's collection of Chicano art is of international importance and has deep regional roots that will resonate with the diverse population of Southern California as well as the entire state. The Cheech will also feature gallery spaces for guest artist exhibitions to further promote dialogue about Chicano/Latino art, spaces for artist residencies, classrooms, a gift store, a cafe, and an interactive student gallery. Additionally, the Cheech will provide more office space for RAM staff and storage for its collection.

RAM's support and revenues are derived primarily from contributions, other fundraising efforts including special events, and rental of museum facilities. A large portion of revenue also consists of art education class and workshop fees. Additional sources of revenue are generated by the Blue Door Museum Store. RAM also has program contracts with the Riverside Unified School District to deliver their Art-to-Go program to over 25,000 kindergarten to sixth-grade students and Riverside County to produce a mural-making art program for justice-involved youth.

Note 2 - Summary of Significant Accounting Policies

Basis of Accounting

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

Basis of Presentation

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

> **Net Assets Without Donor Restrictions -** RAM reports contributions that are not subject to donor-imposed restrictions as net assets without donor restrictions. Net assets without donor restrictions may be designated for specific purposes by action of the Board of Trustees.
>
> **Net Assets With Donor Restrictions** - RAM reports contributions as net assets with donor restrictions if they are received with donor-imposed restrictions that can be met either by the passage of time, or other events specified by the donor. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Cash and Cash Equivalents

Cash and cash equivalents included in the statements of financial position include cash on hand, bank deposits, money market funds subject to withdrawal, and liquid debt instruments, which mature within three months of the date acquired. For purposes of the statements of cash flows, cash and cash equivalents includes restricted cash and cash equivalents.

Promises to Give

Promises to give are recognized, if unconditional, as contribution revenue in the period promised and as either current or long-term pledges receivable depending on the payment schedule of the donors. RAM records unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities.

Other Receivables

Other receivables including trade receivables are reviewed by management on a regular basis, who determines when receivables are past due or delinquent based on contractual terms and past experience with its customers. At August 31, 2019 and 2018, management considers accounts receivable to be fully collectible; and accordingly, no allowance for doubtful accounts is required.

Contributions

Donated Materials and Services - Donated materials are reflected as contributions in the accompanying statements at their estimated fair values at date of receipt. The value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded. In addition, many individuals volunteer their time and perform a variety of tasks in RAM's program services.

Donated Property and Equipment - RAM reports gifts of equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Equipment donated with explicit restrictions that specify how the assets are to be used, and gifts of cash or other assets that must be used to acquire equipment or art for RAM collection, are reported as restricted support. Absent explicit donor stipulations about how long these donated assets must be maintained, RAM reports expirations of donor restrictions when the donated or acquired assets are placed in service.

Investment Return - Investment return on endowment funds not restricted by the donor is restricted until the board approves its expenditure.

Blue Door Museum Store Inventory

Inventories consist primarily of books and art related items. All inventories are valued at the lower of actual cost or net realizable value. Cost is determined by specific identification.

Investments

RAM has a board-approved investment policy that states that the portfolio shall be invested to provide safety through diversification in a portfolio of common stocks, bonds, and cash equivalents, all of which may reflect varying rates of return. The Finance Committee of RAM meets twice a year to review performance of investments and make any adjustments to the investment policy. The objective of the investment policy is long-term growth of assets and protection of capital.

Fair Value Measurements

RAM has adopted standards for fair value measurements. These standards establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 – measurements) and the lowest priority to unobservable inputs (Level 3 – measurements). The three levels of the fair value hierarchy are as follows: Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Association has the ability to access. Level 2 – Inputs to the valuation methodology include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability. Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The method described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while RAM believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Collection

Collection items consist of art objects that are held for educational and curatorial purposes. Each of the items is cataloged, preserved, cared for, and kept unencumbered. Activities verifying their existence and assessing their condition are performed continuously. Collection items acquired either through purchase or donation are not capitalized. Purchases of collection items are recorded as decreases in without donor restrictions if purchased with without donor restricted assets and as decreases in with donor restriction net assets if purchased with donor-restricted assets. Contributions of collection items are not recognized in the statement of activities. Proceeds from deaccessions or insurance recoveries are reflected on the statement of activities based on the absence or existence and nature of donor-imposed restrictions. If collection items are sold, the proceeds from the sale are used to purchase additional collection items.

Property and Equipment

Property and equipment are stated at cost or fair value at the date of donation in the case of donated assets. The policy of RAM is to capitalize property and equipment with a value of $500 or more. RAM provides for depreciation and amortization of property and equipment by use of the straight-line method over the estimated useful lives, as follows:

Buildings and improvements	10 to 30 years
Furniture and equipment	5 to 12 years

Deferred Revenue and Deposits

Deferred revenue and deposits consist primarily of amounts received in advance for classroom instruction and the rental of RAM and restaurant facilities for weddings and events. Weddings and events require a deposit in advance, which is returned in full if the event is cancelled six months prior to the event, or 25 percent is returned if the event is cancelled after six months, but no later than three months prior to the event. All events require payment in full prior to the event taking place.

Income Taxes

RAM is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and from state income tax under Section 23701(d) of the California Revenue and Taxation Code. In addition, RAM has been classified as an organization that is not a private foundation under Section 509(a)(2). However, certain sales in RAM's shop and rent receipts net of rent expenses are subject to unrelated business income tax, if they exceed certain thresholds. For the year ended August 31, 2019 and 2018, RAM has recorded a tax liability of $19,526 and $35,131 for federal and state purposes on this unrelated business activity respectively.

Management believes that all of the positions taken by RAM in its federal and state income tax returns are more likely than not to be sustained upon examination. RAM's tax returns are subject to examination by the Internal Revenue Service and the California Franchise Tax Board for three years and four years, respectively, after they are filed.

Advertising Costs

Direct response and non-direct response advertising is expensed as incurred since the value of this advertising does not benefit any future periods.

Expense Allocation

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy, depreciation, and amortization, which are allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, professional services, office expenses, interest, insurance, and other, which are allocated based on estimates of time and effort.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

Use of Estimates

The preparation of these financial statements requires management to make estimates and assumptions. Those estimates and assumptions affect the reported amounts of assets, liabilities, revenues, and expenses, as well as the disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Future Pronouncements

Revenue from Contracts with Customers - In May 2014, the FASB issued Accounting Standards Update No. 2014-09 (ASU 2014-09), *Revenues from Contracts with Customers (Topic 606).* The guidance provides a principles-based approach for determining revenue recognition and supersedes all existing guidance, such as current transaction and industry-specific revenue recognition guidance. The core principle of ASU 2014-09 is that an entity will recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (payment) to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 identifies a five-step process in order to recognize revenue. In addition, there is also more comprehensive guidance for transactions such as service revenue, contract modifications and multiple-element arrangements. The guidance is effective for all nonpublic entities for the reporting periods beginning after December 31, 2019. RAM has not determined its effect on the financial statements.

Revenue from Contributions Received - FASB has issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, to clarify and improve the scope and the accounting guidance for contributions received and contributions made. This standard assists the RAM in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. RAM has implemented the provisions of ASU 2018-08 applicable to both contributions received and to contributions made in the accompanying financial statements under a modified prospective basis. Accordingly, there is no effect on net assets in connection with the implementation of ASU 2018-08. The guidance is effective for the reporting periods beginning after December 15, 2019. RAM has not determined its effect on the financial statements.

Change in Accounting Principle

As of September 1, 2018, RAM adopted the provisions of Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements for Not-For-Profit Entities*. The provisions of the ASU replace the existing three classes of net assets with two new classes (net assets without donor restrictions and net assets with donor restrictions) and enhance the disclosure requirements for RAM's donor restricted endowment funds. The ASU introduces new disclosure requirements to provide information about what is included or excluded from RAM's intermediate measure of operations as well as disclosures to improve a financial statement user's ability to assess RAM's liquidity and exposure to risk. The ASU also introduces new reporting requirements to present expenses by both function and natural classification in a single location and to present investment returns on the statements of activities net of external and direct internal investment expenses.

RAM has adopted this standard as management believes the standard improves the usefulness and understandability of RAM's financial reporting. The ASU has been applied retrospectively to all periods presented (see Note 13).

Note 3 - Cash, Cash Equivalents and Investments

Cash, cash equivalents and investments as of August 31, 2019 and 2018, are classified in the statement of financial position as follows:

	2019	2018
Cash and cash equivalents	$ 759,776	$ 986,704
Restricted cash and cash equivalents	84,215	84,110
Total cash and cash equivalents	843,991	1,070,814
Investments	1,630,427	506,966
Restricted investments	216,305	216,305
Total investments	1,846,732	723,271
Total cash, cash equivalents and investments	$ 2,690,723	$ 1,794,085

Cash, cash equivalents and investments at August 31, 2019 and 2018 are comprised of the following:

	2019 Fair Market Value	2018 Fair Market Value
Cash and cash equivalents		
Cash on hand and checking accounts	$ 368,436	$ 405,924
Savings accounts	7,861	7,346
Money Market accounts	356,240	470,938
Certificate of deposit	84,215	84,110
Charles Schwab: Investment cash and sweep money market funds	27,239	102,496
	843,991	1,070,814
Investments		
Common stocks	126,542	102,466
Fixed income	153,138	143,828
Bond mutual funds	92,511	95,779
Equity mutual funds	370,411	290,124
Bond and ETF investments	108,015	91,074
Certificate of deposit	996,115	-
	1,846,732	723,271
Total	$ 2,690,723	$ 1,794,085

Components of investment income consist of the following for the year ended August 31, 2019 and 2018:

	2019	2018
Interest and divided income	$ 42,135	$ 31,950
Net unrealized/realized gains	32,527	51,392
Total investment return	$ 74,662	$ 83,342

The following table sets forth by level, within the fair value hierarchy, RAM's investments at fair value as of August 31, 2019 and 2018. For additional information on how RAM measures fair value, refer to Note 2 Summary of Significant Accounting Policies.

	2019		
	Level 1	Level 2	Total
Investments			
Common stocks	$ 126,542	$ -	$ 126,542
Fixed income	-	153,138	153,138
Bond mutual funds	-	92,511	92,511
Equity mutual funds	370,411	-	370,411
Bond and ETF investments	-	108,015	108,015
Certificates of deposit	-	996,115	996,115
Total	$ 496,953	$ 353,664	$ 1,846,732

`	2018		
	Level 1	Level 2	Total
Investments			
Common stocks	$ 102,466	$ -	$ 102,466
Fixed income	-	143,828	143,828
Bond mutual funds	-	95,779	95,779
Equity mutual funds	290,124	-	290,124
Bond and ETF investments	-	91,074	91,074
Total	$ 392,590	$ 330,681	$ 723,271

Note 4 - Promises to Give and Grants Receivable

Contributions and grants receivable represent unconditional promises to give, which have been made by donors but not received. Promises to give and grants receivable as of August 31, 2019 and 2018 were estimated as follows:

Promises to Give

	2019	2018
Receivable in one year or less	$ 251,517	$ 498,515
Receivable in two to five years	269,817	376,425
Receivable in more than five years	150,000	205,000
	671,334	1,079,940
Less time value discount from 2.4% to 3.4%	(39,573)	(61,378)
Net promises to give	$ 631,761	$ 1,018,562

Grants Receivable

	2019	2018
Receivable in one year or less	$ 382,868	$ 38,122
Receivable in two to five years	366,666	-
	749,534	38,122
Less time value discount from 2.4% to 3.4%	(10,131)	-
Net grant receivables	$ 739,403	$ 38,122

Note 5 - Beneficial Interest in Trust Held by Other

A donor established a trust with a bank naming RAM as the lead beneficiary with an estimated fair market value of $10,000. Fair value as of August 31, 2019 and 2018, was determined by reference to quoted market prices for similar investments (Level 2 – significant other observable inputs). At the time of the donor’s death, the trust will be terminated, and the value of the investments will be transferred to RAM. The trust is valued at its original gift amount because no other information is available.

Note 6 - Property and Equipment

Property and equipment consisted of the following as of August 31, 2019 and 2018:

	2019	2018
Land	$ 69,935	$ 69,935
Construction in progress	90,207	-
Buildings	2,732,352	2,711,685
Furnishings, software and equipment	386,932	370,148
	3,279,426	3,151,768
Less accumulated depreciation	(2,290,870)	(2,185,070)
Total property and equipment, net	$ 988,556	$ 966,698

Depreciation expense, net of rental activities depreciation expense, for the years ended August 31, 2019 and 2018, was $91,519 and $92,589 respectively.

Note 7 - Line of Credit

RAM has a line of credit with Provident Savings Bank for $75,000. The provisions of the line of credit require a security interest in the deposits held by Provident Savings Bank. The amount outstanding and the effective interest rate on August 31, 2019 and 2018, were $0 and 2.15 percent. The amount held as collateral for the line of credit at August 31, 2019 and 2018, totaled $84,215 and $84,110 respectively.

Note 8 - Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

	2019	2018
Cash and cash equivalents	$ 283,038	$ 363,616
Other Receivables	33,052	25,839
Investments	442,638	313,526
	$ 758,728	$ 702,981

RAM's goal is to maintain 90 days of operating expenses. As part of this liquidity plan, excess cash is invested in money market accounts and certificates of deposits. In addition, RAM has a $75,000 line of credit to meet cash flow needs.

RAM's endowment fund consists of two donor-restricted endowments that are not available for general expenditures. The income generated from the two donor-restricted endowments can be used for RAM's ongoing operations.

Note 9 - Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes:

	2019	2018
Subject to expenditure for specified purpose:		
Unappropriated investment earnings	$ 148,680	$ 132,348
Proceeds from which have been restricted by donors for		
Law Library for purchase of artwork	19,166	19,166
Cheech Center	1,645,188	1,316,843
Grants and donor restricted funds to be spent in subsequent years	1,088,014	379,589
Jim Reed Memorial	9,023	9,023
Dottie Smith Scholarship	7,346	7,346
Jackie Smith Memorial	4,650	-
Dorothy Blunden Scholarship	2,700	-
Littleworth Endowment earnings available for scholarships	2,864	8,897
Endowments:		
Perpetual in nature, earnings from which are subject to endowment spending policy and appropriation		
Endowment Funds	184,070	184,070
Littleworth Endowment	32,235	32,235
Total net assets with donor restrictions	$ 3,143,936	$ 2,089,517

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended August 31, 2019 and 2018:

	2019	2018
Satisfaction of purpose restrictions		
Cheech Center	$ 165,327	$ 130,142
Grants and donor restricted funds	611,774	394,265
Littleworth Endowment earnings	10,910	-
Board Unappropriated investment earnings	2,249	-
Total	$ 790,260	$ 524,407

Note 10 - Endowment

RAM's endowment (the Endowment) consists of 2 individual funds established by donors to provide annual funding for specific activities and general operations. The Endowment also includes certain net assets without donor restrictions that have been designated for endowment by the Board of Trustees.

RAM's Board of Trustees has interpreted the California Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. As a result of this interpretation, we retain in perpetuity (a) the original value of initial and subsequent gift amounts (including promises to give net of discount and allowance for doubtful accounts) donated to the Endowment and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by us in a manner consistent with the standard of prudence prescribed by UPMIFA. RAM consider the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the organization
- The investment policies of the organization

Endowment Fund

As of August 31, 2019 and 2018, RAM had the following endowment net asset composition:

	2019	2018
Donor-restricted endowment funds		
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor		
Endowment Funds	$ 184,070	$ 184,070
Littleworth Endowment	32,235	32,235
Total donor-restricted endowment funds	$ 216,305	$ 216,305

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

	2019	2018
With purpose restrictions - Littleworth Scholarship Fund	$ 2,864	$ 8,897
Without purpose restrictions - Endowment Funds	148,680	132,348
Total endowment funds classified as net assets with donor restrictions	$ 151,544	$ 141,245

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 RAM to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported in donor restricted net assets, when applicable.

RAM 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 RAM must hold in perpetuity or for a donor-specified period(s). Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to preserve the real (i.e. inflation-adjusted) purchasing power of the endowment, and are restricted to investments in certificates of deposit, passbook and money market accounts, and mutual funds. Actual returns in any given year will vary due to market fluctuations.

To satisfy its long-term rate-of-return objectives, RAM 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). RAM targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Note 11 - Concentrations of Credit and Market Risk

Financial instruments that potentially expose RAM to concentrations of credit and market risk consist primarily of cash, cash equivalents and investments. Cash, cash equivalents and investments are maintained at high-quality financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. Cash and money market funds in the investment accounts are not insured by the Securities Investor Protection Corporation (SIPC) or the FDIC. Cash balances in banks in excess of the FDIC insurance coverage were approximately $1,013,582 and $70,911 at August 31, 2019 and 2018 respectively. RAM's investments do not represent significant concentrations of market risk in as much as RAM's investment portfolio is diversified among issuers.

Investment securities are exposed to various risks such as interest rate, market and credit. The financial markets in recent years have shown heightened volatility. Due to the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in the various risk factors, in the near term could materially affect investment balances and the amounts reported in the financial statements. Additionally, many mutual funds invest in the securities of foreign companies, which involve special risks and considerations not typically associated with investing in U.S. companies. These risks include devaluation of currencies, less reliable information about issuers, different securities transaction clearance and settlement practices, and possible adverse political and economic developments. Moreover, securities of many foreign companies and their markets may be less liquid and their prices more volatile than similar types of securities of comparable U.S. companies.

Note 12 - Restatement Resulting from Change in Accounting Principle

As disclosed in Note 2, RAM adopted the provisions of Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements for Not-For-Profit Entities* as of September 1, 2018. As part of the adoption, changes were made to the presentation of the financial statements and the classification of net assets. Following is a summary of the effects of the change in accounting policy in RAM's August 31, 2018 net assets.

	As Previously Reported	Adoption of ASU 2016-14	As Restated
Net Assets			
Unrestricted	$ 1,500,588	$ (1,500,588)	$ -
Temporarily restricted	1,873,212	(1,873,212)	-
Permanently restricted	216,305	(216,305)	-
Without Donor Restrictions	-	1,500,588	1,500,588
With Donor Restrictions	-	2,089,517	2,089,517
Total Net Asset	$ 3,590,105	$ -	$ 3,590,105

The effect on RAM's statement of activities as for the year ended August 31, 2018 is as follows:

	As Previously Reported	Adoption of ASU 2016-14	As Restated
Net Assets, Beginning of Year			
Unrestricted	$ 1,513,112	$ (1,513,112)	$ -
Temporarily restricted	767,771	(767,771)	-
Permanently restricted	216,305	(216,305)	-
Without Donor Restrictions	-	1,513,112	1,513,112
With Donor Restrictions	-	984,076	984,076
Net Assets, End of Year			
Unrestricted	$ 1,500,588	$ (1,500,588)	$ -
Temporarily restricted	1,873,212	(1,873,212)	-
Permanently restricted	216,305	(216,305)	-
Without Donor Restrictions	-	1,500,588	1,500,588
With Donor Restrictions	-	2,089,517	2,089,517

Note 13 - Subsequent Events

RAM has evaluated subsequent events through April 22, 2020, which is the date the financial statements were available to be issued. RAM received a $750,000 pledge agreement from Bank of America for the Cheech Program on November 18, 2019. Additionally, RAM received a Cheech pledge in the amount of $100,000 from the Laurence & Janet Watt Family Fund on January 13, 2020. Management has determined that, due to COVID-19 and mandated museum and school closures, there is an expectation of decreased revenue for FY20. There is no material impact to these financial statements, however future impact is unknown. Management has presented RAM Finance Committee different scenarios for the potential impact on admissions, facility rentals, education tuition, membership, interest and dividends, grants, and membership revenues. RAM is exploring strategies to mitigate this potential impact.