

American Museum of Ceramic Art

Financial Statements

and

Independent Auditors' Report

Years Ended December 31, 2023 and 2022



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, 2023 and 2022, 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, 2023 and 2022, 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.

Redlands, CA

AMERICAN MUSEUM OF CERAMIC ARTStatements of Financial Position
December 31, 2023 and 2022

Assets	2023	2022
Current assets:		
Cash and equivalents - operating	\$ 967,773	\$ 1,019,471
Restricted cash and equivalents	5,450	5,525
Fees and charges receivable	1,133	1,030
Current portion of mortgages receivable	4,743	4,512
Investments - operating	177,531	151,646
Restricted investments	3,402,507	3,267,305
Prepays and deposits	25,000	2,026
Inventory	140,927	165,631
Total current assets	<u>4,725,064</u>	<u>4,617,146</u>
Long-term portion of mortgage receivable	156,001	160,744
Property and equipment, at cost		
Non-depreciable		
Land	2,470,000	2,470,000
Construction in progress	950,254	423,210
Depreciable		
Buildings and improvements	1,739,377	1,739,377
Furniture and equipment	210,526	180,526
Total acquisition costs	<u>5,370,157</u>	<u>4,813,113</u>
Less accumulated depreciation	<u>(849,361)</u>	<u>(781,108)</u>
Property and equipment, net	<u>4,520,796</u>	<u>4,032,005</u>
Total Assets	<u>\$ 9,401,861</u>	<u>\$ 8,809,895</u>

See accompanying notes.

AMERICAN MUSEUM OF CERAMIC ARTStatements of Financial Position
December 31, 2023 and 2022

Liabilities and Net Assets	2023	2022
Current liabilities:		
Accounts payable	\$ 22,055	\$ 61,875
Deposits held in trust, contra	5,450	5,525
Grant advances	-	-
Prepaid fees and charges	14,800	11,152
Other current liabilities	1,935	4,087
Accrued vacation payable	42,839	19,046
Accrued payroll tax and benefits payable	1,390	47
Current portion of notes and loans payable	1,210,871	49,201
Total current liabilities	<u>1,299,340</u>	<u>150,933</u>
Notes and loans payable less current portion and unamortized loan fees	<u>138,941</u>	<u>1,465,827</u>
Total other liabilities	<u>138,941</u>	<u>1,465,827</u>
Total liabilities	<u>1,438,281</u>	<u>1,616,760</u>
Net assets:		
Without donor restrictions		
Undesignated	2,825,943	2,552,000
Designated by the board	<u>164,289</u>	<u>146,319</u>
Total without donor restrictions	<u>2,990,232</u>	<u>2,698,319</u>
With donor restrictions		
Purpose restrictions	<u>4,973,348</u>	<u>4,494,816</u>
Total with donor restrictions	<u>4,973,348</u>	<u>4,494,816</u>
Total net assets	<u>7,963,580</u>	<u>7,193,135</u>
Total Liabilities and Net Assets	<u>\$ 9,401,861</u>	<u>\$ 8,809,895</u>

See accompanying notes.

AMERICAN MUSEUM OF CERAMIC ART

Statement of Activities
Year Ended December 31, 2023

Revenue, Support, and Gains	Without Donor Restrictions	With Donor Restrictions	Total
Contributions, contracts, and grants	\$ 445,081	\$ 702,578	\$ 1,147,659
Exchange portion of membership dues	65,061	-	65,061
In-kind contributions	198,640	-	198,640
Program service fees	251,745	-	251,745
Net investment return	15,260	353,250	368,510
Other revenue	29,621	-	29,621
Interest Income	8,198	-	8,198
 Gross rental revenue	 133,910	 -	 133,910
Less collection losses	-	-	-
Net rental revenue	133,910	-	133,910
 Gift shop sales	 72,006	 -	 72,006
Less costs of goods sold	(97,292)	-	(97,292)
Net gift shop sales	(25,286)	-	(25,286)
 Net assets released from restriction	 577,296	 (577,296)	 -
Total revenue, support, and gains	1,699,526	478,532	2,178,058
 Expenses and Losses			
Program services expense	1,102,966	-	1,102,966
Supporting services expense			
Management and general	245,450	-	245,450
Fundraising	59,197	-	59,197
Total supporting services expense	1,407,613	-	1,407,613
Loss of disposition of assets	-	-	-
Total expenses and losses	1,407,613	-	1,407,613
 Change in net assets	 291,913	 478,532	 770,445
Net assets, beginning of year	2,698,319	4,494,816	7,193,135
 Net Assets, End of Year	 \$ 2,990,232	 \$ 4,973,348	 \$ 7,963,580

See accompanying notes.

AMERICAN MUSEUM OF CERAMIC ART

Statement 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	278,804	-	278,804
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	2,719,496	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 Functional Expenses
Year Ended December 31, 2023

	Program Services	Management and General	Fundraising	Total
Exhibits	\$ 47,211	\$ -	\$ -	\$ 47,211
Art programs	50,764	-	-	50,764
Member relations	6,173	-	-	6,173
Salaries and wages	484,938	90,926	30,309	606,173
Employee benefits	12,423	2,330	777	15,530
Payroll taxes	38,825	7,280	2,427	48,532
Fees for professional services	59,501	11,156	3,719	74,376
Accounting	83,710	15,696	5,232	104,638
Bank charges and PayPal fees	6,028	1,130	377	7,535
Training and development	-	73	-	73
Advertising and promotion	42,017	7,878	2,626	52,521
Office expenses	89,148	16,715	5,572	111,435
Occupancy	80,306	15,057	5,019	100,382
Travel	799	150	50	999
Conferences, conventions, and meetings	6,642	798	-	7,440
Interest	50,480	-	-	50,480
Insurance	34,959	6,555	2,185	43,699
Depreciation	204	68,049	-	68,253
Other taxes and licenses	8,838	1,657	552	11,047
Gift shop cost of goods sold	97,292	-	-	97,292
Cost of direct benefits to donors	-	-	352	352
Total Expenses by Function	1,200,258	245,450	59,197	1,504,905
Less expenses included with revenues on the statement of activities				
Gift shop cost of goods sold	(97,292)	-	-	(97,292)
Total Expenses Included in the Expense Section on the Statement of Activities	\$ 1,102,966	\$ 245,450	\$ 59,197	\$ 1,407,613

See accompanying notes.

AMERICAN MUSEUM OF CERAMIC ART

Statement 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 ART

Statements of Cash Flows
Years Ended December 31, 2023 and 2022

	2023	2022
Cash flows from operating activities		
Change in net assets	\$ 770,445	\$ (520,375)
Adjustments to reconcile change in net assets to net cash from (used for) operating activities:		
Depreciation	68,253	70,285
Net realized and unrealized losses (gains) on investments	696,843	688,541
Amortization of loan fees	-	1,866
Interest accrual non-cash operating	-	(3,825)
Contributions of CIP	63,440	-
Changes in operating assets and liabilities		
Fees and charges receivable	(103)	841
Prepays and deposits	(22,974)	-
Inventories	24,704	(9,468)
Accounts payable	(39,820)	40,175
Deposits held in trust, contra	(75)	(1,850)
Grant advances	-	(107,477)
Prepaid fees and charges	3,648	3,537
Other current liabilities	(2,152)	2,945
Accrued wages payable	23,793	(708)
Accrued payroll tax and benefits payable	1,343	(158)
Net cash from (used for) operating activities	1,587,345	164,329
Cash flows from investing activities		
Purchases of property and equipment	(620,484)	(194,312)
Purchases of investments	(2,476,802)	(893,796)
Proceeds from the sale of investments	1,618,872	923,860
Collection of principal on mortgages	4,512	4,292
Net cash from (used for) investing activities	(1,473,902)	(159,956)
Cash flows from financing activities		
Principal payments on loans payable	(165,216)	(47,549)
Proceeds from additional financing	-	-
Net cash from (used for) financing activities	(165,216)	(47,549)
Net change in cash and cash equivalents	(51,773)	(43,176)
Cash and cash equivalents, beginning of year	1,024,996	1,068,172
Cash and Cash Equivalents, End of Year	\$ 973,223	\$ 1,024,996
Cash equivalents - operating	\$ 967,773	\$ 1,019,471
Restricted cash and equivalents	5,450	5,525
Cash and Cash Equivalents, End of Year	\$ 973,223	\$ 1,024,996
Supplemental disclosure of cash flow information		
Cash paid during the year for		
Interest	\$ 50,480	\$ 47,595
	\$ 50,480	\$ 47,595

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, 2023 and 2022, 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.

Leases

The Corporation leases studio space to artists. All initial direct costs associated with the lease are deferred and expense over the lease term on a straight-line basis. Lease payments are reflected on the statement of activities over the lease on a straight-line basis. All rental activity is on a month-to-month basis. For December 31, 2023 and December 31, 2022, total rental income from leases amounted to \$133,910 and \$148,802, respectively.

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, 2023 and December 31, 2022, the Corporation recognized donated services of \$198,640 and \$185,380, 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.

AMERICAN MUSEUM OF CERAMIC ART

Notes to Financial Statements
Years Ended December 31, 2023 and 2022

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, 2023 and 2022.

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, 2023, the Corporation has accrued liabilities of \$44,229, as stated in the accompanying financial statements.

Advertising Costs

Advertising costs are expensed as incurred.

Subsequent Events

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

AMERICAN MUSEUM OF CERAMIC ART

Notes to Financial Statements
Years Ended December 31, 2023 and 2022

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:

	2023	2022
Cash and equivalents - operating	\$ 967,773	\$ 1,019,471
Restricted cash and equivalents	5,450	5,525
Fees and charges receivable	1,133	1,030
Investments - operating	177,531	151,646
	<u>1,151,887</u>	<u>1,177,672</u>
Less amounts not available to be used within one year:		
Deposits held in trust	(5,450)	(5,525)
Future expendable board-designated reserves	<u>-</u>	<u>-</u>
Financial Assets Available for General Expenditures over Next 12 Months	<u>\$ 1,146,437</u>	<u>\$ 1,172,147</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, 2023 and 2022.

NOTE 04 - RESTRICTED DEPOSITS

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

	2023	2022
Deposits held in trust - security deposits	<u>\$ 5,450</u>	<u>\$ 5,525</u>
Restricted Cash and Equivalents	<u>\$ 5,450</u>	<u>\$ 5,525</u>

AMERICAN MUSEUM OF CERAMIC ARTNotes to Financial Statements
Years Ended December 31, 2023 and 2022

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

	2023	2022
Donor restricted investments	\$ 3,402,507	\$ 3,267,305
Restricted Investments	<u>\$ 3,402,507</u>	<u>\$ 3,267,305</u>

NOTE 05 - MORTGAGES RECEIVABLE

Mortgages receivable as of December 31, 2023 and 2022, respectively consisted of the following:

	2023	2022
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.	\$ 160,744	\$ 169,548
Total Mortgages Receivable	<u>\$ 160,744</u>	<u>\$ 169,548</u>

NOTE 06 - INVESTMENTS*Net Investment Returns*

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

	2023	2022
Interest and dividend income	\$ 92,762	\$ 69,600
Fees and related expenses	(28,255)	(6,550)
Realized gain (loss)	21,019	21,019
Unrealized gain (loss)	282,984	(709,560)
Net Investment Returns	<u>\$ 368,510</u>	<u>\$ (625,491)</u>

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 ART

Notes to Financial Statements
Years Ended December 31, 2023 and 2022

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, 2023			
	Total	Level 1	Level 2	Level 3
Investments:				
Cash and Money Market (at cost)	\$ 105,253	\$ -	\$ -	\$ -
Fixed income	1,193,533	1,193,533	-	-
Equities	791,706	791,706	-	-
Exchange - traded products	1,489,546	1,489,546	-	-
	\$ 3,580,038	\$ 3,474,785	\$ -	\$ -

	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	-	-
	\$ 3,418,951	\$ 3,141,399	\$ -	\$ -

AMERICAN MUSEUM OF CERAMIC ARTNotes to Financial Statements
Years Ended December 31, 2023 and 2022**NOTE 07 - NOTES AND LOANS PAYABLE**

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

	2023	2022
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.	\$ 1,207,099	\$ 1,370,177
Loan with the Small Business Administration, note payable monthly at \$641, which includes interest at 2.75% payable through June 2050.	144,114	148,117
Total loans and notes payable	1,351,213	1,518,294
Less unamortized loan fees	(1,401)	(3,266)
Net Notes and Loans Payable	\$ 1,349,812	\$ 1,515,028

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

2024	1,321,402
2025	3,877
2026	3,985
2027	4,096
2028	7,210
Thereafter	10,643
	<u>\$ 1,351,213</u>

AMERICAN MUSEUM OF CERAMIC ARTNotes to Financial Statements
Years Ended December 31, 2023 and 2022**NOTE 08 - NET ASSETS WITH DONOR RESTRICTIONS**

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

	2023	2022
Subject to expenditure for specified purpose:		
ED discretionary fund	\$ 11,594	\$ 13,409
Studio maintenance	899	164
Wilson lecture fund	10,322	9,530
Logo design	1,700	1,700
Wilson fund	2,113,029	2,123,435
Armstrong fund	1,279,156	1,156,955
Facility renovations	1,398,228	996,716
DEW Foundation	-	65,000
LA Arts Commission Exhibition	9,300	9,425
Lois Boardman	-	3,500
BIPOC fund	5,000	5,000
Blahut Public Classroom	5,664	9,557
Studio Sculpture Kiln fund	25,425	425
Windgate AIR	100,000	100,000
Miscellaneous	13,031	-
Total net assets subject to specified purpose	<u>4,973,348</u>	<u>4,494,816</u>
Net Assets with Donor Restrictions	<u>\$ 4,973,348</u>	<u>\$ 4,494,816</u>

AMERICAN MUSEUM OF CERAMIC ARTNotes to Financial Statements
Years Ended December 31, 2023 and 2022

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

	2023	2022
Satisfaction of purpose restrictions:		
ED discretionary fund	\$ 1,815	\$ 599
Studio maintenance	2,806	2,188
Wilson fund	206,530	77,001
Armstrong fund	43,085	40,086
Exhibitions	-	-
Facility renovations	64,856	101
DEW Foundation	65,000	50,000
Mudmobile	35,912	-
Digital lecture fund	-	-
LA Arts Commission Exhibition	18,725	18,850
Lois Boardman	3,500	7,000
Blahut Public Classroom	3,895	40,443
Center for Craft Grant - Women in CA Clay	-	10,500
Ruth and Joseph Reed Foundation	-	10,000
Windgate AIR	75,000	66,667
Miscellaneous	56,172	-
	<u>\$ 577,296</u>	<u>\$ 323,435</u>
Net Assets Released from Restrictions	\$ 577,296	\$ 323,435

NOTE 09 - RELATED PARTY TRANSACTIONS

Contributions from the founder of the Corporation for the years ended December 31, 2023 and December 31, 2022, totaled \$20,500 and \$35,856, 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, 2023, 48.36% of contributions were received from five donors.

Concentrations - Geographic Location

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