

**RICHMOND ART CENTER
RICHMOND, CALIFORNIA**

**FINANCIAL STATEMENTS
JUNE 30, 2024**

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Richmond Art Center
Richmond, California

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Richmond Art Center (a nonprofit organization), which comprise the statement of financial position as of June 30, 2024, 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 financial statements referred to above present fairly, in all material respects, the financial position of Richmond Art Center as of June 30, 2024, 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Richmond Art Center 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 Richmond Art Center's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

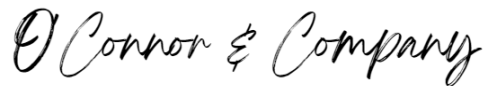
Auditor's Responsibilities for the Audit of the Financial Statements

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 generally accepted auditing standards 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 generally accepted auditing standards, 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 Richmond Art Center'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 Richmond Art Center'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.



O'Connor & Company

Novato, California
February 20, 2025

Richmond Art Center
STATEMENT OF FINANCIAL POSITION
June 30, 2024

ASSETS

Current assets:

Cash and cash equivalents	\$ 589,191
Investments and endowment fund	79,447
Grants receivable	193,815
Prepaid items and other current assets	<u>21,547</u>
Total current assets	<u>884,000</u>

Non-current assets:

Right of use operating asset, net of accumulated amortization	1,311,870
Fixed assets, net of accumulated depreciation	<u>74,694</u>
Total non-current assets	<u>1,386,564</u>
Total assets	<u>\$ 2,270,564</u>

LIABILITIES AND NET ASSETS

Current liabilities:

Accounts payable and accrued expenses	\$ 11,575
Compensated absences	27,802
Operating lease liability (current portion)	5,084
Deferred revenue	<u>82,849</u>
Total current liabilities	<u>127,310</u>

Noncurrent liabilities:

Operating lease liability	<u>1,361,285</u>
Total liabilities	<u>1,488,595</u>

Net assets

Net assets without donor restrictions	<u>403,636</u>
Net assets with donor restrictions	
Program funds	312,327
Endowment funds	<u>66,006</u>
Total net assets with donor restrictions	<u>378,333</u>
Total net assets	<u>781,969</u>
Total liabilities and net assets	<u>\$ 2,270,564</u>

The accompanying notes are an integral part of these financial statements.

Richmond Art Center
STATEMENT OF ACTIVITIES
June 30, 2024

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and Revenues:			
Donations & grants	\$ 251,338	\$ 268,450	\$ 519,788
Class registration fees	364,211	-	364,211
Government grants	71,818	-	71,818
Fees for service	96,474	-	96,474
Membership dues & fees	14,735	-	14,735
Miscellaneous income	21,732	-	21,732
Rental income	2,285	-	2,285
Fundraising	50,236	-	50,236
Investment return, net	18,905	11,822	30,727
Net assets released from restriction	<u>209,524</u>	<u>(209,524)</u>	<u>-</u>
Total support and revenues	<u>1,101,258</u>	<u>70,748</u>	<u>1,172,006</u>
Expenses:			
Program services			
Art studio	514,009	-	514,009
Art in community	188,023	-	188,023
Exhibition	133,959	-	133,959
Membership and marketing	<u>61,370</u>	<u>-</u>	<u>61,370</u>
Total program services	<u>897,361</u>	<u>-</u>	<u>897,361</u>
Support services			
General and administrative	334,864	-	334,864
Fundraising	<u>111,241</u>	<u>-</u>	<u>111,241</u>
Total support services	<u>446,105</u>	<u>-</u>	<u>446,105</u>
Total expenses	<u>1,343,466</u>	<u>-</u>	<u>1,343,466</u>
Change in net assets	(242,208)	70,748	(171,460)
Net assets, beginning of period	<u>645,844</u>	<u>307,585</u>	<u>953,429</u>
Net assets, end of period	<u>\$ 403,636</u>	<u>\$ 378,333</u>	<u>\$ 781,969</u>

The accompanying notes are an integral part of these financial statements.

Richmond Art Center
STATEMENT OF FUNCTIONAL EXPENSES
June 30, 2024

	Program Services				Total Program Services	Supporting Services		Total
	Studio Art	Art in Community	Exhibition	Membership & Marketing		Management & General	Fundraising	
Expenses:								
Salaries and wages	\$ 425,535	\$ 159,287	\$ 67,284	\$ 44,486	\$ 696,592	\$ 162,245	\$ 83,893	\$ 942,730
Payroll taxes	34,183	12,475	8,013	4,187	58,858	18,883	6,882	84,623
Employee benefits	19,141	-	1,000	-	20,141	20,966	-	41,107
Contract services & meeting	1,670	1,750	2,960	283	6,663	2,392	1,612	10,667
Program supplies	16,170	5,174	6,180	-	27,524	3,960	-	31,484
Staff development and board recruiting	95	-	-	-	95	2,863	-	2,958
HR development and recruiting	443	-	-	-	443	3,391	-	3,834
Facilities lease	-	-	-	-	-	-	-	-
Merchant charges	11,977	-	663	343	12,983	3,113	882	16,978
Marketing and promotion	1,134	8,609	-	3,594	13,337	-	-	13,337
Insurance	-	-	3,515	-	3,515	21,725	-	25,240
Printing and reproduction	1,230	-	1,263	251	2,744	794	407	3,945
Art tours and program events	-	728	2,863	-	3,591	-	-	3,591
Repairs and maintenance	1,726	-	-	-	1,726	3,577	-	5,303
Postage and shipping	201	-	900	-	1,101	1,853	35	2,989
Art sales commission	-	-	39,318	-	39,318	-	-	39,318
Fundraising expenses	-	-	-	-	-	-	17,530	17,530
Depreciation and amortization	-	-	-	-	-	39,205	-	39,205
Interest expense	-	-	-	-	-	27,415	-	27,415
Professional/modeling services	504	-	-	-	504	2,006	-	2,510
Dues and subscriptions	-	-	-	-	-	713	-	713
Information technology	-	-	-	8,226	8,226	9,749	-	17,975
Equipment	-	-	-	-	-	5,168	-	5,168
Volunteer program	-	-	-	-	-	322	-	322
Payroll processing fees	-	-	-	-	-	4,524	-	4,524
Total expenses	<u>\$ 514,009</u>	<u>\$ 188,023</u>	<u>\$ 133,959</u>	<u>\$ 61,370</u>	<u>\$ 897,361</u>	<u>\$ 334,864</u>	<u>\$ 111,241</u>	<u>\$ 1,343,466</u>

The accompanying notes are an integral part of these financial statements.

Richmond Art Center
STATEMENT OF CASH FLOWS
June 30, 2024

Cash flows from operating activities:	
Change in net assets	\$ (171,460)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	8,696
Realized and unrealized gains/losses on investments	30,727
Amortization expense	30,509
Changes in certain assets and liabilities:	
Grants receivable	(106,315)
Prepaid items and other current assets	24,179
Accounts payable and compensated absences	(6,882)
Operating lease payments	(4,360)
Deferred revenue	2,534
Net cash (used) by operating activities	<u>(192,372)</u>
Cash flows from investing activities:	
Acquisition of investments	(118,053)
Disposition of investments	805,385
Fixed asset acquisitions	(3,000)
Net cash provided by investing activities	<u>684,332</u>
Net increase in cash during the period	491,960
Cash and cash equivalents, beginning of period	<u>97,231</u>
Cash and cash equivalents, end of period	<u>\$ 589,191</u>
Supplemental disclosures	
Cash paid for interest expense on the operating lease	\$ 27,415

The accompanying notes are an integral part of these financial statements.

Richmond Art Center
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

NOTE 1 - GENERAL

Richmond Art Center (the Center) is a not-for-profit organization that has been sharing and creating art with the community since 1936. Our programs encompass classes, exhibitions, and events at our facility, as well as off-site activities that bring free, high-quality art making experiences to WCCUSD (West Contra Costa Unified School District) schools, community centers, the Richmond Public Library, and other partners.

A. Mission

To be a catalyst in Richmond for learning and living through art.

B. Programs

Studio Education

The Studio Education Department has served as the Richmond Art Center's primary outlet for high-quality, accessible visual arts programming since 1936. Through seven on-site studios—offering fiber arts, 2D/3D media, digital art, ceramics, warm glass, printmaking, and jewelry & metalsmithing—we develop and lead diverse visual arts programs.

This year, the Richmond Art Center studios welcomed 7,802 students, including 1,266 new students. To ensure equitable access, we awarded \$25,962 in need-based scholarships and employed over 50 teaching artists, all earning a living wage. While students pay fees for studio classes, we subsidize costs and offer scholarships to make participation accessible.

Art in the Community (AIC)

We also expand our reach into the community by partnering with WCCUSD (West Contra Costa Unified School District), RYSE Youth Center, EBCPA (East Bay Center for the Performing Arts), and NIAD (Nurturing Independence Through Artistic Development). Guided by Community Agreements, we create a welcoming, safe, and supportive environment for all.

Our community programs reached over 5,867 youth through school-based initiatives across 10 Richmond schools. We doubled summer camp enrollment, bringing in a record 154 campers (ages 5-12). Our free summer youth intensives provided creative opportunities for 47 youth (ages 12-24), 70% of whom come from high-risk Richmond areas. Additionally, 77% of youth and families participated in free art-making programs. These programs play a crucial role in fostering mental well-being, social-emotional learning, and stronger connections within the community.

Exhibition

In FY2023-2024 Richmond Art Center presented 11 exhibitions featuring artwork by 757 artists. Over 6,000 visitors engaged with our exhibitions and participated in related public programs. These exhibitions supported artists by providing opportunities to create and showcase innovative work, amplifying underrepresented voices, offering financial compensation, and fostering community engagement and leadership. The exhibitions resonated with community members of all ages, exploring relevant topics impacting Richmond such as the environment, immigration, and gentrification.

Notable exhibitions included:

Nahui Ollin: A retrospective exhibition of work by Richmond-based artist Andrés Cisneros-Galindo
Many Hands, One World: Quilts created by participants in the Refinery Corridor Healing Walks for environmental justice, led by Idle No More SF Bay

Art of the African Diaspora: An exhibition featuring artwork by 150 artists of African descent, with work shown at Richmond Art Center and in satellite exhibitions across the Bay Area

Richmond Art Center
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

NOTE 1 - GENERAL (concluded)

B. Programs (concluded)

58th Annual WCCUSD (West Contra Costa Unified School District) Student Art Show: A teacher-curated exhibition showcasing artworks by students in the West Contra Costa Unified School District.

Point Molate: Artists Rebeca García-González, Irene Wibawa, Tony Tamayo, and the butohBuddies performance group present new artworks inspired by Point Molate.

Membership

Richmond Art Center has continued to promote our membership program with great success. After restructuring the program in 2022 and running targeted membership campaigns in the summers of 2023 and 2024, we've seen a significant increase in our membership numbers, growing from 219 in FY22/23 to 498 by the end of FY23/24. Our program not only generates income but also fosters a sense of ownership among our community members, making them feel like true stakeholders in our work. In addition to supporting our mission, members enjoy valuable perks, including NARM (North American Reciprocal Museum Association) benefits for free admission to over 1,000 museums nationwide and a 10% discount on our fee-based classes.

Marketing

Richmond Art Center's marketing strategy focuses on reaching our diverse community by prioritizing access and inclusivity. We emphasize clear, authentic communication in both English and Spanish, steering clear of arts jargon to ensure our messages are easily understood. To reach a broad audience, we distribute program information through multiple channels, including email, social media, our website, partner networks, community flyers, and Peachjar for West Contra Costa County schools.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

The financial statements and records of the Center are prepared on the accrual basis of accounting and, therefore, include all support and revenues when earned and all expenses when incurred, regardless of whether the support and revenues or expenses were received or paid as of the end of a period. Grants are recognized as support when earned in accordance with the terms of each grant or agreement.

B. Basis of Presentation

Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements for Not-for-Profit Entities*. This guidance is intended to improve the net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit organization's liquidity, financial performance, and cash flows. Main provisions of this guidance include presentation of two classes of net assets versus the previously required three; recognition of capital gifts for construction as a net asset without donor restrictions when the associated long-lived asset is placed in service; recognition of underwater endowment funds as a reduction in net assets with donor restrictions; and reporting investment income net of external and direct internal investment expenses. The guidance also enhances disclosures for board designated amounts, compositions of net assets with donor restrictions and how the restrictions affect the use of resources, qualitative and quantitative information about the liquidity and availability of financial assets to meet general expenditures within one year of the balance sheet date, and expenses by both their natural and functional classification, including methods used to allocate costs among program and support functions and underwater endowments.

Richmond Art Center
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Description of Net Assets

Without Donor Restrictions is defined as that portion of net assets that has no use or time restrictions. The Center's bylaws include a variance provision giving the Board of Directors the power to modify any restriction or condition on the distribution of funds for any specified charitable purpose or to specified organizations if, in the sole judgment of the Board of Directors (without the necessity of the approval of any other party), such restriction or condition becomes, in effect, unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community or area served. Based on that provision, the Center classifies contributions, except as noted below, as without donor restriction for financial statement presentation.

With Donor Restrictions is defined as a portion of net assets that contains a restriction on the specific use or the occurrence of a certain future event. Contributions unconditionally promised, including irrevocable planned gifts, which are scheduled to be received more than one year in the future, are recorded at fair value, classified as with donor restrictions until the funds are received, and are discounted at a rate commensurate with the risks involved. Net assets consisting of the initial fair value of the gifts where the donor has specified that the assets donated are to be retained in an endowment, providing a permanent source of revenue for charitable purposes are classified as with donor restriction. The accumulation of assets, above historic gift value, in donor restricted endowment funds is classified as with donor restrictions until appropriated for use based on the Center's spending policy. The Center also receives grants from charitable foundations and local agencies for initiatives and special projects for which purpose restrictions apply.

Such grants and contributions are recorded as with donor restrictions until the purpose restrictions are met. When the purpose restriction is accomplished, with donor restrictions net assets are reclassified without donor restrictions net assets and reported as net assets released from restrictions.

D. Functional Expenses

In some cases, expenses are incurred that support the work performed under more than one grant or contract. Such expenses are allocated among the grantors as agreed to by these funding sources or, in the absence of an agreement, on the basis that appears most reasonable to the Center. Directly identifiable expenses are charged to program services. Expenses related to more than one function are charged to program services based on full-time equivalents. The Center's employees will track their time spent on each program and this will determine a percentage of how to allocate expenses including human resources, information technologies, occupying and maintaining facilities to each specific program. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Center.

E. Cash and Cash Equivalents

For the purposes of the statement of cash flows, cash and cash equivalents include all cash accounts that are not subject to withdrawal restrictions or penalties and all highly liquid investments purchased with a maturity of three months or less.

F. Grant Receivables

Grant receivables represent amounts to be reimbursed under grant contracts for expenditures made by the Center that meet the requirements of the grant document. Management believes all amounts are fully collectible; therefore, no allowance for uncollectible receivables is recorded. The Center will accrue an allowance for doubtful accounts when management considers that the receivable cannot be fully collected.

Richmond Art Center
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Grant Receivables (concluded)

A portion of the Center's revenue is derived from governmental funders and private Foundations which are conditioned upon performance requirements and/or the incurrence of allowable qualifying expenses. The support from these agreements is classified as grant revenue and related receivables are recognized as the Center incurs eligible expenditures. Funds received in advance of expenditure are reported as deferred revenue.

G. Investments

The Center invests in marketable securities, money market funds, and certificates of deposit. The Center accounts for investments in accordance with FASB ASC 958-320 and subsections. This standard requires that investments in equity securities with readily determinable fair values and all investments in debt securities be measured at fair value in the statement of financial position. Fair value of marketable equity and debt securities is based on quoted market prices.

Alternative investments are stated at the fair value of their underlying assets and allocated to the investors in proportion to the investor's ownership percentage. The realized and unrealized gain or loss on investments is reflected in the statement of activities as investment income.

Investments are exposed to various risks such as significant world events, interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the fair value of investments will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

H. Fixed Assets

The Center capitalizes all expenditures for property and equipment costing in excess of \$1,000. Property and equipment is valued at cost or estimated fair value on the date of donation and is depreciated on the straight-line basis over useful lives of 5 to 7 years.

I. Contributions

Contributions are recognized at their fair value when the donor makes an unconditional promise to give to the Center. Contributions restricted by the donor are reported as an increase in Net Assets without Donor Restrictions if the restriction is released in the same reporting period in which the support is received. All other contributions with donor restrictions are reported as an increase in Net Assets with Donor Restrictions, depending on the nature of the restrictions. When a 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.

J. Revenue Recognition

Membership dues, class registration fees and fees for service are measured ratably over the membership, class or service period and are shown as revenue; amounts pertaining to future periods are shown as deferred revenue. Revenue for fees for service are recognized at the time the service is performed.

K. Rental Income

The Center receives rental income for short-term studio space. The rental income is recognized over the rental period. Annual rental income totaled \$2,285 for the year ended June 30, 2024.

Richmond Art Center
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (concluded)

L. Use of Estimates

The financial statements have been prepared in conformity with U.S. generally accepted accounting principles, and as such, include amounts based on informed estimates and judgments of management with consideration given to materiality. Actual results could differ from those estimates.

M. Risk Management

The Center is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Center carries commercial insurance.

N. Income Taxes

The Center is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Center is also exempt from California franchise taxes under Section 23701(d) of the Revenue and Taxation Code and, therefore, has made no provision for Federal or California income taxes.

Contributors, donors and grantors may obtain tax benefits. In addition, the Center has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Code.

The Center adopted the recognition requirements for uncertain income tax positions as required by generally accepted accounting principles, with no cumulative effect adjustment required. Income tax benefits are recognized for income tax positions taken or expected to be taken in a tax return, only when it is determined that the income tax position will more-likely-than-not be sustained upon examination by taxing authorities. The Center has analyzed tax positions taken for filing with the Internal Revenue Service and all state jurisdictions where it operates. The Center believes that income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on the Center's financial condition, results of operations or cash flows. Accordingly, the Center has not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions at June 30, 2024.

The Center is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

NOTE 3 - CASH AND CASH EQUIVALENTS

The cash balances on June 30 are as follows:

	<u>2024</u>
Mechanics Bank	\$ 114,625
Charles Schwab	474,366
Cash	<u>200</u>
Total	<u>\$ 589,191</u>

The bank balances were insured under the \$250,000 blanket umbrella by the Federal Deposit Insurance Corporation (FDIC).

Richmond Art Center
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

NOTE 4 - INVESTMENT AND ENDOWMENT

The Center invested marketable securities and money market funds with readily determinable fair values in the statement of financial position as listed below on June 30:

	2024
Charles Schwab - General Fund	\$ 16,669
Mechanics Bank - Endowment Fund	62,778
Total	<u>\$ 79,447</u>

The balances with Charles Schwab were insured up to \$500,000, including a \$250,000 limit for cash, by the Securities Investor Protection Corporation (SIPC). In addition, Schwab carries excess insurance beyond SIPC coverage. SIPC covers most types of securities, such as stocks, bonds, and mutual funds, if a brokerage firm goes out of business. However, SIPC does not protect against losses caused by a decline in the market value of securities.

NOTE 5 - SUMMARY OF FAIR VALUE EXPOSURE

FASB ASC 820-10 and subsections, *Fair Value Measurements and Disclosures* clarifies the definition of fair value for financial reporting, establishes a framework for measuring fair value, and requires additional disclosure about the use of fair value measurements in an effort to make the measurement of fair value more consistent and comparable. The Center has adopted FASB ASC 820-10 for its financial assets and liabilities measured on a recurring and nonrecurring basis.

FASB ASC 820-10 defines fair value as the amount that would be received from the sale of an asset or paid for the transfer of a liability in an orderly transaction between market participants, i.e. an exit price. To estimate an exit price, a three-tier hierarchy is used to prioritize the inputs:

Level 1: Quoted prices in active markets for identical securities.

Level 2: Other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment spreads, credit risk, etc.)

Level 3: Significant unobservable inputs (including the Center's own assumptions in determining the fair value of investments).

The inputs and methodology used for valuing the Center's financial assets and liabilities are not indicators of the risks associated with those investments.

The following methods and assumptions were used to estimate the fair values of the assets and liabilities in the table above: Level 1: Fair Value Measurements; Investments in Securities.

The fair value of the Society's investments in marketable equity and debt securities is based on quoted market prices.

FASB ASC 820-10 provides further clarification in determining an inactive market and a non-distressed transaction. The investments for June 30, 2024 are classified in accordance with FASB ASC 820-10 as follows:

Description	Level 1	Level 2	Level 3	Total
Fixed income	\$ 16,669	\$ -	\$ -	\$ 16,669
Equity funds	62,778	-	-	62,778
Total	<u>\$ 79,447</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 79,447</u>

Richmond Art Center
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

NOTE 5 - SUMMARY OF FAIR VALUE EXPOSURE (concluded)

Investment return related to these investments is included with investment return, net on the statement of activities and was comprised of the following:

	<u>2024</u>
Interest and dividends	\$ 23,180
Realized and Unrealized gain (loss)	<u>7,547</u>
Total	<u>\$ 30,727</u>

NOTE 6 - RECEIVABLES

Grants receivable on June 30 consisted of the following:

	<u>2024</u>
City of Richmond	\$ 48,815
Leshner Foundation	90,000
Fleishacker Foundation	30,000
National Endowment for the Arts	<u>25,000</u>
Total	<u>\$ 193,815</u>

Grants receivables represent that portion of grants and contracts earned, but from which funds have not been received as of year-end. The amount of grant and pledge receivables for the year ended June 30, 2024 was \$193,815.

The Center has not accrued a loss for allowances for uncollectible receivables since it is the opinion of management that it is highly probable all receivables will be collected. The Center will accrue an allowance for doubtful accounts when management considers that the receivable cannot be fully collected.

NOTE 7 - LIQUIDITY AND FUNDS AVAILABLE

The following table reflects the Center's financial assets as of June 30, 2024, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year, trust assets, assets held for others, endowments and accumulated earnings net of appropriations within one year and board designated endowments. These board designations could be drawn upon if the board approves that action.

	<u>2024</u>
Financial assets	
Cash & cash equivalents	\$ 589,191
Investment	79,447
Receivables	<u>193,815</u>
Total financial assets	<u>862,453</u>

Less those unavailable for general expenditures within one year due to:

Restricted cash and investments:	
Program funds	(312,327)
Endowment funds	<u>(66,006)</u>
Total restricted cash and investment	<u>(378,333)</u>

Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 484,120</u>
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The Center has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Center has a goal to maintain financial assets sufficient to meet 30 days of operating expenses.

Richmond Art Center
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

NOTE 8 - FIXED ASSETS

Fixed assets as of June 30, 2024 consisted of the following:

	Balance 6/30/2023	Additions	Retirements	Balance 6/30/2023
Furniture and equipment	\$ 65,347	\$ -	\$ -	\$ 65,347
Capital asset improvements	78,717	3000	-	81,717
Total cost	144,064	\$ 3000	\$ -	147,064
Less accumulated depreciation	(63,674)			(72,370)
Net capital assets	<u>\$ 80,390</u>			<u>\$ 74,694</u>

Depreciation expense for the years ended June 30, 2024 totaled \$8,696.

NOTE 9 - COMPENSATED ABSENCES

Accumulated unpaid employee vacation benefits are recognized as liabilities of the Center. The amount of accumulated vacation was \$27,803.

NOTE 10 - WITH DONOR RESTRICTED NET ASSETS

Program Funds:

Restricted program funds as of June 30, 2024 were available for the following programs:

Program Activities	Beginning Balance	Additions	Releases	Ending Balance
Subject to Expenditure for Specific Purpose:				
Art Studio	\$ 16,485	\$ 34,950	\$ (21,607)	\$ 29,828
Art in Community	187,167	170,000	(145,168)	211,999
Exhibition	45,393	63,500	(38,393)	70,500
General administration	4,356	-	(4,356)	-
Endowment	54,184	11,822	-	66,006
Total	<u>\$ 307,585</u>	<u>\$ 280,272</u>	<u>\$ (209,524)</u>	<u>\$ 378,333</u>

Endowment Funds

Endowment funds consist of donations that the funders intend to create a permanent endowment for the Center. The endowment fund was set up on June 20, 2019, to solicit and receive contributions to further the work of the Center and to provide a permanent and reliable source of funding for its operations and to assist the Center in carrying out its mission. The Endowment Fund Committee Members are to make annual distributions to the Center as determined under UPMIFA.

As required by Generally Accepted Accounting Principles, Net Assets with Donor Restrictions associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

A. Return Objective and Risk Parameters

The Center has adopted an investment policy with the primary investment objective to attempt to maximize total return, that is, the aggregate return from capital appreciation and dividend and interest income, while assuming an appropriate level of risk given the nature of the funds under management. Specifically, the primary objective in the investment management of the Endowment Fund shall be:

Richmond Art Center
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

NOTE 10 - WITH DONOR RESTRICTED NET ASSETS (continued)

A. Return Objective and Risk Parameters (concluded)

- Long-term growth of capital - to emphasize the long-term growth of principal while avoiding excessive risk. Short-term volatility consistent with the volatility of a comparable market index is anticipated, though management should strive to contain it.
- Preservation of purchasing power - to achieve returns more than the rate of inflation over the investment time horizon to preserve purchasing power of Center and Trust assets. Risk control is an important element in the investment of Trust assets.

B. Strategies Employed for Achieving Objectives

The investment objective of the Endowment Fund is to provide income and capital appreciation from Fund assets, employing prudent risk measures. This is to be achieved through placing the Fund's capital in a diversified portfolio under investment policies that have been adopted previously by the Board. Investment risk is determined to be the overall risk of the entire portfolio. The Endowment assets are currently invested in a diversified portfolio of mutual funds.

The Center's endowments include donor-restricted endowment funds. As required by accounting principles generally accepted in the United States, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Uniform Prudent Management of Institutional Funds Act ("UPMIFA") governs the management of endowment funds held by charitable institutions, which has been adopted by the State of California. UPMIFA prescribes guidelines for expenditures of a donor-restricted endowment fund (in the absence of overriding, explicit donor stipulations) in a more robust set of guidelines about what constitutes prudent spending, explicitly requiring consideration of the duration and preservation of the fund. The act generally requires the Center's governing board to establish a spending policy and establishes a rebuttable presumption of imprudence for spending greater than 7% in any given year.

The Center has interpreted the State Prudent Management of Institutional Funds Act ("SPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Center classifies the following as with donor restrictions net assets: (a) the original value of gifts donated to the endowment with donor restrictions, (b) the original value of subsequent gifts to the endowment with donor restrictions, and (c) accumulations to the endowment with donor restrictions made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified as with donor restrictions net assets is classified as without donor restrictions net assets until those amounts are appropriated for expenditure by the Center in a manner consistent with the standard of prudence prescribed by SPMIFA.

In accordance with SPMIFA, the Center considers the following factors in deciding to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Center and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Center
- (7) The investment policies of the Center

Richmond Art Center
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

NOTE 10 - WITH DONOR RESTRICTED NET ASSETS (concluded)

B. Strategies Employed for Achieving Objectives (concluded)

Restricted endowment funds **Subject to Expenditures for a Specific Purpose** as of June 30, 2024 were available for the following programs:

Program Activities:	Balance 6/30/2023	Dividends & Interest	Unrealized Gains/(Losses)	Balance 6/30/2024
Endowment funds	\$ 56,712	\$ 1,214	\$ 8,080	\$ 66,006

NOTE 11 - LEASE AGREEMENT

On July 1, 2017, the Center entered into an operating lease expiring June 30, 2067. The base rent of \$2,084 per month shall be payable in quarterly installments on or before the first day of each calendar quarter.

Base rent shall be increased annually, (the "Consumer Price Index") increase equal to the sum of the Base Rent for the immediately preceding lease year and the product obtained by multiplying such amounts by the percentage increase in the CPI measured from the measuring month which is two months preceding the Lease Year in question. The Center uses the estimated incremental borrowing rate of 2%. The Center has recorded a right of use assets with a net book value of \$1,372,888.

Operating Lease Right of Use Assets

Office space lease	\$ 1,372,888
Less accumulated amortization	(61,018)
Total right to use assets, net	<u>\$ 1,311,870</u>

Weighted average remaining term	40 years
Weighted average discount rate	2%

On June 30, 2021, the Center entered into a lease agreement for office equipment. The lease requires 60 monthly payments of \$150. During the year ended June 30, 2024, the Center made \$1,800 in payments.

The Center has elected to not present assets and liabilities related to leases of a period of twelve months or less.

Minimum future payments under the non-cancellable office space operating lease for each of the following years are as follows:

Richmond Art Center
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

NOTE 11 - LEASE AGREEMENT (concluded)

<u>Period Ending June 30,</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2025	\$ 27,327	\$ 5,084	\$ 32,411
2026	27,226	5,834	33,060
2027	27,109	6,612	33,721
2028	26,977	7,419	34,396
2029	26,828	8,255	35,083
2030	26,663	9,122	35,785
2031	26,481	10,020	36,501
2032	26,280	10,950	37,230
2033	26,061	11,914	37,975
2034	25,823	12,912	38,735
2035	25,565	13,945	39,510
2036	25,286	15,014	40,300
2037	24,986	16,120	41,106
2038	24,663	17,264	41,927
2039	24,318	18,448	42,766
2040	23,949	19,673	43,622
2041	23,556	20,938	44,494
2042	23,137	22,247	45,384
2043	22,692	23,600	46,292
2044	22,220	24,997	47,217
2045	21,720	26,442	48,162
2046	21,191	27,934	49,125
2047	20,633	29,475	50,108
2048	20,043	31,067	51,110
2049	19,422	32,710	52,132
2050	18,767	34,407	53,174
2051	18,079	36,159	54,238
2052	17,356	37,967	55,323
2053	16,597	39,832	56,429
2054	15,800	41,758	57,558
2055	14,965	43,744	58,709
2056	14,090	45,793	59,883
2057	13,174	47,907	61,081
2058	12,216	50,086	62,302
2059	11,214	52,334	63,548
2060	10,168	54,652	64,820
2061	9,075	57,041	66,116
2062	7,934	59,504	67,438
2063	6,744	62,043	68,787
2064	5,503	64,660	70,163
2065	4,210	67,356	71,566
2066	2,863	70,135	72,998
2067	1,460	72,995	74,455
Total	<u>\$ 810,371</u>	<u>\$ 1,366,369</u>	<u>\$ 2,176,740</u>

NOTE 12 - SUBSEQUENT EVENTS

In preparing these financial statements, the Center has evaluated events and transactions for potential recognition or disclosure through the date the financial statements were issued.