RACINE ART MUSEUM ASSOCIATION, INC.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

(With Summarized Totals for the Year Ended December 31, 2020)

RitzHolman CPAs

RACINE ART MUSEUM ASSOCIATION, INC.

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RitzHolman CPAs

Independent Auditor's Report

Board of Directors
Racine Art Museum Association, Inc.

Opinion

We have audited the accompanying financial statements of Racine Art Museum Association, Inc. (a nonprofit organization) which comprise the statement of financial position as of December 31, 2021, 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 Racine Art Museum Association, Inc. as of December 31, 2021, 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 Racine Art Museum Association, Inc. and to meet other ethical responsibilities in accordance with the 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 these 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 Racine Art Museum Association, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Ritz Holman LLP
Serving business, nonprofits, individuals and trusts.

330 E. Kilbourn Ave., Suite 550
Milwaukee, WI 53202

t. 414.271.1451
f. 414.271.7464
ritzholman.com

Member of the American Institute of Certified Public Accountants, Wisconsin Institute of Certified Public Accountants

Board of Directors
Racine Art Museum Association, Inc.

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, including omissions, 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 Racine Art Museum Association, Inc.'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 Racine Art Museum Association, Inc.'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.

Report on Summarized Comparative Information

We have previously audited Racine Art Museum Association, Inc.'s December 31, 2020, financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 14, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Ritz Holman LLP

RITZ HOLMAN LLP
Certified Public Accountants

Milwaukee, Wisconsin
September 13, 2022

RACINE ART MUSEUM ASSOCIATION, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2021
(With Summarized Totals for December 31, 2020)

ASSETS

	2021	2020
CURRENT ASSETS		
Cash and Cash Equivalents	$ 220,345	$ 355,716
Accounts Receivable	3,679	6,121
Grants Receivable	105,394	7,150
Pledges Receivable	171,240	280,540
Prepaid Expenses	26,165	23,235
Total Current Assets	$ 526,823	$ 672,762
INVESTMENTS		
Racine Community Foundation, Inc. - Beneficial Interest	$ 901,839	$ 823,272
Investments	7,420,418	6,442,473
Total Investments	$ 8,322,257	$ 7,265,745
FIXED ASSETS		
Building and Leasehold Improvements	$ 7,668,316	$ 7,668,316
Equipment	498,695	496,027
Vehicle	29,808	29,808
Website	31,937	31,937
Total Fixed Assets	$ 8,228,756	$ 8,226,088
Less: Accumulated Depreciation	(4,121,615)	(3,903,518)
Net Fixed Assets	$ 4,107,141	$ 4,322,570
OTHER ASSETS		
Inventory	$ 60,111	$ 71,801
Artwork Held for Resale	82,837	75,842
Total Long-Term Assets	$ 142,948	$ 147,643
TOTAL ASSETS	$ 13,099,169	$ 12,408,720

LIABILITIES AND NET ASSETS

	2021	2020
CURRENT LIABILITIES		
Accounts Payable	$ 34,412	$ 54,403
Accrued Payroll	19,959	14,324
Refundable Advances	7,893	6,009
Deposits Held	450	1,350
Gift Certificate Liability	4,382	3,030
Paycheck Protection Program Loan	235,415	235,400
Current Portion of Capital Lease	9,960	9,475
Total Current Liabilities	$ 312,471	$ 323,991
LONG-TERM LIABILITIES		
Capital Lease	$ 21,332	$ 30,807
Less: Current Portion of Capital Lease	(9,960)	(9,475)
Total Long-Term Liabilities	$ 11,372	$ 21,332
Total Liabilities	$ 323,843	$ 345,323
NET ASSETS		
Without Donor Restrictions		
Operating	$ 581,083	$ 737,538
Fixed Assets	4,107,141	4,322,570
Board Designated	1,081,080	935,219
Total Net Assets Without Donor Restrictions	$ 5,769,304	$ 5,995,327
With Donor Restrictions	7,006,022	6,068,070
Total Net Assets	$ 12,775,326	$ 12,063,397
TOTAL LIABILITIES AND NET ASSETS	$ 13,099,169	$ 12,408,720

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

RACINE ART MUSEUM ASSOCIATION, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021
(With Summarized Totals for the Year Ended December 31, 2020)

	Without Donor Restrictions	With Donor Restrictions	2021 Total	2020 Total
REVENUE				
Contributions	$ 387,987	$ 232,494	$ 620,481	$ 561,804
Donated Goods, Services and Facility Space	184,760	---	184,760	184,760
City of Racine Contribution	341,530	---	341,530	335,452
Tuition	62,628	---	62,628	31,717
Admission and Exhibition Revenue	21,563	---	21,563	8,213
Membership Dues	75,016	---	75,016	57,688
Paycheck Protection Program	237,412	---	237,412	---
Dividends, Interest, and Capital Gain Distributions	356,411	---	356,411	251,658
Rental Income	1,550	---	1,550	300
Auxiliary Activities	108,812	---	108,812	198,842
Change in Value of Artwork Held for Resale	14,900	---	14,900	60,308
Special Events				
Revenues	78,003	---	78,003	46,341
Expenses	(19,900)	---	(19,900)	(18,457)
Other Revenues	1,615	---	1,615	2,792
Net Assets Released from Restrictions				
Operations	106,750	(106,750)	---	---
Total Revenue	$ 1,959,037	$ 125,744	$ 2,084,781	$ 1,721,418
EXPENSES				
Program Services				
Education	$ 361,438	$ ---	$ 361,438	$ 302,694
Exhibition	870,512	---	870,512	848,157
Auxiliary Activities	306,898	---	306,898	323,177
Management	346,768	---	346,768	344,786
Fundraising	264,396	---	264,396	254,642
Total Expenses	$ 2,150,012	$ ---	$ 2,150,012	$ 2,073,456
CHANGE IN NET ASSETS FROM OPERATIONS	$ (190,975)	$ 125,744	$ (65,231)	$ (352,038)
OTHER CHANGES				
Collection Items Purchased but not Capitalized	$ (2,621)	$ ---	$ (2,621)	$ (3,384)
Realized and Unrealized Change in Value of Investments	(117,144)	896,925	779,781	(57,011)
Net Assets Released from Restrictions Endowment	84,717	(84,717)	---	---
Total Other Changes	$ (35,048)	$ 812,208	$ 777,160	$ (60,395)
CHANGE IN NET ASSETS	$ (226,023)	$ 937,952	$ 711,929	$ (412,433)
NET ASSETS, BEGINNING OF YEAR	5,995,327	6,068,070	12,063,397	12,475,830
NET ASSETS, END OF YEAR	$ 5,769,304	$ 7,006,022	$ 12,775,326	$ 12,063,397

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

RACINE ART MUSEUM ASSOCIATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021
(With Summarized Totals for the Year Ended December 31, 2020)

	Program Services						
	Education	Exhibition	Auxiliary Activities	Management	Fundraising	2021 Total	2020 Total
Salaries and Wages	$ 189,730	$ 362,671	$ 108,491	$ 157,404	$ 194,892	$ 1,013,188	$ 939,720
Retirement	7,245	19,388	6,393	9,956	13,796	56,778	61,158
Employee Benefits	11,038	33,838	4,843	2,395	12,824	64,938	59,075
Payroll Taxes	13,655	26,011	7,786	19,580	13,989	81,021	76,010
Professional Fees	---	---	---	42,016	---	42,016	45,383
Information Technology	6,187	11,827	4,664	22,458	6,356	51,492	45,048
Grant Expenditures	127	---	---	---	---	127	127
Supplies	---	---	---	8,143	---	8,143	7,483
Materials	10,264	5,983	1,391	---	---	17,638	12,791
Postage and Art Shipping	---	(1,279)	2,629	4,243	---	5,593	17,454
Subscriptions	---	---	---	1,927	175	2,102	2,408
Occupancy	85,950	150,965	4,286	---	---	241,201	245,657
Utilities	10,861	33,264	10,965	3,670	1,085	59,845	56,936
Telephone	639	---	866	5,571	---	7,076	7,431
Equipment Rental and Maintenance	313	---	---	9,516	---	9,829	7,768
Building Maintenance	5,171	18,726	7,523	2,338	757	34,515	33,932
Interest Expense	---	---	---	797	---	797	3,427
Depreciation	14,511	121,810	54,578	21,590	5,608	218,097	213,309
Grounds Maintenance	232	4,848	36,620	303	90	42,093	40,937
Travel and Entertainment	145	1,805	279	291	100	2,620	896
Conferences, Conventions and Meetings	232	10	---	---	---	242	333
Staff Development	---	---	---	---	---	---	---
Insurance	---	16,413	---	24,491	---	40,904	37,868
Membership Dues	---	---	190	1,590	---	1,780	1,219
Promotion	2,801	53,743	3,301	---	14,724	74,569	54,268
Cost of Sales	---	3,246	49,173	---	---	52,419	71,635
Bank Fees	---	---	2,339	8,311	---	10,650	10,791
Programming Expense	2,337	4,852	---	---	---	7,189	19,259
Permanent Collection Conservation	---	2,391	---	---	---	2,391	153
Other Expense	---	---	581	178	---	759	980
Subtotal	$ 361,438	$ 870,512	$ 306,898	$ 346,768	$ 264,396	$ 2,150,012	$ 2,073,456
Special Event Expenses							
Contract Services	$ ---	$ ---	$ ---	$ ---	$ 18,104	$ 18,104	$ 16,772
Miscellaneous	---	---	---	---	1,796	1,796	1,685
Total Special Events	$ ---	$ ---	$ ---	$ ---	$ 19,900	$ 19,900	$ 18,457
TOTAL EXPENSES	$ 361,438	$ 870,512	$ 306,898	$ 346,768	$ 284,296	$ 2,169,912	$ 2,091,913

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

RACINE ART MUSEUM ASSOCIATION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021
(With Summarized Totals for the Year Ended December 31, 2020)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ 711,929	$ (412,433)
Adjustments to Reconcile Change in Net Assets to		
Net Cash Provided by Operating Activities		
Unrealized and Realized (Gain) Loss on Investments	(781,761)	57,011
Donated Stock	(5,036)	(71,744)
Depreciation	218,097	213,309
Paycheck Protection Program Loan Forgiveness	(235,400)	---
(Increase) Decrease in Accounts Receivable	2,442	4,074
(Increase) Decrease in Grants Receivable	(98,244)	(5,800)
(Increase) Decrease in Pledges Receivable	109,300	107,700
(Increase) Decrease in Inventory	11,690	15,399
(Increase) Decrease in Artwork Held for Resale	(6,995)	(29,908)
(Increase) Decrease in Prepaid Expenses	(2,930)	2,858
Increase (Decrease) in Accounts Payable	(19,991)	20,651
Increase (Decrease) in Accrued Payroll	5,635	(2,442)
Increase (Decrease) in Refundable Advances	1,884	(86,732)
Increase (Decrease) in Deposits Held	(900)	450
Increase (Decrease) in Gift Certificate Liability	1,352	14
Net Cash Used by Operating Activities	$ (88,928)	$ (187,593)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	$ (2,668)	$ (52,872)
Purchase of Investments	(551,905)	(591,986)
Proceeds from Sale of Investments	282,190	622,844
Net Cash Used by Investing Activities	$ (272,383)	$ (22,014)
CASH FLOWS FROM FINANCING ACTIVITIES		
Paycheck Protection Program Loan Proceeds	$ 235,415	$ 235,400
Payments on Capital Lease	(9,475)	(9,014)
Net Cash Provided by Financing Activities	$ 225,940	$ 226,386
Net Increase in Cash and Cash Equivalents	$ (135,371)	$ 16,779
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	355,716	338,937
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 220,345	$ 355,716

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

RACINE ART MUSEUM ASSOCIATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2021

NOTE A - Summary of Significant Accounting Policies

Association

Racine Art Museum Association, Inc. (the "Association") is operated exclusively for charitable and educational or scientific purposes as a not-for-profit organization. Racine Art Museum Association, Inc. is dedicated to the exhibition, collection, preservation, and education in contemporary visual arts.

In 2002, Wustum Museum Art Association, Inc. changed its name to Racine Art Museum Association, Inc. The Association was incorporated in 1939 in the State of Wisconsin to foster and aid in the development of public art galleries and museums and programs of education.

Accounting Method

The financial statements of the Association have been prepared on the accrual basis of accounting.

Basis of Presentation

The Association reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents include all highly liquid debt instruments with maturities of three months or less at purchase. Cash and cash equivalents excludes amounts that are held in the investment accounts or in funds held with the Racine Community Foundation, Inc.

Accounts and Grants Receivable

Accounts and grants receivable consist of store sales, grants, and other miscellaneous receivables of which all are considered fully collectible, therefore, no allowance for doubtful accounts is considered necessary.

Pledges Receivable

Pledges receivable includes unconditional promises for donations expected to be received in future periods. Pledge balances are included in net assets with donor restrictions unless the donor has directed that the funds are for a period or purpose in which the restriction is already met. All pledges are considered fully collectible, therefore, no allowance for doubtful accounts is considered necessary. Pledges expected to be collected in more than one year from the statement of financial position date are discounted for present value when significant.

Communications indicating that the Association has been included in an individual's will as a beneficiary are considered intentions to give and not considered unconditional due to an individual's ability to modify the will. Intentions to give are not included in pledges receivable. When the Association is notified that it is expected to receive a payment as a beneficiary of a settled estate, a pledge receivable at fair value is recorded.

Prepaid Expenses

Prepaid expenses include payments made in advance of the future performance of services, receipt of goods or incurrence of expenses. Expenses for future events are included in prepaid expenses until the event occurs.

NOTE A - Summary of Significant Accounting Policies (continued)

Fixed Assets
Fixed assets are recorded at cost. Depreciation is provided over the estimated useful lives of the assets using the straight-line method.

Inventory
Inventory consists of merchandise sold at the gift shop in the Association's downtown Racine location. It is stated at the lower of cost or market, with cost determined using the first-in first-out method.

Artwork Held for Resale
Artwork held for resale consists of artwork that has been donated specifically for the purpose of being sold to raise funds to support the Association. Such assets are recorded as assets at estimated net realizable value at the date of the donation.

Permanent Collection
In accordance with policies generally followed by museums, objects of art that are accessioned into the museum's permanent collection have been excluded from the statement of financial position.

The Association's collections management policy requires that the proceeds from sales of any artworks deaccessioned from the permanent collection be used to acquire other items for the collection or care of the collection. New proceeds received from the sale of general gifts of objects offered to the collection, but which are not accessioned, shall also be used either for the purpose of acquiring additional items for the collection, or the care, conservation, and preservation of those items already in the Association's collection. The Association's permanent collection consists primarily of artwork of the highest quality by American artists with regional, national and international reputations, concentrating on ceramics, fibers, glass, metals, plastics, wood, artists' books, and works on paper. Collection items are protected, kept unencumbered, cared for and preserved.

Contributions and Grant Revenue
Contributions and unconditional promises to give received by the Association are measured at fair value and are reported as increases in net assets. Contributions are considered available for the Association's general operations and included in net assets without donor restrictions unless specifically restricted by a donor. A restricted contribution is reported in revenue and net assets without donor restrictions when the restriction is met within the same reporting period as the contribution is received. Contributions received restricted for a purpose not yet met or to support a future period are included in net assets with donor restrictions. When a donor restriction from a prior year expires, 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. Conditional contributions are not recognized as revenue until they become unconditional. A conditional contribution is one that has both a barrier that must be overcome and an agreement requiring advance payment to be returned or future payment not to be obligated if the barrier is not overcome.

NOTE A - Summary of Significant Accounting Policies (continued)

Net assets restricted for acquisition of building or equipment are reported as net assets with donor restrictions until the specified asset is placed in service when the net assets are released to net assets without donor restrictions.

When an endowment donation is received, the original gift and any earnings thereupon are reported in net assets with donor restrictions until appropriated for the designated time or use. At that time, the net assets are released to net assets without donor restrictions.

Contributions of donated goods and services, excluding permanent collection, are recorded at the estimated fair value at the date of the donation. Donated services are recognized as contributions if the services create or enhance nonfinancial assets or the services require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Association. Accordingly, the value of contributed time that does not meet these requirements has not been determined and is not reflected in the accompanying financial statements. It is the Association's practice to cash out donated stock upon receipt and record the contribution at the fair value received.

Advertising
The Association uses advertising to promote its programs among the audiences it serves. Advertising costs are expensed as the advertising occurs, regardless of future benefit. Advertising expense for the year ended December 31, 2021, was $74,569.

Functional Expenses
The Association charges expenses directly to program, management, or fundraising when possible. Certain expenses are attributable to one or more programs or supporting functions of the Association. Those expenses include depreciation and facilities overhead which are allocated based on square footage; salaries, health and life insurance, and retirement expenses which are allocated based on estimates of time and effort within each program or supporting function.

Estimates
The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent 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.

NOTE B - Future Accounting Pronouncements

Accounting Standards Update 2020-07, Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets (Topic 958) will be effective for fiscal years beginning after June 15, 2021. The amendments in this update are required and provide new presentation and disclosure requirements about contributed nonfinancial assets to nonprofits, including additional disclosure requirements for recognized contributed services. Contributed nonfinancial assets will be required to be reported as a separate line in the statement of activities. A financial statement note will be required to provide disaggregated contributed nonfinancial assets by category including: the type of contributed nonfinancial asset; qualitative information about the monetization or utilization of the nonfinancial assets; the policy about the monetization or utilization of nonfinancial assets; a description of restrictions, valuation, and the market used to determine the fair value. The amendments, required to be presented retrospectively to all periods presented, will not change the recognition and measurement requirements for those assets.

Accounting Standards Update 2016-02, Leases (Topic 842) will be effective for fiscal years beginning after December 15, 2021. This update requires the recognition of lease assets and lease liabilities on the statement of financial position measured at the present value of lease payments and requires disclosure of key information about the leasing arrangements.

Accounting Standards Update 2020-08, Receivables – Nonrefundable Fees and Other Costs (Topic 310-20) will be effective for fiscal years beginning after December 15, 2021. The amendments in this update represent changes to clarify the codification. An organization shall apply the amendment prospectively. This amendment impacts the effective yield of an existing individual callable debt security.

Accounting Standards Update 2016-13, Financial Instruments - Credit Losses (Topic 326) will be effective for fiscal years beginning after December 15, 2022. The main objective of this update is to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. To achieve this objective, the amendments in this update replace the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates, including exploring more forward-looking alternatives.

NOTE C - Comparative Financial Information

The financial information shown for 2020 in the accompanying financial statements is included to provide a basis for comparison with 2021. The comparative information is summarized by total only, not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity to generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Association’s financial statements for the year ended December 31, 2020, from which the summarized information was derived.

NOTE D - Liquidity

The Association's operations are primarily funded through donations, program revenue, and endowment distributions. Financial assets are liquid assets available within one year of the statement of financial position date to meet the cash needs of the Association for general operations or to pay obligations as they become due. Financial assets are reduced by amounts subject to donor or other contractual restrictions that make them unavailable for general expenditures. In addition to the financial assets below, the Association appropriates funds from the endowment to support operations. The endowment that is board designated to support operations is $1,066,451 as of December 31, 2021. The endowment that is donor restricted, but for which earning support operations, is $6,108,684 as of December 31, 2021.

Financial assets available for use consist of the following:

Description	Amount
Cash and Cash Equivalents	$ 220,345
Operating Funds Held in Investments	878,016
Accounts Receivable	3,679
Grants Receivable	105,394
Pledges Receivable	171,240
Financial Assets with Purpose Restrictions	(259,992)
Financial Assets Available for Use	$1,118,682

NOTE E - Pledges Receivable

The Association record a pledge receivable when a donor make an unconditional promise to give. Pledge balances are included in net assets with donor restrictions until collected, unless otherwise specified by the donor. Contributions expected to be received in more than one year from the statement of financial position date are discounted for risk and present value of money when significant.

The Association expects to collect the total pledges receivable of $171,240 in the year ended December 31, 2022.

NOTE F - Endowment, Investments, and Beneficial Interest

Endowment

The Association's endowment consists of funds established to support the operations of the Association. It consists of both donor-restricted endowment funds and funds designated by the board of directors (the "Board") to function as an endowment. These endowment funds have been invested in funds through an investment management company and through the Racine Community Foundation, Inc. (the "Beneficial Interest"). As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board to function as endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Association also has a collection acquisition endowment consisting of funds to support its permanent collections. This endowment consists of financial contributions or proceeds from deaccessioned collections sold. Financial contributions restricted by the donor may be used to support the costs of direct care of existing artwork in the permanent collection or for the purchase of artwork to be added to the collection. Fund earnings are also restricted to support the costs of direct care of artworks or purchase of collection artwork. Financial contributions may also be restricted by the donor solely for the purchase of artwork for the collection.

Interpretation of Relevant Law

UPMIFA requires the historical dollar amount of the original gift to be preserved. From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Board of the Association has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. Net assets are released from restrictions when appropriated by the board of directors.

Investment Policy

The Association has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to the programs supported by the endowment. The endowment assets are invested in a manner that is intended to generate annual income for the operation of the Racine Art Museum Association, Inc., preservation of capital, and to preserve and grow the principal investment.

The Association relies on a total return strategy in which the investment returns are achieved through capital appreciation and current yield (interest and dividends). The Association targets a diversified asset allocation to achieve its long-term objectives with prudent risk constraints. The specific investment objective of the Association is to attain a real total return (net of investment management fees) that meets or exceeds the composite performance of the relevant security markets on a three- to five-year annualized basis.

NOTE F - Endowment, Investments, and Beneficial Interest (continued)

Policy for Appropriation of Funds

The Association uses the policy summarized below for appropriating distributions each year in accordance with either the donor's will or in absence of such, board's decision. In establishing this policy, the Association considered the long-term expected returns on its endowment's investments.

In accordance with UPMIFA, the Association considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The donor's will
2. The duration and preservation of the fund
3. The purpose of the Association and the donor-restricted endowment fund
4. General economic conditions
5. The possible effect of inflation and deflation
6. The expected total return from income and the appreciation of investments
7. Other resources of the Association
8. The investment policies of the Association

Endowment Net Asset Classification

The Racine Art Museum Association, Inc. pools its endowment between funds invested through an investment management company and through its beneficial interest at the Racine Community Foundation, Inc. (the "Combined Endowment Funds"). The Racine Community Foundation, Inc. maintains variance power over the endowment funds it holds and determines an annual appropriation of funds that will be granted to the Association for spending. The Racine Community Foundation Inc.'s intent is to annually distribute 5% of the average of the last twelve quarters of the market value of the Association's Fund for use as its Board shall determine.

Investments consist of net assets with the following composition as of December 31, 2021:

	Total
Board Designated Endowment	$ 1,066,451
Endowment with Donor Restrictions	6,377,790
Subtotal - Endowment	$ 7,444,241
Operating Funds	878,016
Total Investments	$ 8,322,257

NOTE F - Endowment, Investments, and Beneficial Interest (continued)

Endowment net asset composition is as follows as of December 31, 2021:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Held in Investments			
Board Designated Endowment	$ 1,066,451	$ ---	$ 1,066,451
Original Donor Gifts for Endowment			
To be Maintained in Perpetuity			
Empowerment Endowment	---	4,640,426	4,640,426
Opportunity Knocks Endowment	---	418,258	418,258
Savage Endowment	---	50,000	50,000
Collection Acquisition Gifts	---	263,563	263,563
General Endowment	---	1,000,000	1,000,000
Earmarked Gifts	---	1,011	1,011
Subtotal	$ 1,066,451	$ 6,373,258	$ 7,439,709
Accumulated Investment Gain	---	4,532	4,532
Total Endowment	$ 1,066,451	$ 6,377,790	$ 7,444,241

Change in endowment net assets are as follows in the year ended December 31, 2021:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets			
Beginning of the Year	$ 935,219	$ 5,565,582	$ 6,500,801
Contributions	264	---	264
Investment Return, Net	131,590	927,563	1,059,153
Fees	---	(30,638)	(30,638)
Appropriated for Expenditure			
Withdrawals	(622)	(84,717)	(85,339)
Permanent Collection	---	---	---
Total Endowment	$ 1,066,451	$ 6,377,790	$ 7,444,241

Fair Value of Investments

The Association has adopted the Financial Accounting Standards Board guidance on fair value measurements. A three-tier hierarchy is used to maximize the use of observable market data inputs and minimize the use of unobservable inputs and to establish classification of fair value measurements for disclosure purposes. Financial assets valued using Level 1 inputs are based on unadjusted quoted market prices within active markets. Financial assets valued using Level 2 inputs are based primarily on quoted prices for similar assets in active or inactive markets. Financial assets valued using Level 3 inputs are based primarily on valuation models with significant unobservable pricing inputs and which result in the use of management estimates.

NOTE F - Endowment, Investments, and Beneficial Interest (continued)

The following table sets forth by level, within the fair value hierarchy, the Association's investments and beneficial interest as of December 31, 2021:

Investment Category	Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Stocks	$6,905,874	$6,905,874	$ ---	$ ---
Fixed Income	166,619	166,619	---	---
Cash and Money Market	347,925	347,925	---	---
Beneficial Interest	901,839	---	---	901,839
Total	$8,322,257	$7,420,418	$ ---	$901,839

Beneficial Interest in a Perpetual Trust
In 2002, the Association established the Racine Art Museum Association, Inc. Fund ("Beneficial Interest") within the Racine Community Foundation, Inc. The fund's fair market value was $901,839 at December 31, 2021. Distributions from the fund are in accordance with the Racine Community Foundation, Inc.'s distribution policies. In the event of emergency or extraordinary circumstances upon recommendation of 75% of the Association's board and approval of the Racine Community Foundation, Inc., the Association may make withdrawals from principal. Beneficial interest includes equities securities, fixed income securities, and limited partnerships.

Level 3 assets measured at fair value on a recurring basis using significant unobservable inputs include the following:

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)
	Beneficial Interest
Beginning Balance, January 1, 2021	$823,272
Unrealized Gain	5,434
Realized Gain	105,734
Grants	(34,588)
Interest Income	10,568
Administrative Fee	(8,581)
Ending Balance, December 31, 2021	$901,839

NOTE G - Refundable Advances

Refundable advances consist of payments received related to 2022 tuition and reimbursements for 2022 storage costs received in advance. Total refundable advances were $7,893 as of the year ended December 31, 2021.

NOTE H - Net Assets

Net Assets Released From Restrictions
Net assets released from restrictions consist of the following for the year ended December 31, 2021:

Source	Amount
Educational Outreach	$ 50,000
RAM on the Road 2nd Grade Emphasis	12,500
First Fridays	8,500
Time Restricted	20,000
Artist Fellowship	8,600
Creation and Presentation	7,150
Total Donations Released from Restrictions	$106,750
Endowment Appropriated for Operations	84,717
Total	$191,467

Net Assets Without Donor Restrictions Designated by the Board
Net assets without donor restrictions designated by the board consist of funds designated by the Association's board of directors for specific use. Annually, investment income and losses are allocated to each of the funds and appropriations reduce the funds as designated by the board of directors. Losses are allocated to each fund only to the extent that principal is not invaded. Excess losses reduce operating funds held within the endowment accounts.

Board designated net assets consist of the following as of December 31, 2021:

Source	Amount
Regas Fund	$ 163,107
Boyd Acquisition Fund	79,514
Additions	720,389
Collection Care	22,029
Alshuler Acquisition Fund	44,184
Haas Photo	5,256
Duck Stamp	46,601
Total	$1,081,080

NOTE H - Net Assets (continued)

Net Assets With Donor Restrictions
The Association received donations restricted for designated purposes and periods.

Net assets with donor restrictions consist of the following as of December 31, 2021:

Source	Amount
Endowment	
Operations	$6,108,684
Acquisition Additions	263,563
Earmarked Gifts	1,011
Education	50,000
Total Endowment	$6,377,790
Toshiko Takaezu Ceramic Fund	11,725
Artist Fellowship	17,200
First Fridays	8,500
Polymer Acquisition and Care Fund	38,480
Collection Care	25,000
Travel Grants	1,293
Fund for Contemporary Craft of Living Artists	50,000
RAM on the Road	6,000
Education	36,794
Fiber Art International Publications	55,000
Racine Community Foundation	10,000
Pledge	258,240
Time Restricted	110,000
Total	$7,006,022

NOTE I - Capital Lease

The Association leases two copiers and nine printers under a capital lease. The economic substance of the lease is that the Association is financing the acquisition of the assets through the lease and, accordingly, it is recorded in the Association's assets and liabilities. The assets are included under fixed assets at their estimated fair value at lease inception of $47,692, and are being depreciated over the lease term and useful life of five years. Depreciation expense on the leased assets for the year ended December 31, 2021, was $9,538. Accumulated depreciation on the leased assets as of December 31, 2021, was $28,614.

Total future payments are as follows:

For the Year Ending December 31,	Principal	Interest	Total
2022	$ 9,960	$ 840	$10,800
2023	10,469	331	10,800
2024	903	4	907
Total	$21,332	$1,175	$22,507

NOTE J - Operating Leases

The Association leases warehouse space with a term that began on July 1, 2016 and will expire on June 30, 2024. The lease requires monthly payments of $3,352 through June 30, 2022. After June 30, 2022, the lease payment increases to $3,436 for the remainder of the term. The Association has two options to extend the term of the lease for a period of five years for each extension.

The Association leases a postage meter which requires quarterly lease payments of $364 through April 2024.

The following is a schedule by years of the future minimum payments required under the operating leases as of December 31, 2021:

Year	Amount
2022	$ 42,180
2023	42,682
2024	20,977
Total	$105,839

NOTE K - Museum Operating Agreement - City of Racine

The Association has an agreement with the City of Racine to operate the Charles A. Wustum Museum of Fine Arts located on Northwestern Avenue in Racine, Wisconsin. In July 2016, the Association signed a new agreement with the City of Racine to operate the Charles A. Wustum Museum of Fine Arts, which extended the term until December 30, 2024, with an option to extend until December 30, 2029. Either party may terminate the agreement with one-year written notice to the other party.

Under these agreements, the Association is responsible for general management and control of fine art exhibitions, control over all equipment and art objects owned by the City at the museum, general care of museum grounds, housekeeping of all buildings, operation of sales and rental gallery, scheduling events, and all other functions necessary for the orderly operation of the museum and surrounding grounds for the benefit of the general public.

In consideration for operating the museum, the Association is entitled to occupy the facility and use the surrounding grounds on a rent-free basis. The estimated fair rental value of the property was $184,760 in 2021, which has been recorded as donated goods and services and occupancy expense in the Association's financial statements.

In addition, the agreement requires the city and surrounding municipalities to contribute annually an amount towards the Association's operation expenses. The contributions recorded in the financial statements were $341,530 for the year ended December 31, 2021.

NOTE L - Donated Goods, Services and Facility Space

Donated goods, services and facility space for the year ended December 31, 2021, amounted to $184,760.

NOTE M - Revenue From Contracts with Customers

Admission and Exhibition Revenue

The Association changes exhibitions two or three times each year presenting work from artists who create meaningful statements in craft media. Revenue earned from art exhibitions is recorded at the time of the admission. Admission revenue was $16,593, art loan fees were $2,230, and competitive exhibition revenue was $2,740 for the year ended December 31, 2021.

Membership Dues

The Association offers several memberships with member benefits ranging from admissions to other local art museums, access to various art programs, and invitations to member only events. Annual membership dues are $45 for seniors, $55 for individuals, and $75 for families. These revenues are recognized over a period of time which corresponds with the membership year. Revenue from membership dues for the year ended December 31, 2021 was $75,016.

Tuition

The Association offers art classes and workshops for adults and children. Various classes with emphasis on drawing, art metals, jewelry, and glass are available and held at the Wustum location. Revenue for classes is recognized over the period of time for which the class is held. Tuition revenue received for classes in 2022 is recorded in refundable advances as of December 31, 2021.

Beginning Refundable Advances	$ 6,009
Revenue Recognized from Prior Year	(6,009)
New Tuition Revenue Received	64,512
Revenue Recognized on New Tuition Revenue	(56,619)
Ending Refundable Advances	$ 7,893

Auxiliary Activities

The Association has a shop on location that offers jewelry, books, and gifts available for purchase. Revenue for shop revenue and consignment sales is recognized at the point in time of the sale. Revenue from auxiliary activities for the year ended December 31, 2021, was $108,812.

Special Events

The Association holds the largest and most significant contemporary craft collection in North America, with more than 9,500 objects from nationally and internationally recognized artists auctioning off various items. The Association hosts fundraising events throughout the year to raise much-needed support for the Association's award-winning exhibitions and education programming for children, adults, and families. Revenue from special events including auctions and other sales for the year ended December 31, 2021, was $78,003, of which $43,920 is considered to be received in exchange for goods or services provided.

NOTE N - Retirement Benefits

The Association provides a 401(k) plan for full and part-time employees. After one year of service, those age 21 years or older that work over 1,000 hours per year are eligible to enter the plan and are eligible to receive contributions provided by the Association. The Association will provide a safe harbor match based on the amount of the employee contribution. The Association will provide a match ratio of employee contribution to Association contribution as follows: 1%:1%, 2%:2%, 3%:3%, 4%:3.5%, 5%:4%. The safe harbor contribution is fully vested upon contribution. In addition, the Association may provide an additional elective contribution of up to 3.5%, regardless of employee contribution, which would vest over a seven-year period. Association contributions to the plan during the year ended December 31, 2021, were $56,778.

NOTE O - Related Parties

The Association received $25,563 of donations from board members, employees, and their families.

NOTE P - Paycheck Protection Program

On April, 10, 2020, the Association received loan proceeds in the amount of $235,400 under the Paycheck Protection Program ("PPP"). Established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), the PPP provides for loans to qualifying businesses in amounts up to 2.5 times the business's average monthly payroll expenses. PPP loans and accrued interest are forgivable after a "covered period" (eight or 24 weeks) as long as the borrower maintains its payroll levels and uses the loan proceeds for eligible purposes, including payroll, benefits, rent, and utilities, among other things. The forgiveness amount will be reduced if the borrower terminates employees or reduces salaries during the covered period. Any unforgiven portion of a PPP loan is payable over two or five years at an interest rate of 1%, with a deferral of payments for 10 months after the end of the covered period.

The Association received full forgiveness of its $235,400 PPP loan and $2,012 of interest on March 4, 2021. For the year ended December 31, 2021, $237,412 was recognized as revenue.

In addition, the Association applied for and received a second PPP loan on February 16, 2021, of $235,415. The Association received full forgiveness of its $235,415 PPP loan on April 13, 2022. As of December 31, 2021, this loan is recorded as a liability.

NOTE Q - Income Taxes

The Association is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and is classified as other than a private foundation. Management has reviewed all tax positions recognized in previously filed tax returns and those expected to be taken in future tax returns. As of December 31, 2021, the Association had no amounts related to unrecognized income tax benefits and no amounts related to accrued interest and penalties.

NOTE R - Subsequent Events

The Association has evaluated events and transactions occurring after December 31, 2021 through September 13, 2022, the date the financial statements are available to be issued, for possible adjustments to the financial statements or disclosures.

The COVID-19 outbreak in the United States has caused business disruption to many businesses and nonprofit organizations and significant market fluctuations in the global financial markets. There continues to be considerable uncertainty around the duration and impact of the pandemic. The Association may be affected by market fluctuations in investments and the concentration of in-person programming or events. It is unknown at this time what, if any, impact the pandemic will have on future financial statements, and as such, the financial statements do not include adjustments for this uncertainty.

The Association's second Paycheck Protection Program loan of $235,415 was forgiven on April 13, 2022.