

RICHMOND ART CENTER

RICHMOND, CALIFORNIA

FINANCIAL STATEMENTS

JUNE 30, 2022

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Richmond Art Center
Richmond, California

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, 2022, 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, 2022, 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.

R.J. Ricciardi, Inc.

R.J. Ricciardi, Inc.
Certified Public Accountants

San Rafael, California
December 2, 2022

Richmond Art Center
STATEMENT OF FINANCIAL POSITION
June 30, 2022

ASSETS

Current assets:

Cash and cash equivalents	\$ 135,185
Investments and endowment fund	1,067,562
Grants receivable	37,500
Prepaid expenses and other current assets	<u>30,129</u>
Total current assets	<u>1,270,376</u>

Non-current assets:

Fixed assets, net of accumulated depreciation	<u>90,286</u>
Total non-current assets	<u>90,286</u>
Total assets	<u>\$ 1,360,662</u>

LIABILITIES AND NET ASSETS

Current liabilities:

Accounts payable and accrued expenses	\$ 13,629
Accrued vacation	26,786
Deferred revenue	<u>41,759</u>
Total current liabilities	<u>82,174</u>

Net assets - Exhibit A:

Without donor restrictions	<u>1,034,914</u>
Total without donor restrictions	<u>1,034,914</u>
With donor restrictions	
Program funds	193,209
Endowment funds	<u>50,365</u>
Total with donor restrictions	<u>243,574</u>
Total net assets	<u>1,278,488</u>
Total liabilities and net assets	<u>\$ 1,360,662</u>

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

Richmond Art Center
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2022

Exhibit A

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues:			
Donations & grants	\$ 250,308	\$ 188,000	\$ 438,308
Class registration fees	107,029	-	107,029
Government grants	250,000	-	250,000
Fees for service	30,318	-	30,318
Membership dues & fees	9,050	-	9,050
Miscellaneous income	12,691	-	12,691
Rental income	500	-	500
Fundraising	2,205	-	2,205
Investment return, net	(7,309)	(5,486)	(12,795)
Gain on extinguishment of debt	205,597	-	205,597
Net assets released from restriction	245,966	(245,966)	-
Total revenues	1,106,355	(63,452)	1,042,903
Expenses:			
Program services			
Art Studio	278,582	-	278,582
Art in Community	133,033	-	133,033
Exhibition	147,308	-	147,308
Membership and marketing	45,019	-	45,019
Total program services	603,942	-	603,942
Support services			
General and administrative	267,358	-	267,358
Fundraising	95,720	-	95,720
Total support services	363,078	-	363,078
Total expenses	967,020	-	967,020
Change in net assets	139,335	(63,452)	75,883
Net assets, beginning of period	895,579	307,026	1,202,605
Net assets, end of period	\$ 1,034,914	\$ 243,574	\$ 1,278,488

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

Richmond Art Center
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2022

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	\$ 227,624	\$ 87,943	\$ 88,634	\$ 37,571	\$ 441,772	\$ 139,780	\$ 81,006	\$ 662,558
Payroll taxes	19,087	7,268	7,446	3,133	36,934	15,951	6,384	59,269
Employee benefits	10,800	-	2,000	-	12,800	8,608	-	21,408
Contract services	3,010	-	2,270	-	5,280	1,075	5,869	12,224
Program supplies	3,930	11,888	9,401	-	25,219	1,799	-	27,018
Staff development and recruiting	865	-	-	-	865	4,595	-	5,460
Facilities lease	-	-	-	-	-	28,776	-	28,776
Merchant charges	4,361	-	474	259	5,094	1,830	1,986	8,910
Marketing and promotion	992	-	-	2,939	3,931	-	-	3,931
Insurance	-	-	3,379	-	3,379	20,099	-	23,478
Printing and reproduction	-	-	2,440	-	2,440	189	-	2,629
Art tours and program events	-	3,920	1,316	-	5,236	-	-	5,236
Repairs and maintenance	6,996	-	-	-	6,996	6,787	-	13,783
Postage and shipping	437	-	253	-	690	1,142	140	1,972
Art sales commission	-	-	29,695	-	29,695	-	-	29,695
Fundraising expenses	-	-	-	-	-	-	335	335
Depreciation	-	-	-	-	-	11,130	-	11,130
Professional services	480	14,860	-	1,117	16,457	1,200	-	17,657
Dues and subscriptions	-	-	-	-	-	682	-	682
Information technology	-	-	-	-	-	14,882	-	14,882
Equipment	-	-	-	-	-	5,354	-	5,354
Volunteer program	-	-	-	-	-	30	-	30
Payroll processing fees	-	-	-	-	-	3,449	-	3,449
Professional development program	-	7,154	-	-	7,154	-	-	7,154
Total expenses	<u>\$ 278,582</u>	<u>\$ 133,033</u>	<u>\$ 147,308</u>	<u>\$ 45,019</u>	<u>\$ 603,942</u>	<u>\$ 267,358</u>	<u>\$ 95,720</u>	<u>\$ 967,020</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, 2022

Exhibit C

Cash flows from operating activities:	
Change in net assets	\$ 75,883
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	11,130
Net unrealized (gains)/losses on investments	12,795
Gain on extinguishment of debt	(205,597)
Changes in certain assets and liabilities:	
Grants receivable	13,700
Accounts receivable	2,840
Prepaid expenses and other current assets	(1,295)
Accounts payable and accrued expenses	24,296
Deferred revenue	27,343
Net cash (used) by operating activities	<u>(38,905)</u>
Cash flows from investing activities:	
Acquisition of investments	(100,000)
Disposition of investments	200,000
Fixed asset additions	(55,430)
Net cash provided by investing activities	<u>44,570</u>
Net increase in cash during the period	5,665
Cash balance, beginning of period	<u>129,520</u>
Cash balance, end of period	<u>\$ 135,185</u>

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

Richmond Art Center
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

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 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

With COVID abating, the Center started opening on-site programs and activities very slowly in the middle of calendar year 2021, holding classes and events in our outdoor courtyard. The Center was able to hold a handful of classes at the facility, had a very successful Family Day event in the Fall and provided professional development classes to our WCCUSD teaching partners. The Center held summer camp again, serving about 72 local youth. For those people that were wary of in-person activities, the Center stayed connected to them via virtual learning and virtual events. The fiscal year began with some inspiring news when, in the month of June 2021, the Center received recognition from the California Legislature: “For our commitment to uplifting an inclusive workforce and supporting the vibrancy of those that create and preserve the cultural identities of all California communities.”

Studio Art – The Center began opening the studios with on-site classes cautiously. During the spring of 2022 the Center offered 30 classes of which a quarter were intergenerational, bilingual, and Spanish classes. See the listing at <https://richmondartcenter.org/class-catalog/catalog/> for a sample of what the Center is offering. Currently, the Center has been able to scale to nearly 60 classes and workshops on-site, but for safety, the Center still runs classrooms at a limited capacity (10-12 people depending on the type of class). The Center continues to give adult and youth scholarships to anyone who needs them. The Center gives 20 to 24 scholarships every quarter valued at around \$4,500.

Art in the Community – The Center has re-engaged with the schools to the extent where they allow in-person interaction. The wonderful 56th Annual WCCUSD Student Art Show ran until May 14th, 2022. The Center covered all costs of the entire event plus awards and prizes for the youth as the schools did not have money in their budget. This was probably the biggest student art show in the county. Participating Schools were Betty Reid Soskin Middle School, De Anza High School, El Cerrito High School, Fred T. Korematsu Middle School, Helms Middle School, Hercules High School, Hercules Middle School, John F. Kennedy High School, Mira Vista School, Pinole Middle School, Pinole Valley High School, and Richmond High School.

The Center continues community partnerships with key local players (RPAL, RYSE, Community Centers, EBCPA, NIAD) with the goal to offer free arts classes at their sites. RAC started a “Doing Arts Now” program onsite with RYSE in April. The Center continues to increase its community outreach, partnering, and programming. The Center is collaborating with NIAD for joint exhibitions, and Peres, Montalvin and Mandarin schools are working with the Center for arts programming for their youth.

Richmond Art Center
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 1 - GENERAL (concluded)

B. Programs (concluded)

Exhibitions – The Center’s galleries are now open Wednesdays through Saturdays until 4 pm and we get up to 50 attendees on weekdays. Special events, such as opening or closing receptions, generate from over 150 to over 300 attendees, all using careful COVID protocols with plenty of outside, fresh air circulating.

In February, in honor of Black History Month, the Center held a special presentation by Patricia Mapps, *From Africa to Richmond*. Through archival research, oral history, and DNA, Patricia has traced her ancestors to Africa and uncovered a story of enslavement and emancipation, and their transition to farm laborers, then to farmers, and then to Civil Rights activists in Richmond. Like many of our events, this was free.

Dewey Crumpler: *Crossings* exhibit was the first of Dewey Crumpler’s ‘shipping container’ work exhibited in the Bay Area. The exhibition included over 120 works that ask us to consider the history, lived-legacy and future impact of the global shipping industry. Dewey also hosted a live conversation along the exhibit.

Right Here, Right Now: A Biennial of Richmond Art presented the work of eight Richmond artists selected for their risk-taking and visionary creative practices.

The Center is now getting noticed globally, with reviews of our exhibits in publications such as *Art Forum* and attracting visitors from all the Bay Area, including funders/donors from Los Angeles. The Center representatives were onsite at MOMA in San Francisco spreading the word last August 4th to complement both Diego Rivera’s *America* at SFMOMA and Emmy Lou Packard: *Artist of Conscience* at the Richmond Art Center. We were seen by 750-1,000 people in this popular event.

Memberships and Marketing – The Center ran a membership campaign in the Spring and gathered over 55 new members and renewals. This is not a significant portion of our total funding. The Center’s marketing effort is excellent with consistent communications via email, USPS, banners in front of the building, targeted outreach to the minority communities, website announcements, and such. The Center continues to provide bilingual marketing communications and in some limited cases, also in Mandarin. On October 23, 2021, we held our Family Day and Día de los Muertos Celebration. It was one of the best events ever at the Center. Live music, storytelling, arts and crafts creation, edible art—there was something for everyone. We had 237 attendees, and we were able to get back into outreach mode with the community.

Looking ahead - After a two-year hiatus, the Center is preparing for the Holiday Arts Festival in December with lots of activities for the community, including youth workshops. The Center has already signed up over 120 artists for the *Art of the African Diaspora* in January 2023 and has highlighted their emerging artists in our “New Visions” exhibit. The Center has received funding from the California Arts Council to continue providing free art tours for youth and the community during the coming year. The Center also has funding to continue providing professional development workshops for West Contra Costa Unified School District teachers. And finally, enrollment numbers for classes are slowly inching up to pre-COVID levels, which is very encouraging.

Richmond Art Center
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

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.

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.

Richmond Art Center
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Description of Net Assets (concluded)

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. 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 on the basis of 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.

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.

Richmond Art Center
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued)

H. 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.

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. 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.

K. 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.

L. 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, 2022.

Richmond Art Center
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (concluded)

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

M. Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in *Topic 840, Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement.

The new standard is effective for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. The Center is evaluating the impact of the pending adoption of the new standard on the financial statements.

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*, to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts-in-kind, for not-for-profit organizations through enhancements in presentation and disclosure. ASU 2020-07 was issued to address certain stakeholder's concern about the lack of transparency about the measurement of contributed nonfinancial assets recognized by not-for-profits, as well as the amount of those contributions used in an entity's programs and other activities. The standard is effective for annual reporting periods beginning after June 15, 2021 and should be applied on a retrospective basis. The Center is evaluating the effect that ASU 2020-07 will have on its financial statements and related disclosures.

NOTE 3 - CASH AND CASH EQUIVALENTS

The cash balances at June 30, 2022 are as follows:

Mechanics Bank	\$ 134,985
Cash on hand	<u>200</u>
Total	<u>\$ 135,185</u>

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

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, 2022:

Charles Schwab - General fund	\$ 938,369
Charles Schwab - Regello fund	78,828
Mechanics Bank - Endowment fund	<u>50,365</u>
Total	<u>\$ 1,067,562</u>

Richmond Art Center
NOTES TO FINANCIAL STATEMENTS
 June 30, 2022

NOTE 4 - INVESTMENT AND ENDOWMENT (concluded)

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 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 table provides fair value measurement information for financial assets and liabilities measured at fair value on a recurring basis as of June 30, 2022:

Level 1: Quoted prices	\$ 1,067,562
Level 2: Other significant observable inputs	-
Level 3: Significant unobservable inputs	-
Total	\$ 1,067,562

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, 2022 are further classified in accordance with FSP FAS 157-4 as follows:

	Total				
	Investment	Level 1	Level 2	Level 3	
Cash	\$ 287,094	\$ 287,094	\$ -	\$ -	27%
Fixed income	683,447	683,447	-	-	64%
Bond funds	33,581	33,581	-	-	3%
Equity funds	63,440	63,440	-	-	6%
Total	\$ 1,067,562	\$ 1,067,562	\$ -	\$ -	

Richmond Art Center
NOTES TO FINANCIAL STATEMENTS
 June 30, 2022

NOTE 6 - RECEIVABLES

Grants receivable at June 30, 2022 consisted of the following:

Grants Receivable:

California Arts Council	\$ 20,000
National Endowment of Arts	<u>17,500</u>
Grants receivable total	<u>\$ 37,500</u>

Grants receivable represent that portion of grants and contracts earned, but from which funds have not been received as of year-end. The amount of grants, contracts, and accounts receivable for the year ended June 30, 2022 was \$37,500.

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, 2022, 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	\$ 135,185
Investments	1,067,562
Receivables	<u>37,500</u>
Total financial assets as of June 30, 2022:	<u>1,240,247</u>

Less those unavailable for general expenditures within one year due:

Restricted cash and investments:

Program funds	(193,209)
Endowment funds	<u>(50,365)</u>
Total restricted cash and investments	<u>(243,574)</u>

Financial assets available to meet cash needs for general expenditures within one year:	<u>\$ 996,673</u>
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Richmond Art Center
NOTES TO FINANCIAL STATEMENTS
 June 30, 2022

NOTE 8 - FIXED ASSETS

Fixed assets as of June 30, 2022 consisted of the following:

	Balance 7/1/21	Additions	Deletions	Balance 6/30/22
Furniture and equipment	\$ 74,269	\$ 14,775	\$ 23,697	\$ 65,347
Capital asset improvements	38,062	40,655	-	78,717
Total cost	112,331	<u>\$ 55,430</u>	<u>\$ 23,697</u>	144,064
Accumulated depreciation	(66,346)			(53,778)
Net capital assets	<u>\$ 45,985</u>			<u>\$ 90,286</u>

Depreciation expense for the year ended June 30, 2022 totaled \$11,130.

NOTE 9 - ACCRUED VACATION

Accumulated unpaid employee vacation benefits are recognized as liabilities of the Center. The amount of accumulated vacation was \$26,786 as of June 30, 2022.

NOTE 10 - WITH DONOR RESTRICTED NET ASSETS

Program Funds:

Restricted program funds as of June 30, 2022 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	\$ 75,258	\$ -	\$ (17,295)	\$ 57,963
Art in Community	66,960	47,000	(65,526)	48,434
Exhibition	7,188	41,000	(19,534)	28,654
General administration	101,769	100,000	(143,611)	58,158
Total	<u>\$ 251,175</u>	<u>\$ 188,000</u>	<u>\$ (245,966)</u>	<u>\$ 193,209</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 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.

Richmond Art Center
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 10 - WITH DONOR RESTRICTED NET ASSETS (continued)

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.

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 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.

Richmond Art Center
NOTES TO FINANCIAL STATEMENTS
 June 30, 2022

NOTE 10 - WITH DONOR RESTRICTED NET ASSETS (concluded)

In accordance with SPMIFA, the Center considers the following factors in making a determination 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

Restricted endowment funds as of June 30, 2022 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	\$ 55,851	\$ 889	\$ (6,375)	\$ 50,365
Total	<u>\$ 55,851</u>	<u>\$ 889</u>	<u>\$ (6,375)</u>	<u>\$ 50,365</u>

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. 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, 2023	\$ 29,051
For the year ended June 30, 2024	30,009
For the year ended June 30, 2025	31,000
For the year ended June 30, 2026	32,023
For the year ended June 30, 2027	<u>33,079</u>
Total	<u>\$ 155,162</u>

Richmond Art Center
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 12 - 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, declared a state of emergency and issued shelter-in-place orders in response to the outbreak. The immediate impact to the Center's operations included 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 13 - SUBSEQUENT EVENTS

In preparing these financial statements, the Center has evaluated events and transactions for potential recognition or disclosure through December 2, 2022, the date the financial statements were issued.