

RICHMOND ART CENTER

RICHMOND, CALIFORNIA

FINANCIAL STATEMENTS

JUNE 30, 2020

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Richmond Art Center
Richmond, California

Report on the Financial Statements

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, 2020, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2B, Richmond Art Center adopted the Financial Accounting Standards Board's Accounting Standards Update 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities* as of and for the year ended June 30, 2020. The requirements of the Accounting Standards Update have been applied retrospectively to all years presented. Our opinion is not modified with respect to this matter.

R. J. Ricciardi, Inc.

R.J. Ricciardi, Inc.
Certified Public Accountants

San Rafael, California
April 9, 2021

Richmond Art Center
STATEMENT OF FINANCIAL POSITION

June 30, 2020

ASSETS

Current assets:

Cash and cash equivalents	\$ 338,654
Investments and endowment fund	753,949
Grants receivable	116,725
Accounts receivable	54,951
Prepaid expenses and other current assets	<u>9,397</u>
Total current assets	<u>1,273,676</u>

Non-current assets:

Fixed assets, net of accumulated depreciation	<u>15,394</u>
Total non-current assets	<u>15,394</u>
Total assets	<u>\$ 1,289,070</u>

LIABILITIES AND NET ASSETS

Current liabilities:

Accounts payable and accrued expenses	\$ 6,087
Accrued vacation	21,246
Deferred revenue	5,585
Current portion of SBA-PPP Loan	<u>103,707</u>
Total current liabilities	<u>136,625</u>

Non-current liabilities:

SBA-PPP Loan	<u>129,423</u>
Total non-current liabilities	<u>129,423</u>

Net assets - Exhibit A:

Without donor restrictions	<u>733,706</u>
Total without donor restrictions	<u>733,706</u>

With donor restrictions

Program funds	244,639
Endowment funds	<u>44,677</u>
Total with donor restrictions	<u>289,316</u>
Total net assets	<u>1,023,022</u>

Total liabilities and net assets \$ 1,289,070

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

Richmond Art Center
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2020

Exhibit A

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues:			
Donations & grants	\$ 242,949	\$ 224,460	\$ 467,409
Class registration fees	378,342	-	378,342
Government grants	300,000	-	300,000
Fees for service	117,049	-	117,049
Membership dues & fees	29,854	-	29,854
Miscellaneous income	4,797	-	4,797
Rental income	5,003	-	5,003
Fundraising	20,378	-	20,378
Investment return	15,112	2,159	17,271
Net assets released from restriction	215,625	(215,625)	-
Total revenues	1,329,109	10,994	1,340,103
Expenses:			
Program services			
Art Studio	554,568	-	554,568
Art in Community	319,467	-	319,467
Exhibition	153,024	-	153,024
Membership and marketing	67,659	-	67,659
Total program services	1,094,718	-	1,094,718
Support services			
General and administrative	253,861	-	253,861
Fundraising	102,916	-	102,916
Total support services	356,777	-	356,777
Total expenses	1,451,495	-	1,451,495
Change in net assets	(122,386)	10,994	(111,392)
Net assets, beginning of period	856,092	278,322	1,134,414
Net assets, end of period	\$ 733,706	\$ 289,316	\$ 1,023,022

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

Richmond Art Center
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2020

Exhibit B

	<u>Program Services</u>				<u>Supporting Services</u>			
	Studio Art	Art in Community	Exhibition	Membership & Marketing	Total Program Services	Management & General	Fundraising	Total
Expenses:								
Salaries and wages	\$ 422,055	\$ 264,858	\$ 123,382	\$ 50,221	\$ 860,516	\$ 127,603	\$ 86,368	\$ 1,074,487
Payroll taxes	39,288	22,766	10,426	4,253	76,733	16,724	7,301	100,758
Employee benefits	11,590	13,818	-	3,649	29,057	11,607	-	40,664
Contract services	14,377	-	3,072	-	17,449	12,667	2,370	32,486
Program supplies	22,519	9,788	4,306	1	36,614	3,177	44	39,835
Staff development and recruiting	-	-	-	-	-	12,333	-	12,333
Facilities lease	-	-	-	-	-	27,906	-	27,906
Merchant charges	22,836	-	568	1,269	24,673	2,207	1,052	27,932
Advertising and promotion	3,595	-	-	7,557	11,152	-	-	11,152
Insurance	-	-	3,131	-	3,131	13,987	-	17,118
Printing and reproduction	3,358	-	707	181	4,246	1,552	1,802	7,600
Art tours and program events	1,084	-	623	-	1,707	-	-	1,707
Repairs and maintenance	2,602	-	-	-	2,602	526	-	3,128
Postage and shipping	1,868	-	254	-	2,122	1,515	420	4,057
Art sales commission	-	-	6,555	-	6,555	-	-	6,555
Fundraising expenses	-	-	-	-	-	-	2,993	2,993
Depreciation	-	-	-	-	-	9,167	-	9,167
Professional services	9,396	203	-	528	10,127	950	-	11,077
Travel & meetings	-	143	-	-	143	-	566	709
Dues and subscriptions	-	-	-	-	-	384	-	384
Information technology	-	-	-	-	-	2,513	-	2,513
Equipment	-	-	-	-	-	3,833	-	3,833
Volunteer program	-	-	-	-	-	641	-	641
Payroll processing fees	-	-	-	-	-	4,569	-	4,569
Professional development program	-	7,891	-	-	7,891	-	-	7,891
Total expenses	<u>\$ 554,568</u>	<u>\$ 319,467</u>	<u>\$ 153,024</u>	<u>\$ 67,659</u>	<u>\$ 1,094,718</u>	<u>\$ 253,861</u>	<u>\$ 102,916</u>	<u>\$ 1,451,495</u>

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

Richmond Art Center
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2020

Exhibit C

Cash flows from operating activities:	
Change in net assets	\$ (111,392)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	9,167
Unrealized (gains)/losses on investments	(4,497)
Changes in certain assets and liabilities:	
Grants receivable	(6,925)
Accounts receivable	(19,651)
Prepaid expenses and other current assets	35,566
Accounts payable and accrued expenses	(11,951)
Deferred revenue	<u>(132,039)</u>
Net cash provided (used) by operating activities	<u>(241,722)</u>
Cash flows from investing activities:	
Acquisition of investments	(180,608)
Disposition of investments	200,000
(Gains) / losses on sale of investment	<u>(2,421)</u>
Net cash provided (used) by investing activities	<u>16,971</u>
Cash flows from financing activities:	
Proceeds on notes payable	<u>233,130</u>
Net cash provided (used) by financing activities	<u>233,130</u>
Net increase in cash during the period	8,379
Cash balance, beginning of period	<u>330,275</u>
Cash balance, end of period	<u><u>\$ 338,654</u></u>

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

Richmond Art Center
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 1 - GENERAL

Richmond Art Center (the Center) is a not-for-profit organization that has been creating and sharing art within 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 West Contra Costa Unified School District schools, community centers, and Richmond Public Library.

A. Mission

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

B. Programs

All programs were impacted by COVID-19 as of the end of March 2020. On-site art classes and exhibitions ceased due to the shutdown of the facility. The in-person after school and in-school art classes that were being provided through the AIC program to the West Contra Costa Unified School District also ceased due to the closure of the schools. The Center attempted to keep its presence and its connection to the community alive via virtual learning and virtual events.

Studio Art - All on-site studio art classes ceased when the pandemic arrived. The Center had to cancel 140 classes, 30 workshops and had to return over \$67,000 in class registration fees. For the first time in its history the Center implemented Online Classes beginning in June 2020, including our very first Spanish only, bilingual, and intergenerational classes. In the beginning, 45 classes were offered in total June-September, 29 Adult and 16 Youth. We launched free online meetups for the community to join in at-home creativity.

Art in the Community - Up to the arrival of the pandemic in March 2020, the Center was engaged in teaching in-person art classes at ten schools in the area: Richmond High School had two 120-minute visual mural arts programs as part of their experiential learning program, where students learned to plan, create, and affect art. Kennedy High School had two 120-minute programs in Fashion Design Arts. Seven elementary schools had weekly visual arts sessions (Bayview, DeJean, Highland, Mira Vista, Peres, Riverside, Verde). Students at Mandarin enjoyed an Art Residency Program where they explored various art mediums such as printmaking, books/paper arts, ceramics, mixed media, and animation.

After the arrival of the pandemic, these activities stopped. The Center began developing virtual content to provide classes to some schools. The Center created over 40 distance learning videos, expanding the reach of AIC to all 32,000 West Contra Costa County Unified School District students, plus the general public via the Center's YouTube channel. After the onset of the pandemic, the Center began to offer free community events. These were free one-hour events on Zoom, led by artists, to build community. They were first promoted to our students specifically, then marketed to the general public. They began to run in June 2020.

The Center provided free art kits to Latina Center, Ryse, WCCUSD, Lincoln Families in Contra Costa County, and the Richmond Library. The kits included a local-artist-created art activity/coloring book as part of the package. We had 600 copies printed to distribute to partners and the community.

The Center also provided four 4-hour Art Integration Workshops with State and WCCUSD teachers grades K-6, two groups of 24 people each. When COVID came in March, we had submitted a proposal for additional work but, due to the circumstances, that work stopped.

Richmond Art Center
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 1 - GENERAL (concluded)

B. Programs (concluded)

All the above efforts add up to 457 man-hours of work in arts education and training.

Exhibitions - Due to closing, no exhibitions took place after arrival of the pandemic. Depending on the course of the pandemic, the Center may offer virtual exhibits online in the future. The Center did commission modest but significant works of art from local artists for our facility, in tune with the social movements currently in our society and to spread the messages of social justice, diversity and inclusion.

Memberships and Marketing - Many members renewed their membership as a form of donation, even though they could not enjoy all the benefits. This was not a significant portion of our total funding. The major funding was through a conscientious fund-raising effort to be able to continue operating. Marketing was a key part of this effort, and improvements were made in the caliber and content of the communications that are effectively serving the Center and the community.

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, 2020

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 that 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 to without donor restrictions net assets and reported as net assets released from restrictions.

D. 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.

E. 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.

Richmond Art Center
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Fixed Assets

The Center capitalizes all expenditures for property and equipment 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.

G. 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.

H. 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.

I. 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.

J. 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, 2020.

Richmond Art Center
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (concluded)

J. Income Taxes (concluded)

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 at June 30, 2020 are as follows:

Mechanics Bank	\$ 338,454
Cash on hand	<u>200</u>
Total	<u>\$ 338,654</u>

The corresponding current bank balances for Mechanics Bank, are in excess of the \$250,000 blanket umbrella by the Federal Deposit Insurance Corporation (FDIC). It is the opinion of management that the solvency of the referenced financial institutions is not of particular concern at this time.

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 for the year ended June 30, 2020:

Charles Schwab - General fund	\$ 636,060
Charles Schwab - Regello fund	73,212
Mechanics Bank - Endowment fund	<u>44,677</u>
Total	<u>\$ 753,949</u>

The balances with Charles Schwab were insured up to \$500,000, including a \$100,000 limit for cash, by the Securities Investor Protection Corporation (SIPC). 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 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.)

Richmond Art Center
NOTES TO FINANCIAL STATEMENTS
 June 30, 2020

NOTE 5 - SUMMARY OF FAIR VALUE EXPOSURE (concluded)

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 table provides fair value measurement information for financial assets and liabilities measured at fair value on a recurring basis as of June 30, 2020:

Level 1: Quoted prices	\$	753,949
Level 2: Other significant observable inputs		-
Level 3: Significant unobservable inputs		-
Total	<u>\$</u>	<u>753,949</u>

FSP FAS 157-4, which supersedes FSP FAS 157-3, provides further clarification on SFAS 157 in determining an inactive market and a non-distressed transaction. The above investments for June 30, 2020 are further classified in accordance with FSP FAS 157-4 as follows:

	Total Investment	Level 1	Level 2	Level 3	
Cash	\$ 86,357	\$ 86,357	\$ -	\$ -	11%
Fixed income	554,302	554,302	-	-	74%
Bond funds	55,599	55,599	-	-	7%
Equity funds	<u>57,691</u>	<u>57,691</u>	-	-	8%
Total	<u>\$ 753,949</u>	<u>\$ 753,949</u>	<u>\$ -</u>	<u>\$ -</u>	

NOTE 6 - RECEIVABLES

Grants and accounts receivables at June 30, 2020 consisted of the following:

Grants Receivable:

California Arts Council	\$	61,725
City of Richmond		10,000
Leshner, Dean & Margaret Foundation		<u>45,000</u>
Grants receivable total	<u>\$</u>	<u>116,725</u>

Accounts Receivable:

WCCUSD (c)	\$	4,000
WCCUSD Arts coordinator		12,000
WCCUSD After school program		<u>38,951</u>
Accounts receivable total	<u>\$</u>	<u>54,951</u>

The Center has not accrued a loss for allowances for uncollectible receivables since it is the opinion of management that it is highly probable that all receivables will be collected.

Richmond Art Center
NOTES TO FINANCIAL STATEMENTS
 June 30, 2020

NOTE 7 - LIQUIDITY AND FUNDS AVAILABLE

The following table reflects the Center's financial assets as of June 30, 2020, 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.

Financial assets:

Cash and cash equivalents	\$ 338,654
Investments	753,949
Receivables	<u>171,676</u>
Total financial assets as of June 30, 2020:	<u>1,264,279</u>

Less those unavailable for general expenditures within one year due:

Restricted cash and investments:

Program funds	(244,639)
Endowment funds	<u>(44,677)</u>
Total restricted cash and investments	<u>(289,316)</u>

Financial assets available to meet cash needs for general expenditures within one year:	<u>\$ 974,963</u>
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NOTE 8 - FIXED ASSETS

Fixed assets as of June 30, 2020 consisted of the following:

	Balance 7/1/19	Additions	Deletions	Balance 6/30/20
Furniture and equipment	\$ 74,269	\$ -	\$ -	\$ 74,269
Total cost	74,269	<u>-</u>	<u>-</u>	74,269
Accumulated depreciation	<u>(49,708)</u>			<u>(58,875)</u>
Net capital assets	<u>\$ 24,561</u>			<u>\$ 15,394</u>

Depreciation expense for the year ended June 30, 2020 totaled \$9,167.

NOTE 9 - ACCRUED VACATION

Accumulated unpaid employee vacation benefits are recognized as liabilities of the Center. The amount of accumulated vacation was \$21,246 as of June 30, 2020.

Richmond Art Center
NOTES TO FINANCIAL STATEMENTS
 June 30, 2020

NOTE 10 - NOTES PAYABLE

The Center obtained an SBA Paycheck Protection Program (PPP) loan through Mechanics Bank in the amount of \$233,130 to finance operations during the Coronavirus Pandemic referenced in Note 13. The PPP loan bears an interest rate of 1% and is payable in monthly installments of \$13,120 beginning in November 2020 through April 2022. However, the PPP loan can be forgiven in accordance with the requirements of the Paycheck Protection Program, including the provisions of Section 1106 of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) (P.L. 116-136), as interpreted and clarified by Interim Final Rule published at 13 CFR Part 120 and by any other relevant regulation promulgated or guidance issued by the U.S. Small Business Administration (SBA) or U.S. Treasury. There is no guarantee that the Center will receive forgiveness of any portion of the Loan. Forgiveness is conditioned on SBA Approval and SBA reimbursement to the Lender.

Loan Forgiveness: The Center may apply to the SBA through Mechanics Bank for forgiveness within 10 months of the completion of the covered 24-week period. The forgiveness amount will be equal to the sum of the following costs paid by the Center during this 24-week period, beginning on the date of first disbursement of this loan:

- a. Payroll costs (Not more than 40% of the amount forgiven can be attributable to non-payroll costs.)
- b. Any payment of interest on a covered mortgage obligation (which shall not include any prepayment of or payment of principal on a covered mortgage obligation.)
- c. Any payment on a covered rent obligation.
- d. Any covered utility payment.

At June 30, 2020, the outstanding balance on this notes payable was \$233,130.

The following are maturities of this notes payable for the years ending June 30:

	Principal	Interest
2021	\$ 103,707	\$ 1,252
2022	129,423	589
Total	\$ 233,130	\$ 1,841

NOTE 11 - WITH DONOR RESTRICTED NET ASSETS

Program Funds:

Restricted program funds as of June 30, 2020 were available for the following programs:

<u>Program Activities:</u>	Beginning Balance	Contributions	Releases	Ending Balance
Subject to Expenditures for a Specific Purpose				
Art Studio	\$ 124,230	\$ 12,102	\$ (31,435)	\$ 104,897
Art in Community	111,036	135,361	(124,029)	122,368
Exhibition	508	72,997	(56,161)	17,344
General administration	30	4,000	(4,000)	30
Total	\$ 235,804	\$ 224,460	\$ (215,625)	\$ 244,639

Richmond Art Center
NOTES TO FINANCIAL STATEMENTS
 June 30, 2020

NOTE 11 - WITH DONOR RESTRICTED NET ASSETS (concluded)

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 CUPMIFA.

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:

- 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 in excess of the rate of inflation over the investment time horizon in order 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.

Restricted endowment funds as of June 30, 2020 were available for the following programs:

<u>Program Activities:</u>	<u>Beginning Balance</u>	<u>Dividends & Realized gains/(losses)</u>	<u>Unrealized gains/(losses)</u>	<u>Ending Balance</u>
Subject to Expenditures for a Specific Purpose				
Endowment funds	\$ 42,517	\$ 938	\$ 1,222	\$ 44,677
Total	<u>\$ 42,517</u>	<u>\$ 938</u>	<u>\$ 1,222</u>	<u>\$ 44,677</u>

Richmond Art Center
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 June 30, 2020

NOTE 12 - 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. Minimum future rental payments under this non-cancelable operating lease for each of the following years are as follows, CPI used is equal to an increase of 1.6% over the last twelve months:

For the year ended June 30, 2021	\$	26,823
For the year ended June 30, 2022		27,252
For the year ended June 30, 2023		27,688
For the year ended June 30, 2024		28,131
For the year ended June 30, 2025		<u>28,581</u>
Total		<u>\$ 138,475</u>

NOTE 13 - CONTINGENCY – CORONAVIRUS PANDEMIC

Coronavirus Pandemic

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) began to spread among various countries, including the United States. On March 11, 2020, the World Health Society characterized COVID-19 as a pandemic. In addition, multiple jurisdictions in the U.S., including California, have declared a state of emergency and issued shelter-in-place orders in response to the outbreak. The immediate impact to the Center’s operations includes restrictions on employees’ and volunteers’ ability to work, and it is anticipated that the impacts from this pandemic will continue for some time. As of the report date, the financial impact of the coronavirus outbreak cannot be measured.

NOTE 14 - SUBSEQUENT EVENTS

In preparing these financial statements, the Center has evaluated events and transactions for potential recognition or disclosure through April 9, 2021, the date the financial statements were issued.