

American Museum of Ceramic Art

Financial Statements

and

Independent Auditors' Report

Years Ended December 31, 2022 and 2021



smithmarion

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INDEPENDENT AUDITORS' REPORT

The Governing Body of
American Museum of Ceramic Art

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

We have audited the accompanying financial statements of American Museum of Ceramic Art (Corporation), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

BASIS FOR OPINION

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Corporation 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 the Corporation's ability to continue as a going concern for one year after the date that the financial statements are 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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

(1) Exercise professional judgment and maintain professional skepticism throughout the audit; (2) 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; (3) 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 the Corporation's internal control. Accordingly, no such opinion is expressed. (4) 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; (5) Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation'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.

Smith, Marion & Co.

June 27, 2023
Redlands, CA

AMERICAN MUSEUM OF CERAMIC ARTStatements of Financial Position
December 31, 2022 and 2021

Assets	2022	2021
Current assets:		
Cash and equivalents - operating	\$ 1,019,471	\$ 1,060,797
Restricted cash and equivalents	5,525	7,375
Fees and charges receivable	1,030	1,871
Current portion of mortgages receivable	4,512	4,292
Investments - operating	151,647	162,373
Restricted investments	3,267,304	3,975,183
Prepays and deposits	2,026	2,026
Inventory	165,631	156,163
Total current assets	<u>4,617,146</u>	<u>5,370,080</u>
Long-term portion of mortgage receivable	160,744	165,256
Property and equipment, at cost		
Non-depreciable		
Land	2,470,000	2,470,000
Construction in progress	423,210	191,220
Depreciable		
Buildings and improvements	1,739,377	1,721,977
Furniture and equipment	180,526	156,314
Total acquisition costs	<u>4,813,113</u>	<u>4,539,511</u>
Less accumulated depreciation	<u>(781,108)</u>	<u>(710,823)</u>
Property and equipment, net	<u>4,032,005</u>	<u>3,828,688</u>
Total Assets	<u>\$ 8,809,895</u>	<u>\$ 9,364,024</u>

See accompanying notes.

AMERICAN MUSEUM OF CERAMIC ARTStatements of Financial Position
December 31, 2022 and 2021

Liabilities and Net Assets	2022	2021
Current liabilities:		
Accounts payable	\$ 61,875	\$ 21,700
Deposits held in trust, contra	5,525	7,375
Grant advances	-	107,477
Prepaid fees and charges	11,152	7,615
Other current liabilities	4,087	1,142
Accrued vacation payable	19,046	19,754
Accrued payroll tax and benefits payable	47	205
Accrued interest payable	-	3,825
Current portion of notes and loans payable	49,201	47,555
Total current liabilities	<u>150,933</u>	<u>216,648</u>
Notes and loans payable less current portion and unamortized loan fees	<u>1,465,827</u>	<u>1,513,156</u>
Total other liabilities	<u>1,465,827</u>	<u>1,513,156</u>
Total liabilities	<u>1,616,760</u>	<u>1,729,804</u>
Net assets:		
Without donor restrictions		
Undesignated	2,552,000	2,477,826
Designated by the board	146,319	162,380
Total without donor restrictions	<u>2,698,319</u>	<u>2,640,206</u>
With donor restrictions		
Purpose restrictions	4,494,816	4,994,014
Total with donor restrictions	<u>4,494,816</u>	<u>4,994,014</u>
Total net assets	<u>7,193,135</u>	<u>7,634,220</u>
Total Liabilities and Net Assets	<u>\$ 8,809,895</u>	<u>\$ 9,364,024</u>

See accompanying notes.

AMERICAN MUSEUM OF CERAMIC ARTStatement of Activities
Year Ended December 31, 2022

Revenue, Support, and Gains	Without Donor Restrictions	With Donor Restrictions	Total
Contributions, contracts, and grants	\$ 394,880	\$ 427,701	\$ 822,581
Exchange portion of membership dues	77,085	-	77,085
In-kind contributions	185,380	-	185,380
Program service fees	156,848	-	156,848
Net investment return	(22,027)	(603,464)	(625,491)
Other revenue	15,866	-	15,866
Interest Income	8,398	-	8,398
Gross rental revenue	148,802	-	148,802
Less collection losses	-	-	-
Net rental revenue	148,802	-	148,802
Gift shop sales	93,961	-	93,961
Less costs of goods sold	(64,953)	-	(64,953)
Net gift shop sales	29,008	-	29,008
Net assets released from restriction	323,435	(323,435)	-
Total revenue, support, and gains	1,317,675	(499,198)	818,477
Expenses and Losses			
Program services expense	1,060,048	-	1,060,048
Supporting services expense			
Management and general	222,558	-	222,558
Fundraising	56,246	-	56,246
Total supporting services expense	1,338,852	-	1,338,852
Loss of disposition of assets	-	-	-
Total expenses and losses	1,338,852	-	1,338,852
Change in net assets	(21,177)	(499,198)	(520,375)
Net assets, beginning of year	2,640,206	4,994,014	7,634,220
Prior-period restatement	79,290	-	79,290
Net assets, beginning of year (restated)	2,719,496	4,994,014	7,713,510
Net Assets, End of Year	\$ 2,698,319	\$ 4,494,816	\$ 7,193,135

See accompanying notes.

AMERICAN MUSEUM OF CERAMIC ART

Statement of Activities
Year Ended December 31, 2021

Revenue, Support, and Gains	Without Donor Restrictions	With Donor Restrictions	Total
Contributions, contracts, and grants	\$ 449,116	\$ 848,885	\$ 1,298,001
Exchange portion of membership dues	58,693	-	58,693
In-kind contributions	113,620	-	113,620
Program service fees	60,729	-	60,729
Net investment return	(7,406)	670,724	663,318
Other revenue	1,211	-	1,211
Interest Income	8,591	-	8,591
Gross rental revenue	167,662	-	167,662
Less collection losses	-	-	-
Net rental revenue	<u>167,662</u>	<u>-</u>	<u>167,662</u>
Gift shop sales	33,853	-	33,853
Less costs of goods sold	(20,947)	-	(20,947)
Net gift shop sales	<u>12,906</u>	<u>-</u>	<u>12,906</u>
Net assets released from restriction	<u>279,212</u>	<u>(279,212)</u>	<u>-</u>
Total revenue, support, and gains	<u>1,144,334</u>	<u>1,240,397</u>	<u>2,384,731</u>
 Expenses and Losses			
Program services expense	<u>860,278</u>	<u>-</u>	<u>860,278</u>
Supporting services expense			
Management and general	255,194	-	255,194
Fundraising	35,197	-	35,197
Total supporting services expense	<u>290,391</u>	<u>-</u>	<u>290,391</u>
Loss of disposition of assets	<u>-</u>	<u>-</u>	<u>-</u>
Total expenses and losses	<u>1,150,669</u>	<u>-</u>	<u>1,150,669</u>
Change in net assets	(6,335)	1,240,397	1,234,062
Net assets, beginning of year	2,646,541	3,753,617	6,400,158
Net Assets, End of Year	<u>\$ 2,640,206</u>	<u>\$ 4,994,014</u>	<u>\$ 7,634,220</u>

See accompanying notes.

AMERICAN MUSEUM OF CERAMIC ARTStatement of Functional Expenses
Year Ended December 31, 2022

	Program Services	Management and General	Fundraising	Total
Exhibits	\$ 104,742	\$ -	\$ -	\$ 104,742
Art programs	62,073	-	-	62,073
Member relations	11,340	-	-	11,340
Salaries and wages	410,893	77,042	25,681	513,616
Employee benefits	13,747	2,577	859	17,183
Payroll taxes	33,523	6,286	2,095	41,904
Fees for professional services	46,195	8,661	2,887	57,743
Accounting	70,413	13,203	4,401	88,017
Bank charges and PayPal fees	5,928	1,111	370	7,409
Advertising and promotion	4,574	858	286	5,718
Office expenses	113,964	21,368	7,123	142,455
Occupancy	76,278	14,302	4,767	95,347
Travel	807	151	50	1,008
Conferences, conventions, and meetings	5,420	581	-	6,001
Interest	53,286	-	-	53,286
Insurance	38,408	7,202	2,401	48,011
Depreciation	2,236	68,049	-	70,285
Other taxes and licenses	6,221	1,167	389	7,777
Gift shop cost of goods sold	64,953	-	-	64,953
Cost of direct benefits to donors	-	-	4,937	4,937
Total Expenses by Function	1,125,001	222,558	56,246	1,403,805
Less expenses included with revenues on the statement of activities				
Gift shop cost of goods sold	(64,953)	-	-	(64,953)
Total Expenses Included in the Expense Section on the Statement of Activities	\$ 1,060,048	\$ 222,558	\$ 56,246	\$ 1,338,852

See accompanying notes.

AMERICAN MUSEUM OF CERAMIC ARTStatement of Functional Expenses
Year Ended December 31, 2021

	Program Services	Management and General	Fundraising	Total
Exhibits	\$ 153,859	\$ -	\$ -	\$ 153,859
Art programs	47,908	-	-	47,908
Member relations	3,396	-	-	3,396
Salaries and wages	301,244	56,483	18,828	376,555
Employee benefits	11,091	2,080	693	13,864
Payroll taxes	25,517	4,784	1,595	31,896
Fees for professional services	20,702	3,882	1,294	25,878
Accounting	18,946	3,552	1,184	23,682
Bank charges and PayPal fees	6,043	1,133	378	7,554
Advertising and promotion	14,251	2,672	891	17,814
Office expenses	60,796	11,399	3,800	75,995
Occupancy	64,230	12,043	4,014	80,287
Travel	119	23	8	150
Conferences, conventions, and meetings	-	581	-	581
Interest	63,338	-	-	63,338
Insurance	25,615	4,803	1,601	32,019
Depreciation	-	68,049	-	68,049
Amortization	-	1,866	-	1,866
In-kind expense	32,920	80,700	-	113,620
Bad debt expense	4,200	-	-	4,200
Other taxes and licenses	6,103	1,144	381	7,628
Gift shop cost of goods sold	20,947	-	-	20,947
Cost of direct benefits to donors	-	-	530	530
Total Expenses by Function	881,225	255,194	35,197	1,171,616
Less expenses included with revenues on the statement of activities				
Gift shop cost of goods sold	(20,947)	-	-	(20,947)
Total Expenses Included in the Expense Section on the Statement of Activities	\$ 860,278	\$ 255,194	\$ 35,197	\$ 1,150,669

See accompanying notes.

AMERICAN MUSEUM OF CERAMIC ART

Statements of Cash Flows
Years Ended December 31, 2022 and 2021

	2022	2021
Cash flows from operating activities		
Change in net assets	\$ (520,375)	\$ 1,234,062
Adjustments to reconcile change in net assets to net cash from (used for) operating activities:		
Depreciation	70,285	68,049
Net realized and unrealized losses (gains) on investments	688,541	(663,318)
Amortization of loan fees	1,866	1,866
Interest accrual non-cash operating	(3,825)	3,825
Contributions of investments	-	(5,050)
Changes in operating assets and liabilities		
Fees and charges receivable	841	(541)
Inventories	(9,468)	3,961
Accounts payable	40,175	(6,817)
Deposits held in trust, contra	(1,850)	2,250
Grant advances	(107,477)	(16,323)
Prepaid fees and charges	3,537	(7,646)
Other current liabilities	2,945	217
Accrued wages payable	(708)	(14,061)
Accrued payroll tax and benefits payable	(158)	(98)
Net cash from (used for) operating activities	<u>164,329</u>	<u>600,376</u>
Cash flows from investing activities		
Purchases of property and equipment	(194,312)	(178,417)
Purchases of investments	(893,796)	(2,060,301)
Proceeds from the sale of investments	923,860	2,128,294
Collection of principal on mortgages	4,292	4,083
Net cash from (used for) investing activities	<u>(159,956)</u>	<u>(106,341)</u>
Cash flows from financing activities		
Principal payments on loans payable	(47,549)	(38,216)
Proceeds from additional financing	-	3,825
Net cash from (used for) financing activities	<u>(47,549)</u>	<u>(34,391)</u>
Net change in cash and cash equivalents	(43,176)	459,644
Cash and cash equivalents, beginning of year	1,068,172	608,528
Cash and Cash Equivalents, End of Year	<u>\$ 1,024,996</u>	<u>\$ 1,068,172</u>
Cash equivalents - operating	\$ 1,019,471	\$ 1,060,797
Restricted cash and equivalents	5,525	7,375
Cash and Cash Equivalents, End of Year	<u>\$ 1,024,996</u>	<u>\$ 1,068,172</u>
Supplemental disclosure of cash flow information		
Cash paid during the year for		
Interest	\$ 47,595	\$ 65,297
	<u>\$ 47,595</u>	<u>\$ 65,297</u>

See accompanying notes.

NOTE 01 - NATURE OF BUSINESS AND ORGANIZATION

American Museum of Ceramic Art (Corporation, we, us, our) was incorporated in 2003, and is a charitable, nonprofit organization. The mission of the Corporation is to educate by presenting, collecting, and preserving significant ceramic achievements of the world's cultures from ancient times to the present and through aesthetic and technical study to develop a deeper understanding of cultural values and traditions. This is accomplished in part by operating a museum of ceramics in Pomona, California.

NOTE 02 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

These financial statements have been presented on the accrual basis of accounting.

Cash and Cash Equivalents

For purposes of the statements of financial position and cash flows, cash includes cash on hand and on deposit.

Receivables and Credit Policies

Accounts receivable consist primarily of noninterest-bearing amounts due for program services, educational, and training programs. We determine the allowance for uncollectable accounts receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Accounts receivable are written off when deemed uncollectable. At December 31, 2022 and 2021, no amounts have been deemed uncollectable.

Inventory

Our inventory consists of books and DVD's held for sale. Inventory is stated at the lower of cost or market determined by the first-in first-out method. We have provided no allowance for inventory obsolescence.

Investments

We record investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment return/(loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

Property and Equipment

Property and equipment is stated at cost if purchased or at estimated fair market value if donated. Depreciation of property and equipment is provided on a straight-line basis over the estimated useful lives of the asset. The Corporation capitalizes all expenditures for property and equipment in excess of \$1,000. The estimated useful lives of the buildings are 31 years. The useful lives of computers and equipment are estimated at 5-10 years.

Net Assets

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

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

Net Assets with Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Revenue and Revenue Recognition

Revenue is recognized when earned. Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed, or expenditures are incurred, respectively. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Membership Dues

Membership dues, which are nonrefundable, are comprised of an exchange element based on the benefits received, and a contribution element for the difference. Payments are required at the time of sale or start of the membership period; amounts received in advance are deferred to the applicable period. With the exception of goods and services provided in connection with membership dues, which are transferred over the period of membership, all goods and services are transferred at a point in time.

Donated Services and In-Kind Contributions

Volunteers contribute significant amounts of time to our program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by Generally Accepted Accounting Principles. Contributed goods are recorded at fair value at the date of donation. We record donated professional services at the respective fair values of the services received.

As of December 31, 2022 and December 31, 2021, the Corporation recognized donated services of \$185,380 and \$192,910, respectively. In addition, some unpaid volunteers have made contributions of their time to the Corporation, however, the value of these services is not reflected in these financial statements because the criteria for recognition have not been satisfied.

Estimates

The preparation of financial statements in conformity with Generally Accepted Accounting Principles requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and those differences could be material.

Income Taxes

The Corporation is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and Section 23701d of the California Code. The Corporation is required to report unrelated business income as defined under IRC sections 511 through 515. There was no unrelated business income tax expense for the years ended December 31, 2022 and 2021.

The Corporation files informational organization returns and when applicable, unrelated business income tax returns in the United States federal jurisdiction and with the Franchise Tax Board in the State of California.

Collections

The Corporation maintains collections of ceramic art that are significant in relation to its total assets. The Corporation has adopted a policy of not capitalizing the collection of artwork in its financial statements. Accordingly, no collection items are recognized as assets, whether they are purchased or received as a donation. Purchases of collection items reduce net assets in the period when purchased. Proceeds from sales or insurance recoveries are recorded as increases in net assets when received. The Corporation employs curators to ensure that the collections are protected and preserved.

The Corporation holds its collections for public exhibition, education, and research rather than for financial gain. It protects, cares for, preserves, and keeps its collections unencumbered, subject to a policy that requires proceeds from sales of collection items to be used to purchase additional items for the collection.

Functional Allocation of Expenses

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

Compensated Absences

Employees of the Corporation are entitled to paid vacation, paid sick days, and personal days off, depending on job classification, length of service, and other factors. As of December 31, 2022, the Corporation has accrued liabilities of \$19,093 as stated in the accompanying financial statements.

Advertising Costs

Advertising costs are expensed as incurred.

Subsequent Events

We have evaluated subsequent events through June 27, 2023, the date the financial statements were available to be issued.

Deferred Financing Fees

Debt issuance costs are amortized over the period the related obligation is outstanding using the straight-line method, which is a reasonable estimate of the effective interest method. Debt issuance costs are included within long-term debt on the statement of financial position. Amortization of debt issuance costs is included in interest expense in the accompanying financial statements.

Reclassification

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

NOTE 03 - LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

	2022	2021
Cash and equivalents - operating	\$ 1,019,471	\$ 1,060,797
Restricted cash and equivalents	5,525	7,375
Fees and charges receivable	1,030	1,871
Investments - operating	151,646	162,373
	<u>1,177,672</u>	<u>1,232,416</u>
Less amounts not available to be used within one year:		
Deposits held in trust	(5,525)	(7,375)
Future expendable board-designated reserves	-	-
	<u>-</u>	<u>-</u>
Financial Assets Available for General Expenditures over Next 12 Months	<u>\$ 1,172,147</u>	<u>\$ 1,225,041</u>

As part of our liquidity management plan, we invest cash in excess of daily requirements in short-term investments, CDs, and Money Market funds. Occasionally, the Board designates a portion of any operating surplus to its operating reserve, which was \$0 and \$0 as of December 31, 2022 and 2021.

NOTE 04 - RESTRICTED DEPOSITS

Restricted cash and equivalents were comprised of the following as of December 31:

	2022	2021
Deposits held in trust - security deposits	<u>\$ 5,525</u>	<u>\$ 7,375</u>
Restricted Cash and Equivalents	<u>\$ 5,525</u>	<u>\$ 7,375</u>

Restricted investments were comprised of the following as of December 31:

	2022	2021
Donor restricted investments	<u>\$ 3,267,304</u>	<u>\$ 3,975,183</u>
Restricted Investments	<u>\$ 3,267,304</u>	<u>\$ 3,975,183</u>

NOTE 05 - MORTGAGES RECEIVABLE

Mortgages receivable as of December 31, 2022 and 2021, respectively consisted of the following:

	2022	2021
Mortgage note receivable with the face value of \$199,000, and secured by real property at 32185 River Island Drive, Springville, CA 93265. The Corporation receives monthly payments at \$1,056, which includes interest at 5.00%. Commencing on April 29, 2013, and continuing thereafter until March 29, 2028, at which time the entire unpaid balance, together with interest due, shall become payable to the Corporation.	\$ 165,256	\$ 169,548
Total Mortgages Receivable	\$ 165,256	\$ 169,548

NOTE 06 - INVESTMENTS

Net Investment Returns

Investment returns are summarized as follows for the years ended December 31:

	2022	2021
Interest and dividend income	\$ 69,600	\$ 78,092
Fees and related expenses	(6,550)	(38,212)
Realized gain (loss)	21,019	315,236
Unrealized gain (loss)	(709,560)	308,202
Net Investment Returns	\$ (625,491)	\$ 663,318

Fair Value Measurements and Disclosures

We report certain assets at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available.

AMERICAN MUSEUM OF CERAMIC ARTNotes to Financial Statements
Years Ended December 31, 2022 and 2021

A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that we can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset or liability. In these situations, we develop inputs using the best information available in the circumstances.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following tables presents assets and liabilities measured at fair value on a recurring basis, except those measured at cost, at December 31:

	December 31, 2022			
	Total	Level 1	Level 2	Level 3
Investments:				
Cash and Money Market (at cost)	\$ 277,552	\$ -	\$ -	\$ -
Fixed income	1,281,491	1,281,491	-	-
Equities	1,337,632	1,337,632	-	-
Exchange - traded products	522,276	522,276	-	-
	<u>\$ 3,418,951</u>	<u>\$ 3,141,399</u>	<u>\$ -</u>	<u>\$ -</u>

	December 31, 2021			
	Total	Level 1	Level 2	Level 3
Investments:				
Cash and Money Market (at cost)	\$ 38,235	\$ -	\$ -	\$ -
Fixed income	721,224	721,224	-	-
Equities	3,378,097	3,378,097	-	-
	<u>\$ 4,137,556</u>	<u>\$ 4,099,321</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE 07 - NOTES AND LOANS PAYABLE

Notes and loans payable consisted of the following at December 31:

	2022	2021
Mortgage note payable secured by real property at 399 N. Garey Ave, Pomona, CA 91767. Payable monthly at \$7,667, which includes interest at 3.64%. Payable through September 2024, at which time the note will be refinanced or paid in full.	\$ 1,370,177	\$ 1,414,345
Loan with the Small Business Administration, note payable monthly at \$641, which includes interest at 2.75% payable through June 2050.	<u>148,117</u>	<u>151,498</u>
Total loans and notes payable	1,518,294	1,565,843
Less unamortized loan fees	<u>(3,266)</u>	<u>(5,132)</u>
Net Notes and Loans Payable	<u>\$ 1,515,028</u>	<u>\$ 1,560,711</u>

Future maturities of principal on the notes and loans are as follows as of December 31:

2023	\$ 49,201
2024	1,321,402
2025	3,877
2026	3,985
2027	4,096
Thereafter	<u>135,733</u>
	<u>\$ 1,518,294</u>

AMERICAN MUSEUM OF CERAMIC ARTNotes to Financial Statements
Years Ended December 31, 2022 and 2021**NOTE 08 - NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions were comprised of the following as of December 31:

	2022	2021
Subject to expenditure for specified purpose:		
ED discretionary fund	\$ 13,409	\$ 14,008
Studio maintenance	164	195
Wilson lecture fund	9,530	8,258
Logo design	1,700	1,700
Wilson fund	2,123,435	2,505,919
Armstrong fund	1,156,955	1,482,350
Facility renovations	996,716	747,767
DEW Foundation	65,000	50,000
LA Arts Commission Exhibition	9,425	9,425
Lois Boardman	3,500	10,500
BIPOC fund	5,000	1,300
Blahut Public Classroom	9,557	50,000
Center for Craft Grant - Women in CA Clay	-	10,500
Ruth and Joseph Reed Foundation	-	10,000
Studio Sculpture Kiln fund	425	425
Windgate AIR	100,000	91,667
Total net assets subject to specified purpose	<u>4,494,816</u>	<u>4,994,014</u>
Net Assets with Donor Restrictions	<u>\$ 4,494,816</u>	<u>\$ 4,994,014</u>

AMERICAN MUSEUM OF CERAMIC ARTNotes to Financial Statements
Years Ended December 31, 2022 and 2021

Donor restricted net asset releases are broken down as follows for years ended December 31:

	2022	2021
Satisfaction of purpose restrictions:		
ED discretionary fund	\$ 599	\$ -
Studio maintenance	2,188	2,016
Wilson fund	77,001	73,446
Armstrong fund	40,086	25,805
Exhibitions	-	25,000
Facility renovations	101	558
DEW Foundation	50,000	45,833
Digital lecture fund	-	3,110
LA Arts Commission Exhibition	18,850	16,800
Lois Boardman	7,000	3,500
Blahut Public Classroom	40,443	-
Center for Craft Grant - Women in CA Clay	10,500	-
Mudmobile	-	10,509
Ruth and Joseph Reed Foundation	10,000	5,000
Studio Sculpture Kiln fund	-	20
Windgate AIR	66,667	50,000
Miscellaneous	-	17,615
	<u>\$ 323,435</u>	<u>\$ 279,212</u>
Net Assets Released from Restrictions	\$ 323,435	\$ 279,212

NOTE 09 - RELATED PARTY TRANSACTIONS

Contributions from the founder of the Corporation for the years ended December 31, 2022 and December 31, 2021, totaled \$35,856 and \$117,625, respectively.

NOTE 10 - FUNCTIONALIZED EXPENSES

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy, depreciation, and amortization, which are allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, professional services, office expenses, information technology, interest, insurance, and other, which are allocated on the basis of estimates of time and effort.

NOTE 11 - BUSINESS CONCENTRATIONS AND RISK

Financial Instruments and Credit Risk

We manage deposit concentration risk by placing cash, Money Market accounts, and Certificates of Deposit with financial institutions believed by us to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in Money Market mutual funds. To date, we have not experienced losses in any of these accounts. Credit risk associated with accounts receivable and promises to give is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from Board members, governmental agencies, and foundations supportive of our mission. Investments are made by diversified investment managers whose performance is monitored by us and the investment committee of the Board of Directors. Although the fair values of investments are subject to fluctuation on a year-to-year basis, we and the investment committee believe that the investment policies and guidelines are prudent for the long-term welfare of the Corporation.

Deposits Held in Financial Institutions

The Corporation maintains its cash balances in one financial institution. The standard insurance amount is \$250,000 per depositor, per insured bank, for each account ownership category. These balances may at times exceed the insured limits.

Concentrations - Major Contributions

For year ended December 31, 2022, 25.75% of contributions were received from three donors.

Concentrations - Geographic Location

The Corporation's operations and location of all property and equipment is in Pomona, CA.

NOTE 12 - PRIOR YEAR RESTATEMENT

During the fiscal year ended December 31, 2022, it was discovered that the Corporation had not recorded an in-kind contribution to construction in progress. The correction of that error resulted in an addition to opening net position as of January 1, 2022, of \$79,290, as reflected in the Statement of Activities.