

Financial Statements
August 31, 2020 and 2019
Riverside Art Museum



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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 statements of financial position as of August 31, 2020 and 2019, and the related statements of activities, functional expenses, 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 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 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 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, 2020 and 2019, 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.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Riverside, California

April 21, 2021

Riverside Art Museum
Statements of Financial Position
August 31, 2020 and 2019

	2020	2019
Assets		
Current Assets		
Cash and cash equivalents	\$ 2,510,539	\$ 759,776
Restricted cash and cash equivalents	84,310	84,215
Investments	1,712,090	1,630,427
Promises to give	264,961	251,517
Grants receivable	366,668	382,868
Other receivables	79,325	33,052
Prepaid expenses	35,922	22,654
Inventory	3,427	3,951
Total current assets	5,057,242	3,168,460
Noncurrent Assets		
Promises to give, net	427,288	380,244
Grant receivable, net	-	356,535
Beneficial interests in charitable trust held by others	10,000	10,000
Restricted investments	216,305	216,305
Property and equipment, net	905,596	988,556
Total noncurrent assets	1,559,189	1,951,640
Total assets	\$ 6,616,431	\$ 5,120,100
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 30,317	\$ 58,002
Accrued payroll	53,573	59,473
Line of credit	65,000	-
Income taxes payable	3,163	19,526
Deposits	16,500	27,500
Deferred revenue	65,862	72,706
Total current liabilities	234,415	237,207
Noncurrent Liabilities		
Paycheck Protection Program note payable	186,687	-
Total liabilities	421,102	237,207
Net Assets		
Without donor restrictions	1,814,531	1,738,957
With donor restrictions	4,380,798	3,143,936
Total net assets	6,195,329	4,882,893
Total liabilities and net assets	\$ 6,616,431	\$ 5,120,100

Riverside Art Museum
Statement of Activities
Year Ended August 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total 2020
Revenue and Support			
Contributions	\$ 259,496	\$ 1,478,619	\$ 1,738,115
Grants	20,000	204,698	224,698
Admissions	12,051	-	12,051
Membership dues	62,385	-	62,385
Tuition	453,347	-	453,347
Art sales	34,421	-	34,421
Blue Door Museum Store	13,016	4,819	17,835
Rental income	\$ 131,306		
Less: rental activity	<u>(119,704)</u>	-	11,602
Fundraising	49,492	59,956	109,448
Miscellaneous income	4,941	-	4,941
Investment income, net	108,297	22,837	131,134
Net asset released from restrictions	534,067	<u>(534,067)</u>	-
Total revenue and support	<u>1,563,115</u>	<u>1,236,862</u>	<u>2,799,977</u>
Expenses			
Program services			
Exhibits and Collections	418,411	-	418,411
Education	434,518	-	434,518
Community outreach	73,907	-	73,907
Blue Door Museum Store	20,652	-	20,652
The Cheech Center	137,718	-	137,718
Total program expenses	<u>1,085,206</u>	-	<u>1,085,206</u>
Supporting services			
Fundraising and membership development	156,116	-	156,116
Management and general	246,219	-	246,219
Total supporting services	<u>402,335</u>	-	<u>402,335</u>
Total expenses	<u>1,487,541</u>	-	<u>1,487,541</u>
Change in Net Assets	75,574	1,236,862	1,312,436
Net Assets, Beginning of Year	<u>1,738,957</u>	<u>3,143,936</u>	<u>4,882,893</u>
Net Assets, End of Year	<u>\$ 1,814,531</u>	<u>\$ 4,380,798</u>	<u>\$ 6,195,329</u>

Riverside Art Museum
Statement of Activities
Year Ended August 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total 2019
Revenue and Support			
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
Rental income	\$ 302,260		
Less: rental activity	<u>(178,836)</u>	123,424	123,424
Fundraising	122,148	135,763	257,911
Special events revenue	38,434		
Less cost of direct benefit to donors	<u>(17,163)</u>	21,271	21,271
Miscellaneous income	2,957	-	2,957
Investment income, net	44,923	29,739	74,662
Net asset released from restrictions	790,260	<u>(790,260)</u>	-
Total revenue and support	<u>1,915,293</u>	<u>1,054,419</u>	<u>2,969,712</u>
Expenses			
Program services			
Exhibits and Collections	419,283	-	419,283
Education	517,964	-	517,964
Community outreach	65,606	-	65,606
Blue Door Museum Store	25,379	-	25,379
The Cheech Center	164,294	-	164,294
Total program expenses	<u>1,192,526</u>	<u>-</u>	<u>1,192,526</u>
Supporting services			
Fundraising and membership development	170,696	-	170,696
Management and general	313,702	-	313,702
Total supporting services	<u>484,398</u>	<u>-</u>	<u>484,398</u>
Total expenses	<u>1,676,924</u>	<u>-</u>	<u>1,676,924</u>
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	<u>\$ 1,738,957</u>	<u>\$ 3,143,936</u>	<u>\$ 4,882,893</u>

Riverside Art Museum
Statement of Functional Expenses
Year Ended August 31, 2020

Expenses	Program Services					Total Program Services
	Exhibits and Collection	Education	Community Outreach	Blue Door Museum Store	The Cheech Center	
Salaries, related taxes and employee benefits	\$ 136,768	\$ 334,110	\$ 24,238	\$ 8,647	\$ 60,807	\$ 564,570
Advertising and promotion	3,620	397	-	-	650	4,667
Artist payments	34,793	13,011	19,450	5,333	14,341	86,928
Awards and scholarships	-	-	-	-	-	-
Bad debt expense	-	-	-	-	-	-
Bank charges	864	3,269	826	872	3,828	9,659
Conferences/reception	1,768	1,249	2,962	23	3,413	9,415
Contract services	46,479	6,939	19,924	591	2,525	76,458
Delivery and freight	548	-	-	-	-	548
Depreciation	69,347	13,247	-	2,117	-	84,711
Dues and subscription	9,276	2,002	-	162	932	12,372
Insurance	24,413	3,951	412	627	-	29,403
Interest expense	-	-	-	-	-	-
Miscellaneous expense	34	3,272	-	2	2,463	5,771
Postage	584	154	409	25	415	1,587
Printing	13,972	2,649	2,249	94	723	19,687
Professional fees	-	-	60	-	40,375	40,435
Rental - equipment	4,932	645	123	103	3,293	9,096
Repairs and maintenance	11,808	615	-	228	-	12,651
Supplies	11,019	35,602	1,411	410	1,086	49,528
Taxes - property	-	-	-	-	-	-
Taxes, licenses and permits	227	65	1,343	1	1,550	3,186
Teachers	-	3,129	500	-	-	3,629
Travel, meals and entertainment	2,009	1,435	-	-	1,317	4,761
Utilities and telephone	45,950	8,777	-	1,417	-	56,144
Total functional expenses	418,411	434,518	73,907	20,652	137,718	1,085,206
Less expenses included with revenues on the statement of activities						
Rental activity	-	-	-	-	-	-
Total expenses included in the expense section on the statement of activities	\$ 418,411	\$ 434,518	\$ 73,907	\$ 20,652	\$ 137,718	\$ 1,085,206

Riverside Art Museum
Statement of Functional Expenses, continued
Year Ended August 31, 2020

Expenses	Supporting Services			Total Supporting Services	Total Expenses
	Fundraising	Membership Development	Management and General		
Salaries, related taxes and employee benefits	\$ 111,170	\$ -	\$ 143,802	\$ 254,972	\$ 819,542
Advertising and promotion	50	-	2,988	3,038	7,705
Artist payments	15,477	-	-	15,477	102,405
Awards and scholarships	200	-	-	200	200
Bad debt expense	-	-	-	-	-
Bank charges	2,008	661	2,229	4,898	14,557
Conferences/reception	6,126	-	570	6,696	16,111
Contract services	8,122	-	7,153	15,275	91,733
Delivery and freight	-	-	-	-	548
Depreciation	2,306	-	3,762	6,068	90,779
Dues and subscription	697	-	8,840	9,537	21,909
Insurance	683	-	13,409	14,092	43,495
Interest expense	-	-	1,153	1,153	1,153
Miscellaneous expense	-	-	3,518	3,518	9,289
Postage	488	378	678	1,544	3,131
Printing	3,254	569	1,468	5,291	24,978
Professional fees	30	-	40,875	40,905	81,340
Rental - equipment	962	-	1,667	2,629	11,725
Repairs and maintenance	288	-	1,368	1,656	14,307
Supplies	1,018	-	1,369	2,387	51,915
Taxes - property	-	-	2,300	2,300	2,300
Taxes, licenses and permits	101	-	8,763	8,864	12,050
Teachers	-	-	-	-	3,629
Travel, meals and entertainment	-	-	128	128	4,889
Utilities and telephone	1,528	-	2,479	4,007	60,151
Total functional expenses	154,508	1,608	365,923	522,039	1,607,245
Less expenses included with revenues on the statement of activities					
Rental activity	-	-	(119,704)	(119,704)	(119,704)
Total expenses included in the expense section on the statement of activities	\$ 154,508	\$ 1,608	\$ 246,219	\$ 402,335	\$ 1,487,541

Riverside Art Museum
Statement of Functional Expenses
Year Ended August 31, 2019

	Program Services					Total Program Services
	Exhibits and Collection	Education	Community Outreach	Blue Door Museum Store	The Cheech Center	
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
Artist payments	22,174	30,162	12,135	9,740	-	74,211
Awards and scholarships	140	410	225	-	-	775
Bad debt expense	-	-	-	-	-	-
Bank charges	943	4,760	1,084	728	4,362	11,877
Conferences/receptions	3,174	2,781	-	747	7,348	14,050
Contract services	61,932	9,318	12,162	730	21,619	105,761
Cost of direct benefits to donors	-	-	-	-	-	-
Delivery and freight	8,165	-	500	9	94	8,768
Depreciation	70,616	13,489	-	2,156	-	86,261
Dues and subscriptions	11,565	1,655	75	116	3,954	17,365
Insurance	29,748	5,157	-	824	-	35,729
Interest expense	-	-	-	-	-	-
Miscellaneous expense	-	-	-	-	-	-
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
Rental - equipment	4,312	462	-	74	1,512	6,360
Rental activity	-	-	-	-	-	-
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
Less expenses included with revenues on the statement of activities						
Cost of direct benefits to donors	-	-	-	-	-	-
Rental activity	-	-	-	-	-	-
Total expenses included in the expense section on the statement of activities	\$ 419,283	\$ 517,964	\$ 65,606	\$ 25,379	\$ 164,294	\$ 1,192,526

Riverside Art Museum
Statement of Functional Expenses, continued
Year Ended August 31, 2019

	Supporting Services			Total Supporting Services	Total Expenses
	Fundraising	Membership Development	Management and General		
Expenses					
Salaries, related taxes and employee benefits	\$ 119,477	\$ -	\$ 183,917	\$ 303,394	\$ 869,122
Advertising and promotion	144	-	829	973	6,920
Artist payments	1,000	-	-	1,000	75,211
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/receptions	11,351	-	1,241	12,592	26,642
Contract services	9,461	-	10,468	19,929	125,690
Cost of direct benefits to donors	17,163	-	-	17,163	17,163
Delivery and freight	60	-	29	89	8,857
Depreciation	2,348	-	2,910	5,258	91,519
Dues and subscriptions	337	-	9,658	9,995	27,360
Insurance	898	-	8,647	9,545	45,274
Interest expense	-	-	498	498	498
Miscellaneous expense	-	-	599	599	599
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
Rental - equipment	890	-	2,568	3,458	9,818
Rental activity	-	-	178,836	178,836	178,836
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	183,550	4,309	492,538	680,397	1,872,923
Less expenses included with revenues on the statement of activities					
Cost of direct benefits to donors	(17,163)	-	-	(17,163)	(17,163)
Rental activity	-	-	(178,836)	(178,836)	(178,836)
Total expenses included in the expense section on the statement of activities	\$ 166,387	\$ 4,309	\$ 313,702	\$ 484,398	\$ 1,676,924

Riverside Art Museum
Statements of Cash Flows
Years Ended August 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Operating Activities		
Change in net assets	\$ 1,312,436	\$ 1,292,788
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	(85,330)	(32,527)
Depreciation	104,801	105,798
(Increase) decrease in:		
Promises to give	(60,488)	386,801
Grants receivable	372,735	(709,521)
Other receivables	(46,273)	(7,213)
Prepaid expenses	(13,268)	(20,577)
Inventory	524	3,795
Increase (decrease) in:		
Accounts payable and accrued liabilities	(27,685)	5,007
Accrued payroll	(5,900)	3,124
Income taxes payable	(16,363)	(15,605)
Deposits	(11,000)	(10,500)
Deferred revenue	<u>(6,844)</u>	<u>(17,843)</u>
Net cash provided by operating activities	1,517,345	991,767
Investing Activities		
Purchases of investments	-	(1,090,934)
Proceeds from sale of investments	3,667	-
Purchases of property and equipment	<u>(21,841)</u>	<u>(127,656)</u>
Net cash used in investing activities	(18,174)	(1,218,590)
Financing Activities		
Net borrowings under line of credit	65,000	-
Paycheck Protection Program note payable	<u>186,687</u>	<u>-</u>
Net cash provided by financing activities	251,687	-
Net Increase (Decrease) in Cash, Cash Equivalents and Restricted Cash and Cash Equivalents	1,750,858	(226,823)
Cash, Cash Equivalents and Restricted Cash and Cash Equivalents, Beginning of Year	<u>843,991</u>	<u>1,070,814</u>
Cash, Cash Equivalents and Restricted Cash and Cash Equivalents, End of Year	<u>\$ 2,594,849</u>	<u>\$ 843,991</u>
Supplemental Disclosure of Cash Flow Information		
Interest paid	<u>\$ 1,153</u>	<u>\$ 498</u>
Supplemental Disclosure of Noncash Investing And Financing Activities:		
Donated securities	<u>\$ 134,986</u>	<u>\$ -</u>
Cash and cash equivalents	\$ 2,510,539	\$ 759,776
Restricted Cash and cash equivalents	<u>84,310</u>	<u>84,215</u>
Total Cash, Cash Equivalents and Restricted Cash and Cash Equivalents, End of Year	<u>\$ 2,594,849</u>	<u>\$ 843,991</u>

Note 1 - Nature of Operations

Nature of Activities

The Riverside Art Museum (RAM) is a not-for-profit organization which throughout its more than 60-year history has held a dual focus on exhibitions and arts education. The museum's exhibits and related programming predominantly explore visual works by California artists, and in particular those artists active in the Southern California region. RAM's expansive art education program serves children and adults, both on- and off-site and online. Its community outreach activities include free on-site programming as well as creative neighborhood-based projects. RAM's mission 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) non-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 renowned female architect Julia Morgan, best known for her design of Hearst Castle. It houses two main floor galleries, two smaller second floor galleries, a classroom and printmaking studio, administration spaces, and a third-floor rooftop space used primarily for special events and facility rentals.

Today, RAM engages 50,000 diverse residents and visitors annually through a rich variety of art exhibitions, vibrant arts education programming, and community outreach, including:

Exhibitions—RAM presents 15-20 exhibits a year to further its work as a distinguished and accessible institution. In addition to presenting quality artwork, the museum provides interactive programming that explores social issues and invites public engagement through tours, panels, and art-making activities.

Permanent Collection—RAM's role as a repository and steward of the art created and collected in its region is critical to its identity. RAM currently stewards over 1500 works in its Permanent Collection, which includes regional artwork as well as works of art from all over the world spanning numerous time periods. Some notable artists in the RAM collection include Karl Benjamin, Rex Brandt, Millard Sheets, Toulouse Lautrec, Marc Chagall, Alberto Giacometti, Shepard Fairey, and Sister Corita Kent. In December 2019 RAM received its first significant gift of art from Cheech Marin – 11 large signature works by artists Frank Romero, Carlos Almaraz, Gronk, and Einar and Jamex de la Torre.

Community Outreach—RAM has a strong history of providing free, vibrant, community art programs through First Sundays and Arts Walk. RAM is also part of the Museums for All program with \$1 admission for families with EBT cards. Children under 12 and military families are always free at RAM.

Youth Education—RAM offers classes and summer programs for children from age 3 to 18. Additionally, RAM brings curriculum-based art lessons to local classrooms through Art-to-Go, and bring students to its historic building for Walk & Wonder Museum Tours. During the 2019-20 school year an estimated 30,000 students from eight school districts participated in Art-to-Go and/or Walk and Wonder Tours.

Creative Horizons—RAM provides art education opportunities to at-risk teens, youth in gang prevention programs, and other justice-involved youth. Creative Horizons engages troubled teens in pro-social arts activities that encourage teamwork and creativity through the collaborative production of themed murals, working with incarcerated youth at detention facilities, and with at-risk teens who visit the museum to work on projects. Annually, approximately 50 justice-involved youth participate in this impactful program. Additionally, RAM recently began offering online classes to teens on probation and at local group homes, reaching about 150 young people.

Adult Education—RAM offers adult classes and workshops featuring local and nationally acclaimed instructors to support development of local artists. New social-based art making activities have been offered over the past couple years, on-site and online, and are widely enjoyed by non-artists as fun, creative events. The Art Make “52 Project” engages adults in a self-directed, group-encouraged, year-long exploration and commitment to individual creativity supported by museum-based get-togethers, culminating in opportunities for mini shows at the museum.

Community Engagement—In addition to creating public value and community vibrancy through art education and exhibitions, RAM is expanding its work outside the walls of the museum as it explores how art can advance civic engagement and improve the built environment. In addition to providing arts activities at festivals and events (especially in Riverside’s marginalized Eastside neighborhood), RAM works with community partners and residents to paint murals at neighborhood sites. RAM also works with the City of Riverside’s Economic Development Department and a local housing authority to place an artist in an affordable housing unit recently constructed next to Lincoln Park in Riverside; this artist, contracted by RAM, provides arts engagement activities throughout the neighborhood and at the museum, most recently working with five additional artists towards a mural on a building in downtown Riverside.

Member Groups—RAM further supports the local artist community through member groups: Plein Air Artists of Riverside, Photo Artists Network, and Printmakers Collaborative. Additionally, the Art Alliance of Riverside Art Museum plays an important role in promoting the arts through fundraising and community events.

The Cheech Marin Center for Chicano Art & Culture of the Riverside Art Museum—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 now-vacant downtown library repurposed to house the Cheech Marin Center for Chicano Art and Culture of the Riverside Art Museum (the Cheech Center), with a projected opening in late 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 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, 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, grants, and other fundraising efforts including special events, rental of museum facilities, and museum store sales. Additionally, a significant portion of revenue consists of art education class and workshop fees including program contracts with the Riverside Unified School District to deliver standards-based Art-to-Go programming to over 25,000 K-6 students and the County of Riverside Probation Department to engage at-risk and justice-involved youth in creative, pro-social activities including skills-building workshops and collaborative mural projects.

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. Other donor restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. 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.

Restricted Cash and Cash Equivalents

Amounts included in restricted cash and cash equivalents in the statements of financial positions represents amounts required to be set aside as collateral for RAM's line of credit with Provident Savings Bank.

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. Allowance for uncollectable promises to give is determined based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable. As August 31, 2020 and 2019, management considers promises to give to be fully collectible; and accordingly, no allowance for doubtful accounts is recorded.

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, 2020 and 2019, management considers accounts receivable to be fully collectible; and accordingly, no allowance for doubtful accounts is recorded.

Blue Door Museum Store Inventory

Inventories consist primarily of books and art related items. All inventories are valued at the lower of 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.

Investment purchases are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment return/(loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

Fair Value Measurements

Certain assets and liabilities are reported at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These 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, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset or liability. In these situations, inputs are developed using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgement, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the assets and does not necessarily correspond to RAM's assessment of the quality, risk, or liquidity profile of the asset or liability.

A portion of RAM's investments are classified within Level 1 because they are comprised of investments with readily determinable fair values based on daily redemption values. RAM invests in CD's traded in the financial markets. Those CDs, fixed income securities, bond mutual funds, and bond and ETF investments are valued by the custodians of the securities using pricing models based on credit, quality, time to maturity, stated interest rates, and market-rate assumptions and are classified within Level 2.

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	10 to 30 years
Furnishings, software 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.

Donated Services and In-Kind Contributions

Volunteers contribute time to our program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation. No significant contributions of such goods or services were received during the years ended August 31, 2020 and 2019, respectively.

Revenue Recognition

RAM recognizes contributions when cash or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Revenue is reported as an increase in net assets without donor restrictions unless the use of the related assets is limited by donor-imposed restrictions. Appreciation and depreciation of investments is reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor-imposed restrictions, by the passage of time, or by law. When a donor restriction expires, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Promises to give that do not contain donor restrictions that limit the use of the donated assets and for which the donor specifies the gift may be used to support operations of the current period are recorded as net assets without donor restrictions. Expenses are reported as decreases in net assets without donor restrictions.

Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been met. When the contribution becomes unconditional, RAM reports the contribution as an increase in net assets without donor restrictions unless the use of the related assets is limited by donor-imposed restrictions. In those circumstances, RAM reports the contribution as an increase in net assets with donor restrictions. When a donor restriction expires, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

A portion of RAM's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when RAM has incurred expenditures in compliance with specific contract or grant provisions.

RAM recognizes revenue from ticket sales at the time of admission. Membership dues, which are nonrefundable, are recognized over the membership period.

RAM recognizes revenue from student tuition and fees during the year in which the related services are provided to students. The performance obligation of delivering educational services is simultaneously received and consumed by the students; therefore, the revenue is recognized ratably over the course of the academic period. All amounts received prior to the commencement of the academic period, including enrollment deposits, are deferred to the applicable period.

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, 2020 and 2019, RAM has recorded a tax liability of \$3,163 and \$19,526 for federal and state purposes on this unrelated business activity, respectively.

Management believes that RAM has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. RAM would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred. RAM's tax filings required by state and local tax authorities are no longer subject to tax examination for years before 2010.

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.

Functional Allocation of Expenses

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 in conformity with generally accepted accounting principles 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, 2020. RAM has not determined its effect on the financial statements.

Change in Accounting Principles

As of September 1, 2019, RAM adopted the provisions of Accounting Standards ASU 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made (ASU 2018-08)* applicable to contributions received. ASU 2018-08 clarifies and improves the scope and the accounting guidance for contributions received and contributions made. As of September 1, 2019, RAM has implemented the provisions of ASU 2018-08 on a modified prospective basis to agreements that were not completed as of the date of adoption or were entered after the date of adoption. Management has determined that the adoption of this standard did not have a significant impact on RAM's financial statements. RAM has adopted this standard as management believes the standard improves the usefulness and understandability of RAM's financial reporting.

As of September 1, 2019, RAM adopted the provisions of Accounting Standards ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. This update requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents, by including amounts generally described as restricted cash and restricted cash equivalents with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. Retrospective application of the amendment is required. RAM has adopted this standard as management believes this presentation eliminates a diversity in practice in the presentation of restricted cash and restricted cash equivalents in the statement of cash flows.

Note 3 - Cash, Cash Equivalents, and Investments

Cash, cash equivalents, and investments as of August 31, 2020 and 2019, are classified in the statements of financial position as follows:

	2020	2019
Cash and cash equivalents	\$ 2,510,539	\$ 759,776
Restricted cash and cash equivalents	84,310	84,215
Total cash and cash equivalents	2,594,849	843,991
Investments	1,712,090	1,630,427
Restricted investments	216,305	216,305
Total investments	1,928,395	1,846,732
Total cash, cash equivalents, and investments	\$ 4,523,244	\$ 2,690,723

Cash, cash equivalents, and investments at August 31, 2020 and 2019 are comprised of the following:

	2020 Fair Market Value	2019 Fair Market Value
Cash and cash equivalents		
Cash on hand and checking accounts	\$ 593,658	\$ 368,436
Savings accounts	8,361	7,861
Money Market accounts	1,842,570	356,240
Certificates of deposit	84,310	84,215
Investment cash and sweep money market funds	65,950	27,239
Total cash and cash equivalents	2,594,849	843,991
Investments		
Common stocks	198,714	126,542
Fixed income	162,717	153,138
Bond mutual funds	97,478	92,511
Equity mutual funds	371,560	370,411
Bond and ETF investments	88,594	108,015
Certificates of deposit	1,009,332	996,115
Total investments	1,928,395	1,846,732
Total cash, cash equivalents, and investments	\$ 4,523,244	\$ 2,690,723

Components of investment income consist of the following for the year ended August 31, 2020 and 2019:

	2020	2019
Interest and dividend income	\$ 45,804	\$ 42,135
Unrealized gains	85,330	32,488
Realized gains	-	39
Total investment return	\$ 131,134	\$ 74,662

The following table sets forth by level, within the fair value hierarchy, RAM's investments at fair value as of August 31, 2020 and 2019. For additional information on how RAM measures fair value, refer to Note 2.

	2020		
	Level 1	Level 2	Total
Investments			
Common stocks	\$ 198,714	\$ -	\$ 198,714
Fixed income	-	162,717	162,717
Bond mutual funds	-	97,478	97,478
Equity mutual funds	371,560	-	371,560
Bond and ETF investments	-	88,594	88,594
Certificates of deposit	-	1,009,332	1,009,332
Total	\$ 570,274	\$ 348,789	\$ 1,928,395

	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	\$ 1,349,779	\$ 1,846,732

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, 2020 and 2019 were estimated to be collected as follows:

Promises to Give

	2020	2019
Receivable in one year or less	\$ 264,961	\$ 251,517
Receivable in two to five years	437,548	269,817
Receivable in more than five years	-	150,000
	702,509	671,334
Less time value discount from 2.1% to 3.4%	(10,260)	(39,573)
Net promises to give	\$ 692,249	\$ 631,761

Grants Receivable

	2020	2019
Receivable in one year or less	\$ 366,668	\$ 382,868
Receivable in two to five years	-	366,666
	366,668	749,534
Less time value discount from 2.4% to 3.4%	-	(10,131)
Net grant receivables	\$ 366,668	\$ 739,403

Note 5 - Beneficial Interest in Trust Held by Others

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, 2020 and 2019, 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 consists of the following as of August 31, 2020 and 2019:

	2020	2019
Land	\$ 69,935	\$ 69,935
Construction in progress	111,901	90,207
Buildings	2,732,352	2,732,352
Furnishings, software and equipment	387,078	386,932
	3,301,266	3,279,426
Less accumulated depreciation	(2,395,670)	(2,290,870)
Total property and equipment, net	\$ 905,596	\$ 988,556

Depreciation expense, net of rental activities depreciation expense, for the years ended August 31, 2020 and 2019, was \$90,779 and \$91,519, 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, 2020 and 2019, were \$65,000 and \$0, at 2.15 percent, respectively. The amount held as collateral for the line of credit at August 31, 2020 and 2019, totaled \$84,310 and \$84,215, respectively, and is classified as restricted cash and cash equivalents on the statements of financial position.

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 statement of financial position date, comprise the following:

	2020	2019
Financial Assets		
Cash, cash equivalents and restricted cash and cash equivalents	\$ 2,594,849	\$ 843,991
Investments and restricted investments	1,928,395	1,846,732
Promises to give, net	692,249	631,761
Grants receivable	366,668	739,403
Other receivables	79,325	33,052
Total financial assets	5,661,486	4,094,939
Less amounts not available to be used within one year:		
Net assets with donor restrictions for time or purpose	(4,164,493)	(2,927,631)
Net assets with donor restrictions of a perpetual nature	(216,305)	(216,305)
Board designated reserve	(78,174)	(78,174)
Amounts restricted as collateral for line of credit	(84,310)	(84,215)
Add: net assets with time restrictions to be met within one year	366,668	382,868
Total financial assets not available to be used within one year	(4,176,614)	(2,923,457)
Total financial assets available to meet general expenditures over the next twelve months	\$ 1,484,872	\$ 1,171,482

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, of which, \$10,000 was available as of August 31, 2020.

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 - Paycheck Protection Program (PPP) Loan

RAM was granted a \$186,687 loan under the PPP administered by a Small Business Administration (SBA) approved partner. The loan is uncollateralized and is fully guaranteed by the Federal government. RAM is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. RAM has recorded a note payable and will record the forgiveness upon being legally released from the loan obligation by the SBA. No forgiveness income has been recorded for the year ended August 31, 2020. RAM intends to apply for forgiveness of the PPP loan in fiscal year 2021. RAM will be required to repay any remaining balance, plus interest accrued at 1 percent in monthly payments over 2 years when notified by the SBA approved partner. As of August 31, 2020, no payments have been required to be made on the loan. As of the date of the report, no payments have been requested by the SBA approved partner. The terms of the loan provide for customary events of default including, among other things, payment defaults, breach of representations and warranties, and insolvency events. The loan may be accelerated upon the occurrence of an event of default.

Note 10 - Net Assets without Donor Restrictions

Net assets without donor restrictions for the years ended August 31, 2020 and 2019 are as follows:

	2020	2019
Undesignated	\$ 1,736,357	\$ 1,660,783
Board-designated reserve	78,174	78,174
Total net assets without donor restrictions	\$ 1,814,531	\$ 1,738,957

The board-designated reserve consists of voluntary board-approved segregations of net assets for specific purposes, projects, or investments, and to provide funds to allow RAM to operate effectively despite reductions or curtailments of portions of its funding in the future.

Note 11 - Net Assets with Donor Restrictions

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

	2020	2019
Subject to expenditure for specified purpose:		
Unappropriated investment earnings	\$ 155,030	\$ 148,680
Proceeds from which have been restricted by donors for		
Law Library- for purchase of artwork	19,166	19,166
The Cheech Center- to establish the center including capital funds	3,078,253	1,645,188
Grants and donor restricted funds to be spent in subsequent years	882,721	1,088,014
Jim Reed Memorial- for RAM signage	9,023	9,023
Dottie Smith Scholarship- for youth art education scholarships	7,346	7,346
Jackie Smith Memorial- for youth art education scholarships	4,675	4,650
Dorothy Blunden Scholarship- for youth art education scholarships	2,700	2,700
Littleworth Endowment earnings- for youth art education scholarships	5,579	2,864
Endowments:		
Perpetual in nature, earnings from which are subject to endowment spending policy and appropriation		
Endowment Funds	184,070	184,070
Littleworth Endowment- for youth art education scholarships	32,235	32,235
Total net assets with donor restrictions	\$ 4,380,798	\$ 3,143,936

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, 2020 and 2019:

	2020	2019
Satisfaction of purpose restrictions		
The Cheech Center	\$ 139,076	\$ 165,327
Grants and donor restricted funds	394,991	611,774
Littleworth Endowment earnings	-	10,910
Board unappropriated investment earnings	-	2,249
Total	\$ 534,067	\$ 790,260

Note 12 - Endowment

RAM's endowment (the Endowment) consists of two 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, RAM retains 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

As of August 31, 2020, endowment net asset composition by type of fund is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
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
Littleworth Endowment earnings- for youth art education scholarships	-	5,579	5,579
Without donor-restrictions endowment funds			
Unappropriated investment earnings	155,030	-	155,030
	\$ 155,030	\$ 221,884	\$ 376,914

As of August 31, 2019, endowment net asset composition by type of fund is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
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
Littleworth Endowment earnings- for youth art education scholarships	-	2,864	2,864
Without donor-restrictions endowment funds spending policy and appropriation	148,680	-	148,680
	<u>\$ 148,680</u>	<u>\$ 219,169</u>	<u>\$ 367,849</u>

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.

Changes in Endowment net assets for the year ended August 31, 2020 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 148,680	\$ 219,169	\$ 367,849
Investment return, net	6,350	2,715	9,065
Endowment net assets, end of year	<u>\$ 155,030</u>	<u>\$ 221,884</u>	<u>\$ 376,914</u>

Changes in Endowment net assets for the year ended August 31, 2019 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 132,348	\$ 225,202	\$ 357,550
Appropriation of endowment assets pursuant to endowment spending policies	-	(6,033)	(6,033)
Investment return, net	<u>16,332</u>	<u>-</u>	<u>16,332</u>
Endowment net assets, end of year	<u><u>\$ 148,680</u></u>	<u><u>\$ 219,169</u></u>	<u><u>\$ 367,849</u></u>

Note 13 - 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 \$2,558,196 and \$1,013,582 at August 31, 2020 and 2019, 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 14 - Subsequent Events

On January 19, 2021, as part of a public-private partnership, the City of Riverside (City) approved an agreement with RAM to convert the City's now-vacant downtown main library into The Cheech Center with the completion of the renovation and subsequent opening scheduled for spring 2022. Additionally, the City approved a separate management agreement with RAM for the future operation of The Cheech Center. This management agreement outlined a 25-year term, with an annual management fee to be paid to RAM for the first 10 years. On February 5, 2021, RAM and Cheech Marin agreed on the terms outlining the in-kind contribution of his Chicano art collection to RAM to be gifted over the next ten years.

In December 2020, RAM received a \$250,000 grant from The Andrew W. Mellon Foundation to provide funding for general operating needs. In January 2021 RAM received a \$500,000 grant from the Wingate Foundation for activities restricted to The Cheech Center.

As the museum was not able to partially reopen until April 2, 2021 and at 50% capacity only, due to state COVID-19 guidelines at the finalization of this report, RAM's management has determined that there will be continued future short-term decreases in revenue. In response to these projected losses of revenue, RAM received on March 27, 2021 a second draw Payroll Protection Program loan for \$185,518. Throughout 2020 and into 2021, management has presented revised budgets to RAM's finance committee, incorporating updates on the impact of COVID-19 mandated closures on admissions, facility rentals, education tuition, membership, interest and dividends, grants, and membership revenues. RAM has implemented various strategies to mitigate the adverse effects of COVID-19 on its revenue generating activities. By programming virtual exhibitions and education programs, RAM has been able to continue all aspects of its mission driven work.

Management has evaluated subsequent events through April 21, 2021, the date the financial statements were available to be issued.