RACINE ART MUSEUM ASSOCIATION, INC.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

(With Summarized Totals for the Year Ended December 31, 2022)

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, 2023, 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, 2023, 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.

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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, 2022, financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 12, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022, 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
November 12, 2024

RACINE ART MUSEUM ASSOCIATION, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2023
(With Summarized Totals for December 31, 2022)

ASSETS

	2023	2022
CURRENT ASSETS		
Cash and Cash Equivalents	$ 269,426	$ 259,514
Accounts Receivable	3,743	4,287
Grants Receivable	---	50,022
Pledges Receivable	993,310	200,264
Prepaid Expenses	38,185	21,511
Total Current Assets	$ 1,304,664	$ 535,598
INVESTMENTS		
Racine Community Foundation, Inc. - Beneficial Interest	$ 782,557	$ 745,047
Investments	6,526,557	6,455,248
Total Investments	$ 7,309,114	$ 7,200,295
FIXED ASSETS		
Building and Leasehold Improvements	$ 7,777,652	$ 7,726,939
Equipment	504,874	429,539
Vehicle	29,808	29,808
Website	43,237	43,237
Total Fixed Assets	$ 8,355,571	$ 8,229,523
Less: Accumulated Depreciation	(4,575,872)	(4,283,271)
Net Fixed Assets	$ 3,779,699	$ 3,946,252
LEASES		
Right-of-Use Asset - Operating Leases	$ 266,296	$ 59,883
Right-of-Use Asset - Finance Leases	72,820	9,538
Total Leases	$ 339,116	$ 69,421
OTHER ASSETS		
Inventory	$ 71,316	$ 58,055
Artwork Held for Resale	94,619	79,669
Total Long-Term Assets	$ 165,935	$ 137,724
TOTAL ASSETS	$ 12,898,528	$ 11,889,290

LIABILITIES AND NET ASSETS

	2023	2022
CURRENT LIABILITIES		
Accounts Payable	$ 85,608	$ 39,860
Accrued Payroll	39,861	46,297
Refundable Advances	15,075	74,497
Deposits Held	---	1,350
Gift Certificate Liability	4,324	3,899
Lease Liability - Current Portion for Operating Leases	71,389	40,544
Lease Liability - Current Portion for Finance Leases	13,983	10,469
Total Current Liabilities	$ 230,240	$ 216,916
LONG-TERM LIABILITIES		
Lease Liability - Long-Term Portion for Operating Leases	$ 196,137	$ 20,538
Lease Liability - Long-Term Portion for Finance Leases	59,456	904
Total Long-Term Liabilities	$ 255,593	$ 21,442
Total Liabilities	$ 485,833	$ 238,358
NET ASSETS		
Without Donor Restrictions		
Operating	$ 1,243,087	$ 1,023,245
Fixed Assets	3,779,699	3,946,252
Board Designated	1,063,502	996,926
Total Net Assets Without Donor Restrictions	$ 6,086,288	$ 5,966,423
With Donor Restrictions	6,326,407	5,684,509
Total Net Assets	$ 12,412,695	$ 11,650,932
TOTAL LIABILITIES AND NET ASSETS	$ 12,898,528	$ 11,889,290

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, 2023
(With Summarized Totals for the Year Ended December 31, 2022)

	Without Donor Restrictions	With Donor Restrictions	2023 Total	2022 Total
REVENUE				
Contributions	$ 569,500	$ 1,061,810	$ 1,631,310	$ 633,647
Donated Goods, Services and Facility Space	184,760	---	184,760	184,760
City of Racine Contribution	362,027	---	362,027	347,135
Tuition	91,700	---	91,700	78,156
Admission and Exhibition Revenue	31,455	---	31,455	21,936
Membership Dues	70,713	---	70,713	72,140
Paycheck Protection Program	---	---	---	235,415
Employee Retention Credit	---	---	---	50,022
Dividends, Interest, and Capital Gain Distributions	295,250	---	295,250	366,297
Rental Income	1,600	---	1,600	800
Auxiliary Activities	94,984	---	94,984	112,816
Change in Value of Artwork Held for Resale	15,300	---	15,300	3,000
Special Events				
Revenues	125,388	---	125,388	114,271
Expenses	(55,130)	---	(55,130)	(50,053)
Artwork Selection, Curation, and Purchase Services	107,345	---	107,345	355
Other Revenues	3,505	---	3,505	9,789
Net Assets Released from Restrictions - Operations	350,472	(350,472)	---	---
Total Revenue	$ 2,248,869	$ 711,338	$ 2,960,207	$ 2,180,486
EXPENSES				
Program Services				
Education	$ 378,619	$ ---	$ 378,619	$ 428,030
Exhibition	1,039,953	---	1,039,953	1,028,057
Auxiliary Activities	348,905	---	348,905	318,257
Management	439,282	---	439,282	356,738
Fundraising	255,176	---	255,176	254,511
Total Expenses	$ 2,461,935	$ ---	$ 2,461,935	$ 2,385,593
CHANGE IN NET ASSETS FROM OPERATIONS	$ (213,066)	$ 711,338	$ 498,272	$ (205,107)
OTHER CHANGES				
Collection Items Purchased but not Capitalized	$ (2,314)	$ ---	$ (2,314)	$ (19,784)
Realized and Unrealized Change in Value of Investments	(160,752)	426,557	265,805	(899,503)
Net Assets Released from Restrictions Endowment	495,997	(495,997)	---	---
Total Other Changes	$ 332,931	$ (69,440)	$ 263,491	$ (919,287)
CHANGE IN NET ASSETS	$ 119,865	$ 641,898	$ 761,763	$ (1,124,394)
NET ASSETS, BEGINNING OF YEAR	5,966,423	5,684,509	11,650,932	12,775,326
NET ASSETS, END OF YEAR	$ 6,086,288	$ 6,326,407	$ 12,412,695	$ 11,650,932

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, 2023
(With Summarized Totals for the Year Ended December 31, 2022)

	Program Services						
	Education	Exhibition	Auxiliary Activities	Management	Fundraising	2023 Total	2022 Total
Salaries and Wages	$ 188,514	$ 410,049	$ 71,922	$ 213,092	$ 185,094	$ 1,068,671	$ 1,093,938
Retirement	9,986	21,722	3,810	11,288	9,805	56,611	64,788
Employee Benefits	14,277	31,055	5,447	16,139	14,018	80,936	94,080
Payroll Taxes	15,943	34,680	6,083	18,022	15,654	90,382	88,597
Professional Fees	---	---	---	36,035	---	36,035	43,969
Information Technology	---	---	2,499	40,964	---	43,463	26,185
Grant Expenditures	1,098	---	---	---	---	1,098	511
Supplies	---	---	26	5,503	---	5,529	9,057
Materials	13,838	9,810	3,095	---	---	26,743	29,762
Postage and Art Shipping	---	40,289	3,003	3,344	---	46,636	11,285
Subscriptions	---	---	---	4,062	200	4,262	2,615
Occupancy	85,950	213,598	4,286	---	---	303,834	249,467
Utilities	13,614	46,500	16,941	7,057	1,693	85,805	81,347
Telephone	562	---	---	5,868	---	6,430	9,328
Equipment Rental and Maintenance	1,722	---	683	9,260	---	11,665	8,051
Building Maintenance	6,097	23,337	8,496	2,603	853	41,386	60,188
Interest Expense	---	---	---	331	---	331	840
Depreciation	18,027	130,243	57,922	26,219	5,951	238,362	222,172
Grounds Maintenance	196	1,624	42,032	---	332	44,184	35,264
Travel and Entertainment	532	3,050	588	375	240	4,785	4,547
Conferences, Conventions and Meetings	1,179	858	---	---	---	2,037	999
Staff Development	---	100	---	---	---	100	---
Insurance	---	14,783	---	28,723	---	43,506	43,348
Membership Dues	---	---	---	1,609	---	1,609	4,363
Promotion	4,434	49,522	1,613	---	21,336	76,905	82,606
Cost of Sales	---	3,955	40,869	---	---	44,824	52,589
Bank Fees	---	---	5,520	8,468	---	13,988	12,887
Programming Expense	2,650	3,130	---	---	---	5,780	44,827
Permanent Collection Conservation	---	1,648	---	---	---	1,648	5,359
Artwork Purchases for Others	---	---	73,745	---	---	73,745	355
Other Expense	---	---	325	320	---	645	2,269
Subtotal	$ 378,619	$ 1,039,953	$ 348,905	$ 439,282	$ 255,176	$ 2,461,935	$ 2,385,593
Special Event Expenses							
Contract Services and Artists	$ ---	$ ---	$ ---	$ ---	$ 12,106	$ 12,106	$ 7,498
Food and Venue	---	---	---	---	25,970	25,970	19,287
Promotion	---	---	---	---	5,589	5,589	7,422
Supplies	---	---	---	---	8,525	8,525	13,339
Miscellaneous	---	---	---	---	2,940	2,940	2,507
Total Special Events	$ ---	$ ---	$ ---	$ ---	$ 55,130	$ 55,130	$ 50,053
TOTAL EXPENSES	$ 378,619	$ 1,039,953	$ 348,905	$ 439,282	$ 310,306	$ 2,517,065	$ 2,435,646

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, 2023
(With Summarized Totals for the Year Ended December 31, 2022)

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ 761,763	$ (1,124,394)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Unrealized and Realized (Gain) Loss on Investments	(265,805)	899,503
Donated Stock	(41,711)	(175,600)
Depreciation	238,362	222,172
Paycheck Protection Program Loan Forgiveness	---	(235,415)
(Increase) Decrease in Accounts Receivable	544	(608)
(Increase) Decrease in Grants Receivable	50,022	55,372
(Increase) Decrease in Pledges Receivable	(793,046)	(29,024)
(Increase) Decrease in Prepaid Expenses	(16,674)	4,654
(Increase) Decrease in Inventory	(13,261)	2,056
(Increase) Decrease in Artwork Held for Resale	(14,950)	3,168
(Increase) Decrease in Right-of-Use Operating Lease Asset	(206,413)	40,543
Increase (Decrease) in Right-of-Use Operating Lease Liability	206,444	(39,344)
Increase (Decrease) in Accounts Payable	45,748	5,448
Increase (Decrease) in Accrued Payroll	(6,436)	26,338
Increase (Decrease) in Refundable Advances	(59,422)	66,604
Increase (Decrease) in Deposits Held	(1,350)	900
Increase (Decrease) in Gift Certificate Liability	425	(483)
Net Cash Used by Operating Activities	$ (115,760)	$ (278,110)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	$ (55,994)	$ (70,821)
Purchase of Investments	(1,789,887)	(1,755,575)
Proceeds from Sale of Investments	1,988,584	2,153,634
Net Cash Provided by Investing Activities	$ 142,703	$ 327,238
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Finance Lease	$ (17,031)	$ (9,959)
Net Cash Used by Financing Activities	$ (17,031)	$ (9,959)
Net Increase in Cash and Cash Equivalents	$ 9,912	$ 39,169
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	259,514	220,345
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 269,426	$ 259,514
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest Paid	$ 331	$ 840
Finance Lease Assets Received in Exchange for Obligations	79,097	---

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

RACINE ART MUSEUM ASSOCIATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2023

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)

Contributions and Grant Revenue (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, 2023, was $76,905.

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 A - Summary of Significant Accounting Policies (continued)

Leases
The Organization recognizes operating and finance leases in accordance with the *FASB Accounting Standards Codification* (ASC) 842. A lease exists when an organization has the right to control the use of property, plant or equipment over a lease term. The lessee classifies a lease as either a finance or operating lease. The accounting of a finance lease is similar to when an asset is purchased. An operating lease is when the right-of-use of an asset exists over the lease-term, but that the lease doesn't meet the definition of a finance lease. The Organization has elected to establish a threshold to exclude lease assets and obligations that are immaterial to the financial statements. The Organization recognizes individual leases over $5,000. The Organization has elected not to apply the recognition requirements in ASC 842 to short-term leases (those with a term of 12 or less months) and no expected purchase at the end of the term. The Organization has elected to use the risk free interest rate as a practical expedient on operating leases for building space and finance leases for equipment.

NOTE B - Accounting Standards Change

Accounting Standards Update 2016-13, Financial Instruments - Credit Losses (Topic 326) is 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. The implementation of this standard did not materially impact the financial statements of the Organization.

NOTE C - Comparative Financial Information

The financial information shown for 2022 in the accompanying financial statements is included to provide a basis for comparison with 2023. 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, 2022, from which the summarized information was derived.

NOTE D - Liquidity

The Association's operations are primarily funded through donations, program revenue, and endowment distributions. Liquid financial assets are those financial 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. Liquid financial assets exclude 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 $1,063,502 as of December 31, 2023. The endowment that is donor restricted, but for which earning support operations, is $4,823,233 as of December 31, 2023.

Financial assets available for use consist of the following:

Description	Amount
Cash and Cash Equivalents	$ 269,426
Operating Funds Held in Investments	1,119,813
Accounts Receivable	3,743
Pledges Receivable	993,310
Financial Assets with Purpose Restrictions	(207,298)
Financial Assets Available for Use	$2,178,994

NOTE E - Pledges Receivable

The Association records a pledges receivable when a donor makes 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 all pledges receivable of $993,310 in the year ended December 31, 2024.

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 an annualized basis of three to five years.

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, 2023:

Net Asset Composition	Total
Board Designated Endowment	$ 1,063,502
Donor Restricted Endowment	5,125,799
Subtotal - Endowment	$ 6,189,301
Operating Funds	1,119,813
Total Investments	$ 7,309,114

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

Endowment net asset composition is as follows as of December 31, 2023:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Held in Investments			
Board Designated Endowment	$ 1,063,502	$ ---	$ 1,063,502
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	---	251,555	251,555
General Endowment	---	1,000,000	1,000,000
Earmarked Gifts	---	1,011	1,011
Subtotal	$ 1,063,502	$ 6,361,250	$ 7,424,752
Accumulated Investment Loss	---	(1,235,451)	(1,235,451)
Total Endowment	$ 1,063,502	$ 5,125,799	$ 6,189,301

Change in endowment net assets are as follows in the year ended December 31, 2023:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets			
Beginning of the Year	$ 996,926	$ 5,195,239	$ 6,192,165
Investment Return, Net	66,830	426,557	493,387
Appropriated for Expenditure			
Withdrawals	(254)	(493,947)	(494,201)
Permanent Collection	---	(2,050)	(2,050)
Total Endowment	$ 1,063,502	$ 5,125,799	$ 6,189,301

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, 2023:

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)
Stock Funds	$1,083,758	$1,083,758	$ ---	$ ---
Balanced Funds	4,799,341	4,799,341	---	---
Bond Funds	577,193	577,193	---	---
Cash and Money Market	66,265	66,265	---	---
Beneficial Interest	782,557	---	---	782,557
Total	$7,309,114	$6,526,557	$ ---	$782,557

Beneficial Interest
In 2002, the Association established the Racine Art Museum Association, Inc. Fund ("Beneficial Interest") within the Racine Community Foundation, Inc. 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, 2023	$745,047
Unrealized Gain	54,154
Realized Gain	15,613
Interest Income	12,635
Administrative Fee	(7,656)
Grants	(37,236)
Ending Balance, December 31, 2023	$782,557

NOTE G - Leasing Activities

Finance Leases
The Association entered into a finance lease for a copy machine in June 2023 which requires 63 monthly payments of $1,398. The Organization uses the risk-free treasury rate for equipment under finance leases.

Operating Leases
The Association has an operating lease for warehouse space at 2824 Four Mile Road in Caledonia, Wisconsin. The lease term extends through June 30, 2024, and is not expected to be renewed thereafter. The Association has an operating lease for warehouse space at 1101 Mound Avenue in Racine, Wisconsin. The lease term extends through May 31, 2028, and includes an option to extend the term for five years. The Organization used the risk free treasury rate for buildings under operating leases.

Lease expense, cash flows and weighted average information pertaining to leases are as follows for the year ended December 31, 2023:

	Amount
Operating Leases:	
Expense: Rent Expense	$ 75,648
Operating Cash Flows - Fixed Lease Payments	$ 75,617
Assets Received in Exchange for Obligations	$275,809
Weighted-Average Remaining Lease Term in Years for Operating Leases	4.12
Weighted-Average Discount Rate for Operating Leases	3.55%
Finance Leases:	
Expense: Depreciation Expense	$ 6,278
Expense: Interest Expense	$ 1,329
Operating Cash Flows - Payments for Interest Expense	$ 1,329
Financing Cash Flows - Payments on Lease Liabilities	$ 17,031
Assets Received in Exchange for Obligations	$ 79,097
Weighted-Average Remaining Lease Term in Years for Finance Leases	4.84
Weighted-Average Discount Rate for Finance Leases	4.23%

The maturities of lease liabilities as of December 31, 2023, were as follows:

Year Ending	Operating	Finance
December 31, 2024	$ 79,569	$16,771
December 31, 2025	59,985	16,771
December 31, 2026	60,720	16,771
December 31, 2027	61,784	16,771
December 31, 2028	26,060	13,974
Total Lease payments	$288,118	$81,058
Less: Present Value Discount	(20,592)	(7,619)
Present Value of Lease Liabilities	$267,526	$73,439

NOTE G - Leasing Activities (continued)

Othering Leasing Activity
The Association entered into a finance lease for a copier in June 2023 which will require 63 monthly payments of $1,398.

The Association entered into an operating lease for building space in June 2023 which will require initial monthly payments of $4,913, increasing incrementally through the initial lease term ending May 31, 2028. The Association has the ability to renew the lease for an additional five years thereafter.

The Association has an operating lease for a vehicle requiring payments totaling $5,203 in the year ended December 31, 2023.

NOTE H - Net Assets

Net Assets Released From Restrictions
Net assets released from restrictions consist of the following for the year ended December 31, 2023:

Source	Amount
Education	$ 50,000
First Fridays	8,500
Collection Care	25,000
Pledge	208,600
Time Restricted	50,022
Fund for Contemporary Craft of Living Artists	8,350
Total Donations Released from Restrictions	$350,472
Endowment Appropriated for Operations	495,997
Total	$846,469

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.

NOTE H - Net Assets (continued)

Board designated net assets consist of the following as of December 31, 2023:

Source	Amount
Regas Fund	$ 160,682
Boyd Acquisition Fund	78,332
Additions	709,676
Collection Care	21,702
Alshuler Acquisition Fund	43,527
Haas Photo	3,938
Duck Stamp	45,645
Total	$1,063,502

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, 2023:

Source	Amount
Endowment	
Operations	$4,823,233
Acquisition Additions	251,555
Earmarked Gifts	1,011
Education	50,000
Total Endowment	$5,125,799
Toshiko Takaezu Ceramic Fund	11,725
RAM on the Road	60,000
First Fridays	8,500
Polymer Acquisition and Care Fund	38,480
Travel Grants	1,293
Fund for Contemporary Craft of Living Artists	33,300
Fiber Art International Publications	54,000
Time Restricted Estate	983,310
Time Restricted Pledge	10,000
Total	$6,326,407

NOTE I - 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.

NOTE I - Museum Operating Agreement - City of Racine (continued)

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 2023, 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 $362,027 for the year ended December 31, 2023.

NOTE J - Donated Facility Space

Donated facility space for programming at the Charles A. Wustum museum for year ended December 31, 2023, was $184,760. The value of the facility space was determined using average prices for similar space in the area.

NOTE K - 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 $25,133, loan fees were $4,600 and competitive exhibition revenue was $1,722 for the year ended December 31, 2023. There were no assets or obligations related to admission and exhibition revenue as of December 31, 2023, or December 31, 2022.

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, 2023, was $70,713. There were no assets or obligations related to membership dues as of December 31, 2023, or December 31, 2022.

NOTE K - Revenue From Contracts with Customers (continued)

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 was $91,700 for the year ended December 31, 2023. There were no assets related to tuition as of December 31, 2023, or December 31, 2022. Refundable advances includes tuition revenue received in advance of the dates classes are provided. Refundable advances as of December 31, 2023, and December 31, 2022, were $10,075 and $8,002, respectively. All refundable advances are expected to be earned and included in revenue within one year from the financial position date.

Auxiliary Activities
The Association has a shop on location that offers jewelry, books, and gifts available for purchase. Shop revenue and consignment sales are recognized at the point in time of the sale. Revenue from auxiliary activities for the year ended December 31, 2023, was $94,984. There were no assets or obligations related to auxiliary activities as of December 31, 2023, or December 31, 2022.

Art Selection, Curation and Purchase
On June 2, 2022, the Association entered into an agreement to select, curate, and purchase artwork for the Hotel Verdant. The Association will receive a budgeted amount for the goods and services provided to be paid 50% on agreement of the budget, 40% when final selections are made, and 10% after the art is delivered. The Association recognizes revenue as art is purchased and delivered. Any budget amount not spent will be retained by Racine Art Museum Association, Inc. The Association recognizes the revenue as the performance obligations are met. Revenue was $107,345 during the year ended December 31, 2023. There were no assets as of December 31, 2023, or December 31, 2022 related to art selection, curation and purchase. Refundable advances were $5,000 and $66,495 as of December 31, 2023, and December 31, 2022, respectively. All refundable advances are expected to be earned and included in revenue within one year from the financial position date.

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. 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, 2023, was $125,388, of which $83,613 is considered to be received in exchange for goods or services provided.

NOTE L - 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, 2023, were $56,611.

NOTE M - Related Parties

The Association received $13,825 of donations from board members, employees, and their families.

NOTE N - Estate Assets

The Association was a recipient of estate assets and is reviewing items to determine if they will be treated as part of the permanent collection or be made available-for-sale. Items determined to be made available-for-sale will be added to the financial statements as artwork held for resale. Items determined to be part of the permanent collection will be excluded from the financial statements, similar to other collection assets.

NOTE O - Charitable Remainder Trust Beneficiary

The Association is the named beneficiary in a charitable remainder trust. The original trust value was $400,000 and annually 5% is distributed to beneficiaries of the trust throughout their life. Thereafter, any remaining trust assets will be distributed to Racine Art Museum Association. The Association has not recorded any value for future cash flows due to the long-term nature of the trust and the inability to determine any residual value.

NOTE P - 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, 2023, the Association had no amounts related to unrecognized income tax benefits and no amounts related to accrued interest and penalties.

NOTE Q - Subsequent Events

The Association has evaluated events and transactions occurring after December 31, 2023, through November 12, 2024, the date the financial statements are available to be issued, for possible adjustments to the financial statements or disclosures. Management has determined that no subsequent events need to be disclosed.