

Financial Statements
August 31, 2021 and 2020
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, 2021 and 2020, 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, 2021 and 2020, 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 black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Rancho Cucamonga, California

April 28, 2022

Riverside Art Museum
Statements of Financial Position
August 31, 2021 and 2020

	2021	2020
Assets		
Current Assets		
Cash and cash equivalents	\$ 3,734,306	\$ 2,510,539
Restricted cash and cash equivalents	84,392	84,310
Investments	1,890,678	1,712,090
Promises to give	457,110	264,961
Grants receivable	52,635	366,668
Other receivables	24,707	79,325
Prepaid expenses	31,807	35,922
Inventory	6,421	3,427
Total current assets	6,282,056	5,057,242
Noncurrent Assets		
Promises to give, net	85,368	427,288
Beneficial interests in charitable trust held by others	-	10,000
Restricted investments	216,305	216,305
Property and equipment, net	807,891	905,596
Total noncurrent assets	1,109,564	1,559,189
Total assets	\$ 7,391,620	\$ 6,616,431
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 58,014	\$ 30,317
Accrued payroll	69,701	53,573
Line of credit	65,000	65,000
Income taxes payable	-	3,163
Deposits	24,103	16,500
Deferred revenue	53,052	65,862
Total current liabilities	269,870	234,415
Noncurrent Liabilities		
Paycheck Protection Program notes payable	185,518	186,687
Total liabilities	455,388	421,102
Net Assets		
Without donor restrictions	2,003,296	1,814,531
With donor restrictions	4,932,936	4,380,798
Total net assets	6,936,232	6,195,329
Total liabilities and net assets	\$ 7,391,620	\$ 6,616,431

Riverside Art Museum
Statement of Activities
Year Ended August 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total 2021
Revenue, support, and gains			
Contributions	\$ 178,119	\$ 610,383	\$ 788,502
Grants	78,331	431,000	509,331
Admissions	6,510	-	6,510
Membership dues	50,205	-	50,205
Tuition	233,150	-	233,150
Art sales	10,495	1,535	12,030
Blue Door Museum Store	\$ 8,521		
Less: cost of goods sold	<u>(1,518)</u>	7,003	7,003
Rental income	22,461		
Less: rental activity	<u>(57,650)</u>	(35,189)	(35,189)
Fundraising	83,091	23,299	106,390
Miscellaneous income	326	38	364
Investment income, net	103,633	83,485	187,118
Gain on extinguishment of debt	188,886	-	188,886
Net assets released from restrictions	597,602	<u>(597,602)</u>	<u>-</u>
Total revenue, support, and gains	<u>1,502,162</u>	<u>552,138</u>	<u>2,054,300</u>
Expenses			
Program services			
Exhibits and Collections	379,300	-	379,300
Education	273,177	-	273,177
Community outreach	63,174	-	63,174
Blue Door Museum Store	27,121	-	27,121
The Cheech Center	149,720	-	149,720
Total program services	<u>892,492</u>	<u>-</u>	<u>892,492</u>
Supporting services			
Fundraising and membership development	145,927	-	145,927
Management and general	274,978	-	274,978
Total supporting services	<u>420,905</u>	<u>-</u>	<u>420,905</u>
Total expenses	<u>1,313,397</u>	<u>-</u>	<u>1,313,397</u>
Change in Net Assets	188,765	552,138	740,903
Net Assets, Beginning of Year	<u>1,814,531</u>	<u>4,380,798</u>	<u>6,195,329</u>
Net Assets, End of Year	<u>\$ 2,003,296</u>	<u>\$ 4,932,936</u>	<u>\$ 6,936,232</u>

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	\$ 23,087			
Less: cost of goods sold	<u>(5,252)</u>	13,016	4,819	17,835
Rental income	131,306			
Less: rental activity	<u>(119,704)</u>	11,602	-	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 assets released from restrictions		534,067	(534,067)	-
		<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
		<u>1,085,206</u>	<u>-</u>	<u>1,085,206</u>
Supporting services				
Fundraising and membership development		156,116	-	156,116
Management and general		246,219	-	246,219
		<u>402,335</u>	<u>-</u>	<u>402,335</u>
		<u>1,487,541</u>	<u>-</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 Functional Expenses
Year Ended August 31, 2021

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	\$ 129,332	\$ 208,908	\$ 17,540	\$ 19,102	\$ 84,636	\$ 459,518
Advertising and promotion	1,300	220	7	-	260	1,787
Artist payments	41,804	4,627	32,350	1,949	5,113	85,843
Bad debt expense	-	-	-	-	11,424	11,424
Bank charges	638	1,779	288	386	3,214	6,305
Conferences/reception	-	-	-	-	4,450	4,450
Contract services	21,765	4,159	3,220	664	10,225	40,033
Cost of goods sold	-	-	-	1,518	-	1,518
Delivery and freight	185	-	435	-	25	645
Depreciation	72,737	14,064	-	2,197	-	88,998
Dues and subscription	19,605	3,864	-	372	1,154	24,995
Insurance	12,524	1,674	384	264	-	14,846
Interest expense	-	-	-	-	-	-
Miscellaneous expense	-	1,159	4	-	11,082	12,245
Postage	1,092	202	33	39	368	1,734
Printing	9,500	1,952	734	208	-	12,394
Professional fees	-	-	1,000	-	13,700	14,700
Rental - equipment	3,021	568	3,190	91	-	6,870
Rental activity	-	-	-	-	-	-
Repairs and maintenance	19,571	3,738	-	597	-	23,906
Security	1,927	326	176	52	-	2,481
Supplies	5,711	17,767	3,813	22	2,605	29,918
Teachers	-	800	-	-	-	800
Travel, meals and entertainment	5	-	-	-	1,464	1,469
Utilities and telephone	38,583	7,370	-	1,178	-	47,131
Total functional expenses	379,300	273,177	63,174	28,639	149,720	894,010
Less expenses included with revenues on the statement of activities						
Cost of goods sold	-	-	-	(1,518)	-	(1,518)
Rental activity	-	-	-	-	-	-
Total expenses included in the expense section on the statement of activities	\$ 379,300	\$ 273,177	\$ 63,174	\$ 27,121	\$ 149,720	\$ 892,492

Riverside Art Museum
Statement of Functional Expenses, continued
Year Ended August 31, 2021

Expenses	Supporting Services			Total Supporting Services	Total Expenses
	Fundraising	Membership Development	Management and General		
Salaries, related taxes and employee benefits	\$ 99,065	\$ -	\$ 139,386	\$ 238,451	\$ 697,969
Advertising and promotion	139	-	-	139	1,926
Artist payments	11,019	-	-	11,019	96,862
Bad debt expense	-	3,700	-	3,700	15,124
Bank charges	2,823	605	2,844	6,272	12,577
Conferences/reception	504	-	-	504	4,954
Contract services	4,729	-	9,523	14,252	54,285
Cost of goods sold	-	-	-	-	1,518
Delivery and freight	(83)	-	6	(77)	568
Depreciation	2,417	-	3,846	6,263	95,261
Dues and subscription	835	-	12,220	13,055	38,050
Insurance	485	-	23,567	24,052	38,898
Interest expense	-	-	3,513	3,513	3,513
Miscellaneous expense	-	-	(2,854)	(2,854)	9,391
Postage	681	189	507	1,377	3,111
Printing	8,206	-	1,292	9,498	21,892
Professional fees	-	-	62,109	62,109	76,809
Rental - equipment	99	-	1,553	1,652	8,522
Rental activity	-	-	57,650	57,650	57,650
Repairs and maintenance	651	-	9,695	10,346	34,252
Security	57	-	93	150	2,631
Supplies	8,523	-	5,372	13,895	43,813
Teachers	-	-	-	-	800
Travel, meals and entertainment	-	-	213	213	1,682
Utilities and telephone	1,283	-	2,093	3,376	50,507
Total functional expenses	141,433	4,494	332,628	478,555	1,372,565
Less expenses included with revenues on the statement of activities					
Cost of goods sold	-	-	-	-	(1,518)
Rental activity	-	-	(57,650)	(57,650)	(57,650)
Total expenses included in the expense section on the statement of activities	\$ 141,433	\$ 4,494	\$ 274,978	\$ 420,905	\$ 1,313,397

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	-	-	-	-	-	-
Bank charges	864	3,269	826	872	3,828	9,659
Conferences/receptions	1,768	1,249	2,962	23	3,413	9,415
Contract services	46,479	6,939	19,924	591	2,525	76,458
Cost of goods sold	-	-	-	5,252	-	5,252
Delivery and freight	548	-	-	-	-	548
Depreciation	69,347	13,247	-	2,117	-	84,711
Dues and subscriptions	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
Rental activity	-	-	-	-	-	-
Repairs and maintenance	11,808	615	-	228	-	12,651
Supplies	11,019	35,602	1,411	410	1,086	49,528
Taxes, licenses and permits	227	65	1,343	1	1,550	3,186
Taxes - property	-	-	-	-	-	-
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	25,904	137,718	1,090,458
Less expenses included with revenues on the statement of activities						
Cost of goods sold	-	-	-	(5,252)	-	(5,252)
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
Bank charges	2,008	661	2,229	4,898	14,557
Conferences/receptions	6,126	-	570	6,696	16,111
Contract services	8,122	-	7,153	15,275	91,733
Cost of direct benefits to donors	-	-	-	-	5,252
Delivery and freight	-	-	-	-	548
Depreciation	2,306	-	3,762	6,068	90,779
Dues and subscriptions	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
Rental activity	-	-	119,704	119,704	119,704
Repairs and maintenance	288	-	1,368	1,656	14,307
Supplies	1,018	-	1,369	2,387	51,915
Taxes, licenses and permits	101	-	6,463	6,564	9,750
Taxes - property	-	-	2,300	2,300	2,300
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	1,612,497
Less expenses included with revenues on the statement of activities					
Cost of goods sold	-	-	-	-	(5,252)
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
Statements of Cash Flows
Years Ended August 31, 2021 and 2020

	2021	2020
Operating Activities		
Change in net assets	\$ 740,903	\$ 1,312,436
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Provision for bad debts	15,124	-
Net realized and unrealized (gain) loss on investments	(88,345)	(85,330)
Depreciation	109,875	104,801
Paycheck Protection Program loan forgiveness	(186,687)	-
Write-off beneficial interest in charitable trust held by others	10,000	-
(Increase) decrease in:		
Promises to give	149,771	(60,488)
Grants receivable	298,909	372,735
Other receivables	54,618	(46,273)
Prepaid expenses	4,115	(13,268)
Inventory	(2,994)	524
Increase (decrease) in:		
Accounts payable and accrued liabilities	27,697	(27,685)
Accrued payroll	16,128	(5,900)
Income taxes payable	(3,163)	(16,363)
Deposits	7,603	(11,000)
Deferred revenue	(12,810)	(6,844)
Net cash from operating activities	1,140,744	1,517,345
Investing Activities		
Purchases of investments	(90,243)	-
Proceeds from sale of investments	-	3,667
Purchases of property and equipment	(12,170)	(21,841)
Net cash used for investing activities	(102,413)	(18,174)
Financing Activities		
Net borrowings under line of credit	-	65,000
Paycheck Protection Program note payable	185,518	186,687
Net cash from financing activities	185,518	251,687
Net Change in Cash, Cash Equivalents and Restricted Cash and Cash Equivalents	1,223,849	1,750,858
Cash, Cash Equivalents and Restricted Cash and Cash Equivalents, Beginning of Year	2,594,849	843,991
Cash, Cash Equivalents and Restricted Cash and Cash Equivalents, End of Year	\$ 3,818,698	\$ 2,594,849
Cash and cash equivalents	\$ 3,734,306	\$ 2,510,539
Restricted cash and cash equivalents	84,392	84,310
Total Cash, Cash Equivalents and Restricted Cash and Cash Equivalents, End of Year	\$ 3,818,698	\$ 2,594,849
Supplemental Disclosure of Cash Flow Information		
Interest paid	\$ 3,513	\$ 1,153
Supplemental Disclosure of Noncash Investing And Financing Activities:		
Donated securities	\$ -	\$ 134,986

See Notes to Financial Statements

Note 1 - Nature of Operations

Nature of Activities

The Riverside Art Museum (RAM) is a not-for-profit organization and one museum with two locations: The Riverside Art Museum, housed in a National Historic 1929 building designed by Hearst Castle and AIA Gold Medal-winning architect Julia Morgan, and The Cheech Marin Center for Chicano Art & Culture (The Cheech), slated to open June 18, 2022, just one block away in downtown Riverside, the “City of Arts & Innovation”. RAM’s mission is to integrate art into the lives of people in a way that engages, inspires, and builds community by providing high quality exhibits and art education programs that instill a lifelong love of the arts. A 60-plus-year-old, non-profit cultural arts institution, RAM strives to be a distinguished, yet accessible institution that serves as a cultural, collaborative, and educational focal point for its diverse community.

Originally formed in the early 1950s by a loosely knit group of artists, RAM purchased and moved into Julia Morgan’s 1929 Riverside YWCA building in the 1960s, renovating it to become the Riverside Art Museum. At this site, visitors can expect to see a mix of solo, group, and permanent collection exhibits featuring traditional and contemporary/modern art. Key exhibition initiatives have been to spotlight untold stories—from female artists to historically understudied Inland Empire artists, designers, and architectural movements, to artists uplifting urgent messages of social justice. A permanent Julia Morgan tribute exhibition sheds light onto this pioneering architect.

RAM’s desire to further engage and serve the community was the impetus to create The Cheech Marin Center for Chicano Art & Culture, set to open on June 18, 2022. The Cheech is a public-private partnership between RAM, the City of Riverside, and comedian Cheech Marin—one of the world’s foremost collectors of Chicano art. In 2021, the construction renovation of the future home of The Cheech began and a management agreement was signed between RAM and the City of Riverside, providing annual funding of \$800,000 from the City of Riverside to RAM to administer and program The Cheech.

Marin’s pledge to gift approximately 500 works by Chicana/o/x artists—among them Carlos Almaraz, Judith Hernández, Gilbert “Magú” Luján, Sandy Rodriguez, Frank Romero, and Patssi Valdez—to RAM’s permanent collection makes the collection a repository for one of the largest holdings of Chicana/o/x art by a non-ethnic specific contemporary art museum. The Cheech will be dedicated to showcasing Chicana/o/x art and honoring and exploring its continued social, cultural, and political impact through a comprehensive exhibitions program of the permanent collection, temporary exhibitions organized at the center, and nationally touring exhibitions that align with the center’s vision. The Cheech will continue to work collaboratively with community partners who were integral to the capital campaign to present thought-provoking educational programming that explores the complexity of Chicana/o/x culture not only through the visual arts, but in music and film as well.

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

- **Exhibitions:** At both sites, RAM will present a total of approximately 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. During government-mandated closures during the COVID-19 pandemic (RAM reopened to the public with limited admission in April 2021 and fully on June 15, 2021), RAM organized digital exhibitions and virtual artist talks.

- Community Outreach: RAM has a strong history of providing free, vibrant, community art programs via First Sundays and Artswalk. 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. RAM resumed these activities in summer 2021 as government-mandated closures eased.
- Youth Education: RAM offers classes and summer programs for children from ages 3 to 17 years. Additionally, RAM brings curriculum-based art lessons to local classrooms through Art-to-Go and brings students to its historic building for Walk & Wonder Museum Tours. During the 2020–2021 school year, RAM provided Art-to-Go virtually to all elementary students in the Riverside Unified School District. RAM also created a virtual Walk and Wonder program for all first-grade students in the Val Verde Unified School District. In the 2021–2022 school year, RAM is back on site at the schools, providing Art-to-Go in the classrooms, to nearly all elementary schools in the Riverside Unified School District. This year, RAM also started serving students ages 1½ and up in Parent and Me classes.
- 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 art 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 in 2020–2021 offered 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 the development of local artists. New social-based artmaking activities have been offered over the past couple of years, on-site and online, and are widely enjoyed by non-artists as fun, creative events. The 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 artists and business owners to creatively revitalize storefronts along Park Avenue in Riverside, CA.
- 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 the Riverside Art Museum plays an important role in promoting the arts through fundraising and community events.

RAM's support and revenues are derived from contributions, grants, rental of museum facilities, and museum store sales. Fundraising efforts including special events and the Riverside Art Alliance, an auxiliary group of the Riverside Art Museum, organizes art-based fundraisers twice a year. These include signature events such as Off the Wall and creative, place-based public art events such as the Riverside Art Market, Art Bark in the Park, Art Float, and OrangeAid. Additionally, a significant portion of revenue consists of art education class and workshop fees including program contracts with the Riverside Unified School District for the Art-to-Go program and the County of Riverside to engage at-promise and justice-involved youth in creative, pro-social activities including skills-building workshops and collaborative mural projects. In May 2022, RAM will receive its first monthly payment from the City of Riverside to administer and program The Cheech; this annual contract signed in 2021 is for \$800,000, paid monthly, starting 30 days before The Cheech opens.

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, 2021 and 2020, 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, 2021 and 2020, management considers other receivables 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 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 are reported at fair value in the financial statements. Fair value is the price that would be received to sell an asset 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, 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 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 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 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, either directly or indirectly. These include quoted prices for similar assets in active markets, quoted prices for identical or similar assets in inactive markets, inputs other than quoted prices that are observable for the asset, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset. 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 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. 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.

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 CDs traded in the financial markets. Those CDs, fixed income securities, and bond mutual funds 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 net assets without donor restrictions if purchased without donor restricted assets and as decreases in net assets with donor restrictions if purchased with donor-restricted assets. Contributions of collection items are not recognized in the statements of activities. Proceeds from deaccessions or insurance recoveries are reflected on the statements 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 is 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

When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the statements of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

The carrying values of property and equipment are reviewed for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset.

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 RAM's 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 accounting principles generally accepted in the United States of America (U.S. GAAP). 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, 2021 and 2020, respectively.

Revenue and Revenue Recognition

RAM recognizes contributions when cash, securities, 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.

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. The balance of unearned grant revenues was \$0 as of August 31, 2021 and 2020.

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 education 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.

Deferred revenue represents revenue received in advance for tuition and facility rentals. Deferred revenue at August 31, 2021, 2020, and 2019 totaled \$53,052, \$65,862, and \$72,706, respectively.

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 years ended August 31, 2021 and 2020, RAM has recorded a tax liability of \$0 and \$3,163, respectively, for federal and state purposes on this unrelated business activity.

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.

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.

Estimates

The preparation of these financial statements in conformity with U.S GAAP 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

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases* (Topic 842), which requires lessees to recognize leases on the balance sheet and disclose key information about leasing arrangements. The new standard establishes a right-of-use (ROU) model that requires a lessee to recognize a ROU asset and lease liability on the balance sheet for all leases with a term longer than 12 months. Leases will be classified as finance or operating, with classification affecting the pattern and classification of the expense recognition in the statement of operations. In June 2020, FASB issued ASU 2020-05, which defers the effective date of ASU 2016-02 for one year. The amendment in this update is effective for years beginning after December 15, 2021. RAM is currently assessing the impact of the adoption of the standard.

Note 3 - Cash, Cash Equivalents, and Investments

Cash, cash equivalents, and investments at August 31, 2021 and 2020 are classified in the statements of financial position as follows:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 3,734,306	\$ 2,510,539
Restricted cash and cash equivalents	84,392	84,310
Total cash and cash equivalents	3,818,698	2,594,849
Investments	1,890,678	1,712,090
Restricted investments	216,305	216,305
Total investments	2,106,983	1,928,395
Total cash, cash equivalents, and investments	<u>\$ 5,925,681</u>	<u>\$ 4,523,244</u>

Cash, cash equivalents, and investments at August 31, 2021 and 2020 comprise the following:

	<u>2021</u>	<u>2020</u>
	Fair Market Value	Fair Market Value
Cash and cash equivalents		
Cash on hand and checking accounts	\$ 1,115,777	\$ 593,658
Savings accounts	8,366	8,361
Money Market accounts	2,552,982	1,842,570
Certificates of deposit	84,392	84,310
Investment cash and sweep money market funds	57,181	65,950
Total cash and cash equivalents	3,818,698	2,594,849
Investments		
Common stocks	147,845	198,714
Fixed income	196,940	162,717
Bond mutual funds	-	97,478
Equity mutual funds	611,358	371,560
Bond and ETF investments	133,405	88,594
Certificates of deposit	1,017,435	1,009,332
Total investments	2,106,983	1,928,395
Total cash, cash equivalents, and investments	<u>\$ 5,925,681</u>	<u>\$ 4,523,244</u>

Investment activity for the years ended August 31, 2021 and 2020 consist of the following:

	2021	2020
Interest and dividend income	\$ 98,773	\$ 45,804
Unrealized gains	88,345	85,330
Total investment return	\$ 187,118	\$ 131,134

The following table sets forth by level, within the fair value hierarchy, RAM's investments at fair value as of August 31, 2021 and 2020. For additional information on how RAM measures fair value, refer to Note 2.

	2021			Total
	Level 1	Level 2	Level 3	
Investments				
Common stocks	\$ 147,845	\$ -	\$ -	\$ 147,845
Fixed income	-	196,940	-	196,940
Equity mutual funds	611,358	-	-	611,358
Bond and ETF investments	133,405	-	-	133,405
Certificates of deposit	-	1,017,435	-	1,017,435
Total	\$ 892,608	\$ 1,214,375	\$ -	\$ 2,106,983

	2020			Total
	Level 1	Level 2	Level 3	
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	\$ 658,868	\$ 1,269,527	\$ -	\$ 1,928,395

Note 4 - Promises to Give and Grants Receivable

Contributions and grants receivable represent donors' unconditional promises to give that have not yet been received. Promises to give and grants receivable as of August 31, 2021 and 2020 were estimated to be collected as follows:

Promises to Give

	2021	2020
Receivable due in one year or less	\$ 457,110	\$ 264,961
Receivable due in two to five years	99,057	437,548
	556,167	702,509
Less time value discount from 2.1% to 3.4%	(13,689)	(10,260)
Net promises to give	\$ 542,478	\$ 692,249

Grants Receivable

	2021	2020
Receivable due in one year or less	\$ 52,635	\$ 366,668

Note 5 - Property and Equipment

Property and equipment consists of the following as of August 31, 2021 and 2020:

	2021	2020
Land	\$ 69,935	\$ 69,935
Construction in progress	-	111,901
Buildings	2,850,923	2,732,352
Furnishings, software and equipment	392,578	387,078
	3,313,436	3,301,266
Less accumulated depreciation	(2,505,545)	(2,395,670)
Total property and equipment, net	\$ 807,891	\$ 905,596

Depreciation expense, net of rental activities depreciation expense, for the years ended August 31, 2021 and 2020, was \$95,261 and \$90,779, respectively.

Note 6 - 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 was \$65,000 for each of the years ended August 31, 2021 and 2020, with an effective interest rate of 2.15 percent for both years. The amount held as collateral for the line of credit at August 31, 2021 and 2020 was \$84,392 and \$84,310, respectively, and is classified as restricted cash and cash equivalents on the statements of financial position.

Note 7 - 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:

	2021	2020
Financial Assets		
Cash, cash equivalents and restricted cash and cash equivalents	\$ 3,818,698	\$ 2,594,849
Investments and restricted investments	2,106,983	1,928,395
Promises to give, net	542,478	692,249
Grants receivable	52,635	366,668
Other receivables	24,707	79,325
Total financial assets	6,545,501	5,661,486
Less amounts not available to be used within one year:		
Net assets with donor restrictions for time or purpose	(4,716,631)	(4,164,493)
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	(84,392)	(84,310)
Add: net assets with time restrictions to be met within one year	52,635	366,668
Total financial assets not available to be used within one year	(5,042,867)	(4,176,614)
Total financial assets available to meet general expenditures within one year of the statement of financial position date	\$ 1,502,634	\$ 1,484,872

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, 2021.

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 8 - Paycheck Protection Program (PPP) Notes Payable

During 2020, 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 initially recorded the amount received as a note payable and subsequently recorded forgiveness when the loan obligation was legally released by the SBA. RAM recognized \$188,886 of loan forgiveness income for the year ended August 31, 2021, which includes \$2,199 in forgiven interest expense.

On March 25, 2021, RAM was granted \$185,518 in a second draw PPP loan administered by an 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. RAM intends to apply for forgiveness of the second draw PPP loan in fiscal year 2022. RAM will be required to repay any remaining balance, plus interest accrued at 1 percent, in monthly payments over two years, once notified by the SBA-approved partner. As of August 31, 2021, 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 9 - Net Assets without Donor Restrictions

Net assets without donor restrictions for the years ended August 31, 2021 and 2020 are as follows:

	2021	2020
Undesignated	\$ 1,925,122	\$ 1,736,357
Board-designated reserve	78,174	78,174
Total net assets without donor restrictions	\$ 2,003,296	\$ 1,814,531

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 10 - Net Assets with Donor Restrictions

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

	2021	2020
Subject to expenditure for specified purpose:		
Unappropriated investment earnings	\$ 218,146	\$ 155,030
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	3,574,544	3,078,253
Grants and donor-restricted funds to be spent in subsequent years	864,236	882,721
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	4,675
Dorothy Blunden Scholarship- for youth art education scholarships	2,700	2,700
Littleworth Endowment earnings- for youth art education scholarships	16,795	5,579
 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	\$ 4,932,936	\$ 4,380,798

Net assets released from donor restrictions during the years ended August 31, 2021 and 2020 consist of the following:

	2021	2020
Satisfaction of purpose restrictions:		
The Cheech Center	\$ 150,113	\$ 139,076
Grants and donor-restricted funds	447,489	394,991
 Total	\$ 597,602	\$ 534,067

Note 11 - Endowment

RAM's endowment (the Endowment) consists of two individual funds established by donors to provide annual funding for specific activities and general operations.

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 considers 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, 2021, endowment net asset composition by type of fund is as follows:

	With Donor Restrictions
Donor-restricted endowment funds	
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	
Endowment funds	\$ 184,070
Littleworth Endowment	32,235
With donor restrictions- maintained in perpetuity	216,305
Unappropriated investment earnings	
Endowment funds- for general operations	218,146
Littleworth Endowment earnings- for youth art education scholarships	16,795
With donor restrictions- unappropriated investment earnings	234,941
Total donor-restricted endowment funds	\$ 451,246

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

	With Donor Restrictions
Donor-restricted endowment funds	
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	
Endowment funds	\$ 184,070
Littleworth Endowment	32,235
With donor restrictions- maintained in perpetuity	216,305
Unappropriated investment earnings	
Endowment funds- for general operations	155,030
Littleworth Endowment earnings- for youth art education scholarships	5,579
With donor restrictions- unappropriated investment earnings	160,609
Total donor-restricted endowment funds	\$ 376,914

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, 2021 is as follows:

	With Donor Restrictions
Endowment net assets, beginning of year	\$ 376,914
Investment return, net	74,332
Endowment net assets, end of year	\$ 451,246

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

	With Donor Restrictions
Endowment net assets, beginning of year	\$ 367,849
Investment return, net	9,065
Endowment net assets, end of year	\$ 376,914

Note 12 - 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) and the National Credit Union Share Insurance Fund (NCUSIF) 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 \$3,775,851 and \$2,558,196 at August 31, 2021 and 2020, 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 13 - Subsequent Events

In April 2022, as part of a public-private partnership between the City of Riverside and RAM, the renovation of the City’s former downtown main library was completed, converting the building into the future location of RAM’s second site, The Cheech Center. RAM is scheduled to occupy the newly renovated building in April 2022 and open the Center to the public in June 2022.

On February 2, 2022, RAMS’s second draw PPP loan (See Note 8) was forgiven in full by the SBA. The amount forgiven totaled \$187,104, including \$1,586 in interest expense.

Management has evaluated subsequent events through April 28, 2022, the date the financial statements were available to be issued.