

Financial Statements  
August 31, 2023

## Riverside Art Museum



Independent Auditor’s Report.....	1
Financial Statements	
Statement of Financial Position .....	3
Statement of Activities.....	4
Statement of Functional Expenses.....	5
Statement of Cash Flows .....	7
Notes to Financial Statements .....	8



## Independent Auditor's Report

To the Board of Trustees  
Riverside Art Museum  
Riverside, California

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the financial statements of Riverside Art Museum (RAM), which comprise the statement of financial position as of August 31, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of RAM as of August 31, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinion*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities of the Audit of the Financial Statements section of our report. We are required to be independent of RAM and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Change in Accounting Principal*

As discussed in Note 1 to the financial statements, RAM has adopted the provisions of FASB Accounting Standards Codification Topic 842, *Leases* (Topic 842), for the year ended August 31, 2023, using the modified retrospective approach with an adjustment at the beginning of the adoption period. Our opinion is not modified with respect to this matter.

#### *Responsibilities of Management 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; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about RAM's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

***Auditor's Responsibilities of the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of RAM's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about RAM's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.



Rancho Cucamonga, California  
March 28, 2024

Riverside Art Museum  
Statement of Financial Position  
August 31, 2023

Assets	
Current assets	
Cash and cash equivalents	\$ 2,796,028
Restricted cash and cash equivalents	84,521
Investments	963,635
Promises to give	91,626
Grants receivable	115,000
Other receivables	138,790
Prepaid expenses	68,652
Inventory	48,303
Total current assets	4,306,555
Noncurrent assets	
Promises to give, net	52,989
Grant receivable, net	78,625
Other receivable, net	37,000
Restricted investments	231,305
Operating lease right of use asset	63,847
Property and equipment, net	989,478
Collections	-
Total noncurrent assets	1,453,244
Total assets	\$ 5,759,799
Liabilities and net assets	
Current liabilities	
Accounts payable and accrued liabilities	\$ 207,827
Accrued payroll	161,006
Deposits	25,141
Current portion of operating lease liability	15,087
Deferred revenue	28,693
Total current liabilities	437,754
Noncurrent liabilities	
Operating lease liability, net of current portion	48,093
Total liabilities	485,847
Net assets	
Without donor restrictions	3,332,152
With donor restrictions	1,941,800
Total net assets	5,273,952
Total liabilities and net assets	\$ 5,759,799

Riverside Art Museum  
Statement of Activities  
Year Ended August 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, support, and gains			
Contributions	\$ 697,667	\$ 42,455	\$ 740,122
Grants	35,000	602,000	637,000
Admissions	895,146	-	895,146
Membership dues	105,660	-	105,660
Tuition	592,222	-	592,222
Art sales	24,300	-	24,300
Museum stores	\$ 378,927		
Less: cost of goods sold	<u>(123,126)</u>	255,801	-
Rental income	362,315		
Less: rental activity	<u>(307,475)</u>	54,840	-
Special events revenue	51,478		
Less: cost of direct benefit to donors	<u>(14,148)</u>	37,330	-
Exhibit income	180,925	-	180,925
City management fee	808,333	-	808,333
City appropriations for expenses	130,000	-	130,000
Miscellaneous income	11	-	11
Net investment return	72,734	57,774	130,508
Net assets released from restrictions	<u>1,196,064</u>	<u>(1,196,064)</u>	<u>-</u>
Total revenue, support, and gains	<u>5,086,033</u>	<u>(493,835)</u>	<u>4,592,198</u>
Expenses			
Program services			
Exhibitions, curatorial, and collections	2,407,041	-	2,407,041
Education	651,196	-	651,196
Community outreach	353,304	-	353,304
Museum stores	<u>218,704</u>	<u>-</u>	<u>218,704</u>
Total program services	<u>3,630,245</u>	<u>-</u>	<u>3,630,245</u>
Supporting services			
Fundraising	255,333	-	255,333
Membership development	6,843	-	6,843
Management and general	<u>947,748</u>	<u>-</u>	<u>947,748</u>
Total supporting services	<u>1,209,924</u>	<u>-</u>	<u>1,209,924</u>
Total expenses	<u>4,840,169</u>	<u>-</u>	<u>4,840,169</u>
Change in net assets	245,864	(493,835)	(247,971)
Net assets, beginning of year	<u>3,086,288</u>	<u>2,435,635</u>	<u>5,521,923</u>
Net assets, end of year	<u>\$ 3,332,152</u>	<u>\$ 1,941,800</u>	<u>\$ 5,273,952</u>

Riverside Art Museum  
Statement of Functional Expenses  
Year Ended August 31, 2023

	Program Services				Total Program Services
	Exhibitions, Curatorial, and Collections	Education	Community Outreach	Museum Stores	
Expenses					
Salaries, related taxes, and employee benefits	\$ 619,273	\$ 462,753	\$ 106,518	\$ 108,109	\$ 1,296,653
Advertising and promotion	60,140	630	44,103	101	104,974
Art acquisitions	56,900	-	-	-	56,900
Artist payments	85,572	7,613	75,262	63,995	232,442
Bank charges	60,302	8,454	175	22,738	91,669
City facilities maintenance fee	179,905	-	-	-	179,905
Conferences, receptions and meetings	12,358	-	1,000	-	13,358
Contract services	107,195	5,526	29,650	794	143,165
Cost of direct benefits to donors	-	-	-	-	-
Cost of goods sold	-	-	-	123,126	123,126
Contribution to other entity	-	-	34,721	-	34,721
Delivery and freight	32,646	-	-	40	32,686
Depreciation	81,322	15,724	-	2,457	99,503
Dues and subscription	33,968	11,112	219	2,334	47,633
Exhibit tour fees	125,250	-	-	-	125,250
Insurance	37,393	10,856	-	2,841	51,090
Interest expense	-	-	-	-	-
Miscellaneous expense	9,374	3,556	3,063	-	15,993
Operating lease and short term rentals	15,818	1,017	12,813	173	29,821
Postage	2,135	255	144	80	2,614
Printing	45,654	1,094	8,263	-	55,011
Professional fees	96,448	-	-	-	96,448
Public relations	99,789	74	11,000	-	110,863
Rental activity	-	-	-	-	-
Repairs and maintenance	113,679	18,893	-	3,126	135,698
Security	206,119	22,673	7,911	4,020	240,723
Small equipment	43,067	1,751	1,752	581	47,151
Supplies	49,754	54,793	5,090	4,945	114,582
Travel, meals, and entertainment	23,702	10,937	10,462	26	45,127
Utilities and telephone	209,278	13,485	1,158	2,344	226,265
<b>Total functional expenses</b>	<b>2,407,041</b>	<b>651,196</b>	<b>353,304</b>	<b>341,830</b>	<b>3,753,371</b>
Less expenses included with revenues on the statement of activities					
Cost of direct benefits to donors	-	-	-	-	-
Cost of goods sold	-	-	-	(123,126)	(123,126)
Rental activity	-	-	-	-	-
<b>Total expenses included in the expense section on the statement of activities</b>	<b>\$ 2,407,041</b>	<b>\$ 651,196</b>	<b>\$ 353,304</b>	<b>\$ 218,704</b>	<b>\$ 3,630,245</b>

Riverside Art Museum  
Statement of Functional Expenses, continued  
Year Ended August 31, 2023

	Supporting Services					Total Expenses
	Fundraising	Cost of Direct Benefits to Donors	Membership Development	Management and General	Total Supporting Services	
<b>Expenses</b>						
Salaries, related taxes, and employee benefits	\$ 175,249	\$ -	\$ -	\$ 492,555	\$ 667,804	\$ 1,964,457
Advertising and promotion	2,035	-	-	21,176	23,211	128,185
Art acquisitions	-	-	-	-	-	56,900
Artist payments	17,238	-	-	4,113	21,351	253,793
Bank charges	6,804	-	6,091	3,962	16,857	108,526
City facilities maintenance fee	-	-	-	-	-	179,905
Conferences and receptions and meeting	3,793	-	-	5,392	9,185	22,543
Contract services	3,787	-	-	38,781	42,568	185,733
Cost of direct benefits to donors	-	14,148	-	-	14,148	14,148
Cost of goods sold	-	-	-	-	-	123,126
Contribution to other entity	-	-	-	-	-	34,721
Delivery and freight	-	-	-	22	22	32,708
Depreciation	2,703	-	-	4,299	7,002	106,505
Dues and subscription	12,995	-	589	23,724	37,308	84,941
Exhibit tour fees	-	-	-	-	-	125,250
Insurance	516	-	-	10,727	11,243	62,333
Interest expense	-	-	-	1,896	1,896	1,896
Miscellaneous expense	10	-	-	6,813	6,823	22,816
Operating lease and short term rentals	609	-	-	2,037	2,646	32,467
Postage	4,215	-	-	1,070	5,285	7,899
Printing	10,362	-	-	5,646	16,008	71,019
Professional fees	-	-	-	221,580	221,580	318,028
Public relations	-	-	-	32,116	32,116	142,979
Rental activity	-	-	-	307,475	307,475	307,475
Repairs and maintenance	1,968	-	-	9,660	11,628	147,326
Security	2,040	-	-	10,844	12,884	253,607
Small equipment	665	-	-	16,841	17,506	64,657
Supplies	1,819	-	163	14,134	16,116	130,698
Travel, meals, and entertainment	6,504	-	-	15,304	21,808	66,935
Utilities and telephone	2,021	-	-	5,056	7,077	233,342
<b>Total functional expenses</b>	<b>255,333</b>	<b>14,148</b>	<b>6,843</b>	<b>1,255,223</b>	<b>1,531,547</b>	<b>5,284,918</b>
<b>Less expenses included with revenues on the statement of activities</b>						
Cost of direct benefits to donors	-	(14,148)	-	-	(14,148)	(14,148)
Cost of goods sold	-	-	-	-	-	(123,126)
Rental activity	-	-	-	(307,475)	(307,475)	(307,475)
<b>Total expenses included in the expense section on the statement of activities</b>	<b>\$ 255,333</b>	<b>-</b>	<b>\$ 6,843</b>	<b>\$ 947,748</b>	<b>\$ 1,209,924</b>	<b>\$ 4,840,169</b>



Riverside Art Museum  
Statement of Cash Flows  
Year Ended August 31, 2023

Operating activities	
Change in net assets	\$ (247,971)
Adjustments to reconcile change in net assets to net cash from operating activities	
Provision for bad debts	989
Net realized and unrealized gain on investments	(81,134)
Depreciation	122,843
Changes in assets and liabilities	
Promises to give	103,690
Grants receivable	56,831
Other receivables	(147,503)
Prepaid expenses	9,449
Inventory	(8,082)
Operating lease assets and liabilities	(667)
Accounts payable and accrued liabilities	(1,680,164)
Accrued payroll	60,064
Deposits	(10,726)
Deferred revenue	(118,436)
Net cash used for operating activities	<u>(1,940,817)</u>
Investing activities	
Purchase of investments	(141,972)
Purchases of property and equipment	(53,797)
Net cash used for investing activities	<u>(195,769)</u>
Financing activities	
Payments under line of credit	(64,759)
Net cash used for financing activities	<u>(64,759)</u>
Net change in cash, cash equivalents and restricted cash and cash equivalents	(2,201,345)
Cash, cash equivalents and restricted cash and cash equivalents, beginning of year	<u>\$5,081,894</u>
Cash, cash equivalents and restricted cash and cash equivalents, end of year	<u>\$ 2,880,549</u>
Cash and cash equivalents	\$ 2,796,028
Restricted cash and cash equivalents	<u>84,521</u>
Total cash, cash equivalents and restricted cash and cash equivalents, end of year	<u>\$ 2,880,549</u>
Supplemental disclosure of cash flow information	
Interest paid	<u>\$ 1,896</u>

## **Note 1 - Nature of Operations**

The Riverside Art Museum (RAM) is a not-for-profit cultural institution founded in 1954. 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.

RAM serves a local and international audience from its two downtown Riverside locations – The Riverside Art Museum (opened in 1967) and The Cheech Marin Center for Chicano Art & Culture of the Riverside Art Museum (The Cheech Center, opened June 18, 2022), offering exhibition and education program activities at both sites. RAM provides curriculum-based art lessons throughout classrooms in Inland Empire schools and gives docent-led exhibition tours at both sites for students from throughout southern California and beyond. RAM also engages at-risk youth through mural projects and online classes, offers adult classes and workshops, and holds exhibit-related lectures, symposiums and tours.

Individuals, private foundations, businesses, and governmental agencies support RAM primarily through contributions, grants, and membership dues. Fundraising endeavors include special gala events and the activities of the Riverside Art Alliance, RAM's fundraising auxiliary group. Significant portions of RAM's revenue consist of museum admission ticket sales, art education contracts with local school districts, and the City of Riverside management fee income related to the administration and programming activities of The Cheech Center.

## **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.

### **Cash and Cash Equivalents**

Cash and cash equivalents reported in the statement 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.

### **Restricted Cash and Cash Equivalents**

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

### **Promises to Give**

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 of August 31, 2023, management considers promises to give to be fully collectible; and accordingly, no allowance for doubtful accounts is recorded.

### **Grants Receivables**

RAM records grants receivables that are expected to be collected within one year at net realizable value. Grants receivables 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 grants revenue in the statements of activities. As of August 31, 2023, management considers grants receivables 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. Other receivables 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 revenues in the statements of activities. At August 31, 2023, management considers other receivables to be fully collectible; and accordingly, no allowance for doubtful accounts is recorded.

### **Inventory**

Inventory consists primarily of merchandise, books and art related items and is stated 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, mutual funds, and cash equivalents, all of which may reflect varying rates of return. The Finance Committee of RAM meets annually 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 value in the statement of financial position. Net investment return is reported in the statement of activities and consists of interest and dividend income, realized and unrealized gains and losses, less external 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 the 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 consist of investments with readily determinable fair values based on daily redemption values. The fixed income securities 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.

### **Collections**

Collection items consist of art objects that are held for educational and curatorial purposes. Each of the items are 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 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 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 \$5,000 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 statement 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. There were no indicators of asset impairment during the year ended August 31, 2023.

### **Deferred Revenue and Deposits**

Deferred revenue and deposits consist primarily of amounts received in advance for City management fees, classroom instruction, and the rental of 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. Deferred revenue at August 31, 2023 totaled \$28,693.

### **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 and services are recorded at fair value at the date of donation. No significant contributions of such goods or services were received during the year ended August 31, 2023.

### **Net Assets**

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

*Net Assets Without Donor Restrictions* - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board may designate, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment.

*Net Assets With Donor Restrictions* - Net assets subject to donor (or certain grantor) restrictions. Some donor imposed (or grantor) restrictions are temporary in nature, such as those that will be met 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. RAM reports contributions restricted by donors as increases in net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. RAM reports conditional contributions restricted by donors as increases in net assets without donor restrictions if the restrictions and conditions expire simultaneously in the reporting period.

### **Revenue and Revenue Recognition**

RAM recognizes contributions and grants 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. 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.

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

RAM recognizes revenue from tuition 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.

RAM recognizes art sales and gift shop sales at the time of purchase. RAM records special events revenue equal to the cost of direct benefits to donors, and contribution revenue for the difference. RAM recognizes the City management fee during the period in which the related services are performed.

### **Income Taxes**

RAM is organized as a California nonprofit corporation and has been recognized by the IRS as exempt from federal income taxes under IRC Section 501(a) as an organization described in IRC Section 501(c)(3), qualifies for the charitable contribution deduction, and has been determined not to be a private foundation. RAM is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, RAM is subject to income tax on net income that is derived from business activities that are unrelated to RAM's exempt purpose. RAM determined certain sales in the Museum Shops 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, 2023, there was no tax liability for federal or 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**

Advertising costs are expensed as incurred and totaled \$128,185 during the year ended August 31, 2023.

### **Functional Allocation of Expenses**

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. 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, insurance, and other, which are allocated on the basis of 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.

### **Current Pronouncements**

Effective September 1, 2022, RAM adopted the new lease accounting guidance in Accounting Standards Update No. 2016-02, *Leases (Topic 842)*. RAM elected to apply the guidance as of September 1, 2022, the beginning of the adoption period. The standard requires the recognition of right-of-use assets and lease liabilities for lease contracts with terms greater than 12 months. Operating lease costs are recognized in the income statement as a single lease cost and finance lease costs are recognized in two components, interest expense and amortization expense. RAM has elected the package of practical expedients permitted in ASC Topic 842. Accordingly, RAM accounted for its existing leases as either finance or operating lease under the new guidance, without reassessing (a) whether the contract contains a lease under ASC Topic 842, (b) whether classification of the operating lease would be different in accordance with ASC Topic 842, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in ASC Topic 842 at lease commencement.

As a result of the adoption of the new lease accounting guidance, RAM recognized on September 1, 2022, the beginning of the adoption period, no cumulative effect adjustment to net assets, an operating lease liability of \$6,434, and an operating right-of-use asset of \$6,434. The adoption of the new standard did not materially impact RAM's Statement of Operations or Statement of Cash Flows. See Note 8 for further disclosure of RAM's lease contracts.

### **Subsequent Events**

Management has evaluated subsequent events through March 28, 2024, the date the financial statements were available to be issued.



**Note 3 - 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, August 31, 2023, comprise the following:

Financial Assets	
Cash, cash equivalents and restricted cash and cash equivalents	\$ 2,880,549
Investments and restricted investments	1,194,940
Promises to give, net	144,615
Grants receivable	193,625
Other receivables	175,790
	<u>4,589,519</u>
Less amounts not available to be used within one year:	
Net assets with donor restrictions for time or purpose	(1,710,495)
Net assets with donor restrictions of a perpetual nature	(231,305)
Board-designated reserve	(78,174)
Amounts restricted as collateral for line of credit	(84,521)
Add net assets with time restrictions to be met within one year	29,254
	<u>(2,075,241)</u>
Total financial assets available to meet general expenditures within one year of the statement of financial position date	<u>\$ 2,514,278</u>

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 \$175,000 line of credit to meet cash flow needs, of which \$175,000 was available as of August 31, 2023.

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 4 - Cash, Cash Equivalents, and Investments**

Cash, cash equivalents, and investments at August 31, 2023 are classified in the statement of financial position as follows:

Cash and cash equivalents	\$ 2,796,028
Restricted cash and cash equivalents	<u>84,521</u>
Total cash and cash equivalents	<u>2,880,549</u>
Investments	963,635
Restricted investments	<u>231,305</u>
Total investments	<u>1,194,940</u>
Total cash, cash equivalents, and investments	<u><u>\$ 4,075,489</u></u>

Cash, cash equivalents, and investments at August 31, 2023 comprise the following at fair value:

Cash and cash equivalents	
Cash on hand and checking accounts	\$ 2,583,229
Savings accounts	9,024
Money market accounts	164,838
Certificates of deposit	84,521
Investment cash	<u>38,937</u>
Total cash and cash equivalents	<u>2,880,549</u>
Investments	
Common stocks	266,036
Fixed income	220,848
Bond mutual funds	49,390
Equity mutual funds	412,089
Bond and ETF investments	<u>246,577</u>
Total investments	<u>1,194,940</u>
Total cash, cash equivalents, and investments	<u><u>\$ 4,075,489</u></u>

Investment activity for the year ended August 31, 2023 consists of the following:

Interest and dividend income	\$ 49,374
Realized loss	(13,179)
Unrealized gain	<u>94,313</u>
Total investment return, net	<u><u>\$ 130,508</u></u>

The following table presents assets measured at fair value on a recurring basis at August 31, 2023.

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Investments				
Common stocks	\$ 266,036	\$ -	\$ -	\$ 266,036
Fixed income	-	220,848	-	220,848
Bond mutual funds	49,390	-	-	49,390
Equity mutual funds	412,089	-	-	412,089
Bond and ETF investments	<u>246,577</u>	<u>-</u>	<u>-</u>	<u>246,577</u>
Total	<u><u>\$ 974,092</u></u>	<u><u>\$ 220,848</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,194,940</u></u>

**Note 5 - Promises to Give and Grants Receivable**

Unconditional promises to give, grants receivable, and other receivables as of August 31, 2023 were estimated to be collected as follows:

**Promises to Give**

Receivable due in one year or less	\$ 91,626
Receivable due in two to five years	<u>58,284</u>
	149,910
Less time value discount of 4.000%	<u>(5,295)</u>
Total promises to give, net	<u><u>\$ 144,615</u></u>

**Grants Receivable**

Receivable due in one year or less	\$ 115,000
Receivable due in two to five years	85,000
	200,000
Less time value discount of 4.000%	(6,375)
	\$ 193,625

At August 31, 2023, a single grant accounted for 100% of total grants receivable.

**Other Receivable**

Receivable due in one year or less	\$ 138,790
Receivable due in two to five years	40,000
	178,790
Less time value discount of 4.000%	(3,000)
	\$ 175,790

**Note 6 - Property and Equipment**

Property and equipment consists of the following as of August 31, 2023:

Land	\$ 69,935
Buildings	2,850,923
Furnishings, software and equipment	562,258
	3,483,116
Less accumulated depreciation	(2,493,638)
	\$ 989,478

Depreciation expense, net of rental activities depreciation expense, for the year ended August 31, 2023 was \$106,505.

**Note 7 - Line of Credit**

RAM has a line of credit with Provident Savings Bank for \$175,000, with an effective interest rate of 3.75 percent per annum. The provisions of the line of credit require a security interest in the deposits held by Provident Savings Bank. There was no outstanding balance at August 31, 2023. The amount held as collateral for the line of credit at August 31, 2023 was \$84,521, and is classified as restricted cash and cash equivalents on the statement of financial position.

**Note 8 - Leases**

RAM leases certain equipment for various terms under long-term, non-cancelable operating lease agreements. The leases expire at various dates through 2028 with no renewal options. The leases provide for fixed rental payments throughout the term.

The weighted-average discount rate is based on the discount implicit in the lease. If the implicit rate is not readily determinable from the lease, RAM estimates an applicable incremental borrowing rate. The incremental borrowing rate is estimated using RAM's applicable borrowing rates and the contractual lease term.

RAM has elected the short-term lease exemption for all leases with a term of 12 months or less for both existing and ongoing operating leases to not recognize the asset and liability for these leases. Lease payments for short-term leases are recognized on straight-line basis.

The operating lease costs for the year ended August 31, 2023 were \$9,458. Operating cash flows from operating lease agreements were \$9,942. The weighted-average remaining lease term is 54.45 months. The weighted average discount rate is 4%.

The future minimum lease payments under noncancelable operating leases with terms greater than one year are listed below as of August 31, 2023.

2024	\$	16,366
2025		16,366
2026		16,366
2027		16,366
2028		7,855
Total lease payments		73,319
Less interest		(10,139)
Present value of lease liabilities	\$	63,180

**Note 9 - Net Assets without Donor Restrictions**

Net assets without donor restrictions at August 31, 2023, are as follows:

Undesignated	\$	3,253,978
Board-designated reserve		78,174
Total net assets without donor restrictions	\$	3,332,152

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 at August 31, 2023, are restricted for the following purposes:

Subject to expenditure for specified purpose or periods

Proceeds from which have been restricted by donors for:

Law Library- for purchase of artwork	\$ 19,164
The Cheech Center- to establish the center, including capital funds	475,454
Grants and donor-restricted funds to be spent in subsequent years	992,147
Jim Reed Memorial- for RAM signage	9,023
Dottie Smith Scholarship- for youth art education scholarships	7,946
Jackie Smith Memorial- for youth art education scholarships	1,730
Dorothy Blunden Scholarship- for youth art education scholarships	2,700
Littleworth Endowment earnings- for youth art education scholarships	6,061

Endowments

Unappropriated investment earnings	196,270
Perpetual in nature, earnings from which are subject to endowment spending policy and appropriation	
RAM Endowment- for general operations	184,070
Littleworth Endowment- for youth art education scholarships	47,235

Total net assets with donor restrictions	<u><u>\$ 1,941,800</u></u>
--	----------------------------

Net assets released from donor restrictions during the year ended August 31, 2023, consist of the following:

Satisfaction of purpose restrictions:

The Cheech Center	\$ 908,186
Grants and donor-restricted funds	<u>287,878</u>

Total	<u><u>\$ 1,196,064</u></u>
-------	----------------------------

**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 RAM 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 RAM
- The investment policies of RAM

As of August 31, 2023, endowment net asset composition by type of fund is as follows:

Donor-restricted endowment funds	
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	
RAM Endowment	\$ 184,070
Littleworth Endowment	47,235
	231,305
With donor restrictions- maintained in perpetuity	
Unappropriated investment earnings	
RAM Endowment - for general operations	196,270
Littleworth Endowment - for general operations	6,061
	202,331
With donor restrictions- unappropriated investment earnings	
Total donor-restricted endowment funds	\$ 433,636

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 U.S. 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, 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.

RAM has not adopted a spending rate formula and has not taken any distributions for the year ended August 31, 2023. There are no endowments determined to be underwater as of August 31, 2023.

Changes in Endowment net assets for the year ended August 31, 2023 is as follows:

	With Donor Restrictions
Endowment net assets, beginning of year	\$ 398,673
Appropriations	(22,811)
Investment return, net	57,774
Endowment net assets, end of year	\$ 433,636

#### **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) or 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 and credit unions in excess of the FDIC and NCUSIF insurance coverage was \$1,860,393 at August 31, 2023. 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 - City of Riverside Management Agreement**

RAM administers, pursuant to a management agreement with the City of Riverside (City), a city-owned building housing The Cheech Center. The City directly pays all utilities and certain capital costs of maintaining this building. The amount of utilities costs was approximately \$130,000 for the year ended August 31, 2023, and has been recorded in the financial statements in the revenue caption City appropriations for expenses and offset by an equal amount of expense that has been charged to utilities expense. The City also provides appropriations for the general operating support of The Cheech Center. Such appropriations amounted to \$808,333 during the year ended August 31, 2023, and have been recorded in the financial statements in the revenue caption City management fee. Additionally, to help underwrite the future maintenance and operation of the building, the management agreement requires that RAM remit to the City a portion of all paid admissions to and facility rental events held at The Cheech Center. These amounts totaled \$179,905 during the year ended August 31, 2023, and have been recorded in the financial statements in the expense caption City facilities maintenance fee.

**Note 14 - Employee Retention Credit**

The Coronavirus Aid, Relief, and Economic Security Act provided an employee retention credit (the credit) which is a refundable tax credit against certain employment taxes of up to \$5,000 per employee for eligible employers. The credit is equal to 50% of qualified wages paid to employees, capped at \$10,000 of qualified wages through December 31, 2020.

The Consolidated Appropriations Act of 2021 and the American Rescue Plan Act of 2021 expanded the availability of the credit, extended the credit through September 30, 2021, and increased the credit to 70% of qualified wages, capped at \$7,000 per quarter. As a result of the changes to the credit, the maximum credit per employee increased from \$10,000 in 2020 to \$21,000 in 2021.

During the year ended August 31, 2023, RAM recorded a \$241,959 benefit related to the credit which is presented in the statement of activities as contributions.

RAM's credit filings remain open for potential examination by the Internal Revenue Service through the statute of limitations, which has varying expiration dates extending through 2027. Any disallowed claims resulting from such examinations could be subject to repayment to the federal government.

**Note 15 - Related Party Transactions**

In the ordinary course of business, RAM has and expects to continue to have transactions with its employees and board members. In the opinion of management, such transactions were on substantially the same terms as those prevailing at the time of comparable transactions with other persons.