RACINE ART MUSEUM ASSOCIATION, INC.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2024

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

RitzHolman CPAs

RACINE ART MUSEUM ASSOCIATION, INC.

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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, 2024, 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, 2024, 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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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, 2023, financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 12, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2023, 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
August 20, 2025

RACINE ART MUSEUM ASSOCIATION, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2024
(With Summarized Totals for December 31, 2023)

ASSETS

	2024	2023
CURRENT ASSETS		
Cash and Cash Equivalents	$ 211,952	$ 269,426
Accounts Receivable	7,711	3,743
Pledges Receivable	9,940	993,310
Prepaid Expenses	35,335	38,185
Total Current Assets	$ 264,938	$ 1,304,664
INVESTMENTS		
Racine Community Foundation, Inc. - Beneficial Interest	$ 794,132	$ 782,557
Investments	7,456,885	6,526,557
Total Investments	$ 8,251,017	$ 7,309,114
FIXED ASSETS		
Building and Leasehold Improvements	$ 7,777,652	$ 7,777,652
Equipment	509,432	504,874
Vehicle	29,808	29,808
Website	43,237	43,237
Total Fixed Assets	$ 8,360,129	$ 8,355,571
Less: Accumulated Depreciation	(4,801,124)	(4,575,872)
Net Fixed Assets	$ 3,559,005	$ 3,779,699
LEASES		
Right-of-Use Asset - Operating Leases	$ 218,191	$ 266,296
Right-of-Use Asset - Finance Leases	56,636	72,820
Total Leases	$ 274,827	$ 339,116
OTHER ASSETS		
Inventory	$ 64,694	$ 71,316
Artwork Held for Resale	78,041	94,619
Total Long-Term Assets	$ 142,735	$ 165,935
TOTAL ASSETS	$ 12,492,522	$ 12,898,528

LIABILITIES AND NET ASSETS

	2024	2023
CURRENT LIABILITIES		
Accounts Payable	$ 55,963	$ 85,608
Accrued Payroll	37,841	39,861
Refundable Advances	12,602	15,075
Gift Certificate Liability	4,667	4,324
Lease Liability - Current Portion for Operating Leases	82,321	71,389
Lease Liability - Current Portion for Finance Leases	14,311	13,983
Total Current Liabilities	$ 207,705	$ 230,240
LONG-TERM LIABILITIES		
Lease Liability - Long-Term Portion for Operating Leases	$ 142,310	$ 196,137
Lease Liability - Long-Term Portion for Finance Leases	43,986	59,456
Total Long-Term Liabilities	$ 186,296	$ 255,593
Total Liabilities	$ 394,001	$ 485,833
NET ASSETS		
Without Donor Restrictions		
Operating	$ 2,388,035	$ 1,243,087
Fixed Assets	3,559,005	3,779,699
Board Designated	1,135,742	1,063,502
Total Net Assets Without Donor Restrictions	$ 7,082,782	$ 6,086,288
With Donor Restrictions	5,015,739	6,326,407
Total Net Assets	$ 12,098,521	$ 12,412,695
TOTAL LIABILITIES AND NET ASSETS	$ 12,492,522	$ 12,898,528

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, 2024
(With Summarized Totals for the Year Ended December 31, 2023)

	Without Donor Restrictions	With Donor Restrictions	2024 Total	2023 Total
REVENUE				
Contributions	$ 633,217	$ 105,113	$ 738,330	$ 1,631,310
Donated Goods, Services and Facility Space	184,760	---	184,760	184,760
City of Racine Contribution	391,016	---	391,016	362,027
Tuition	98,901	---	98,901	91,700
Admission and Exhibition Revenue	37,166	---	37,166	31,455
Membership Dues	74,741	---	74,741	70,713
Dividends, Interest, and Capital Gain Distributions	384,921	---	384,921	295,250
Rental Income	400	---	400	1,600
Auxiliary Activities	105,194	---	105,194	94,984
Change in Value of Artwork Held for Resale	---	---	---	15,300
Special Events				
Revenues	152,820	---	152,820	125,388
Expenses	(56,483)	---	(56,483)	(55,130)
Artwork Selection, Curation, and Purchase Services	5,000	---	5,000	107,345
Other Revenues	3,369	---	3,369	3,505
Net Assets Released from Restrictions - Operations	1,074,747	(1,074,747)	---	---
Total Revenue	$ 3,089,769	$ (969,634)	$ 2,120,135	$ 2,960,207
EXPENSES				
Program Services				
Education	$ 416,627	$ ---	$ 416,627	$ 378,619
Exhibition	1,181,180	---	1,181,180	1,039,953
Auxiliary Activities	321,107	---	321,107	348,905
Management	447,386	---	447,386	439,282
Fundraising	276,154	---	276,154	255,176
Total Expenses	$ 2,642,454	$ ---	$ 2,642,454	$ 2,461,935
CHANGE IN NET ASSETS FROM OPERATIONS	$ 447,315	$ (969,634)	$ (522,319)	$ 498,272
OTHER CHANGES				
Collection Items Purchased but not Capitalized	$ (21,976)	$ (43,095)	$ (65,071)	$ (2,314)
Realized and Unrealized Change in Value of Investments	(222,239)	495,455	273,216	265,805
Net Assets Released from Restrictions - Endowment	793,394	(793,394)	---	---
Total Other Changes	$ 549,179	$ (341,034)	$ 208,145	$ 263,491
CHANGE IN NET ASSETS	$ 996,494	$ (1,310,668)	$ (314,174)	$ 761,763
NET ASSETS, BEGINNING OF YEAR	6,086,288	6,326,407	12,412,695	11,650,932
NET ASSETS, END OF YEAR	$ 7,082,782	$ 5,015,739	$ 12,098,521	$ 12,412,695

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, 2024
(With Summarized Totals for the Year Ended December 31, 2023)

	Program Services						
	Education	Exhibition	Auxiliary Activities	Management	Fundraising	2024 Total	2023 Total
Salaries and Wages	$ 192,244	$ 483,470	$ 85,185	$ 195,755	$ 193,317	$ 1,149,971	$ 1,068,671
Retirement	9,157	23,029	4,058	9,324	9,208	54,776	56,611
Employee Benefits	13,575	34,139	6,015	13,822	13,651	81,202	80,936
Payroll Taxes	15,964	40,148	7,074	16,257	16,053	95,496	90,382
Professional Fees	---	---	---	95,635	---	95,635	36,035
Information Technology	7,734	19,450	3,427	7,875	7,777	46,263	43,463
Grant Expenditures	1,222	---	---	---	---	1,222	1,098
Supplies	---	---	---	2,375	---	2,375	5,529
Materials	27,645	18,257	965	---	---	46,867	26,743
Postage and Art Shipping	---	1,376	4,166	3,953	---	9,495	46,636
Subscriptions	---	---	---	3,013	200	3,213	4,262
Occupancy	85,950	228,617	4,287	---	---	318,854	303,834
Utilities	14,939	50,952	18,551	4,938	1,854	91,234	85,805
Telephone	396	28	---	3,458	---	3,882	6,430
Equipment Rental and Maintenance	2,888	7,264	1,280	2,941	2,904	17,277	11,996
Building Maintenance	8,876	34,652	13,216	3,279	1,330	61,353	41,386
Depreciation and Amortization	17,900	125,148	56,684	35,880	5,824	241,436	238,362
Grounds Maintenance	245	2,030	44,274	320	95	46,964	44,184
Travel and Entertainment	704	2,741	167	5,349	178	9,139	4,785
Conferences, Conventions and Meetings	1,001	1,303	---	---	---	2,304	2,037
Staff Development	---	150	---	---	---	150	100
Insurance	---	17,154	---	31,302	---	48,456	43,506
Membership Dues	---	---	---	1,828	---	1,828	1,609
Promotion	7,294	58,532	2,440	---	23,763	92,029	76,905
Cost of Sales	---	4,595	59,397	---	---	63,992	44,824
Bank Fees	---	---	4,783	8,240	---	13,023	13,988
Programming Expense	8,893	27,266	---	---	---	36,159	5,780
Permanent Collection Conservation	---	879	---	---	---	879	1,648
Artwork Purchases for Others	---	---	5,000	---	---	5,000	73,745
Other Expense	---	---	138	1,842	---	1,980	645
Subtotal	$ 416,627	$ 1,181,180	$ 321,107	$ 447,386	$ 276,154	$ 2,642,454	$ 2,461,935
Special Event Expenses							
Contract Services and Artists	$ ---	$ ---	$ ---	$ ---	$ 10,103	$ 10,103	$ 12,106
Food and Venue	---	---	---	---	27,062	27,062	25,970
Promotion	---	---	---	---	12,254	12,254	5,589
Supplies	---	---	---	---	4,463	4,463	8,525
Miscellaneous	---	---	---	---	2,601	2,601	2,940
Total Special Events	$ ---	$ ---	$ ---	$ ---	$ 56,483	$ 56,483	$ 55,130
TOTAL EXPENSES	$ 416,627	$ 1,181,180	$ 321,107	$ 447,386	$ 332,637	$ 2,698,937	$ 2,517,065

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, 2024
(With Summarized Totals for the Year Ended December 31, 2023)

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ (314,174)	$ 761,763
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Unrealized and Realized (Gain) Loss on Investments	(269,028)	(265,805)
Donated Stock	(1,077,161)	(41,711)
Depreciation	241,436	238,362
(Increase) Decrease in Accounts Receivable	(3,968)	544
(Increase) Decrease in Grants Receivable	---	50,022
(Increase) Decrease in Pledges Receivable	983,370	(793,046)
(Increase) Decrease in Prepaid Expenses	2,850	(16,674)
(Increase) Decrease in Inventory	6,622	(13,261)
(Increase) Decrease in Artwork Held for Resale	16,578	(14,950)
(Increase) Decrease in Right-of-Use Operating Lease Asset	48,105	(206,413)
Increase (Decrease) in Right-of-Use Operating Lease Liability	(42,895)	206,444
Increase (Decrease) in Accounts Payable	(29,645)	44,398
Increase (Decrease) in Accrued Payroll	(2,020)	(6,436)
Increase (Decrease) in Refundable Advances	(2,473)	(59,422)
Increase (Decrease) in Gift Certificate Liability	343	425
Net Cash Used by Operating Activities	$ (442,060)	$ (115,760)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	$ (4,558)	$ (55,994)
Purchase of Investments	(1,417,162)	(1,789,887)
Proceeds from Sale of Investments	1,821,448	1,988,584
Net Cash Provided by Investing Activities	$ 399,728	$ 142,703
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Finance Lease	$ (15,142)	$ (17,031)
Net Cash Used by Financing Activities	$ (15,142)	$ (17,031)
Net (Decrease) Increase in Cash and Cash Equivalents	$ (57,474)	$ 9,912
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	269,426	259,514
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 211,952	$ 269,426
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest Paid	$ 2,754	$ 311
Finance Lease Assets Received in Exchange for Obligations	---	79,097
Operating Leases Received in Exchange for Obligations	51,899	---

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

RACINE ART MUSEUM ASSOCIATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2024

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 Receivable

Accounts receivable includes amounts owed to the Association for store sales and other miscellaneous receivables. The Association recognizes an allowance for expected credit losses on trade and other receivables. The expected credit losses are updated by management at each reporting date to reflect changes in credit risk since the financial instrument was initially recognized. The expected credit losses on trade or other receivables are estimated based on historical credit loss experience, aging analysis, and management's assessment of current conditions and reasonable and supportable expectations of future conditions. The Association assesses collectability by pooling receivables where similar characteristics exist and evaluates receivables individually when specific customer balances no longer share those risk characteristics and are considered at risk or uncollectible. Accounts receivable balances are charged off against the allowance for credit losses after recovery efforts have ceased. The expense associated with the allowance for expected credit losses is recognized in bad debts expense. As of December 31, 2024, accounts receivables are expected to be collected in full; therefore, no allowance for credit losses has been recorded.

NOTE A - Summary of Significant Accounting Policies (continued)

Pledges receivable

Pledges receivable are recorded at net realizable value if they are due in less than one year from the statement of financial position date. Net realizable value is the undiscounted expected future cash flows that will be received and is considered a reasonable estimate for fair value. If pledges receivable are expected to be collected in more than one year, they are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of discounts is included in contribution revenue in the statement of activities. If the Association's expectation of the ability to collect receivables changes, an allowance for uncollectible accounts is recognized in the period in which the expectation changes. The Association determines the allowance for uncollectible accounts based on historical experience, an assessment of economic conditions and review of subsequent receipts. As of December 31, 2024, pledges receivable are considered fully collectible; therefore, no allowance for uncollectible accounts has been recorded.

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.

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.

NOTE A - Summary of Significant Accounting Policies (continued)

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.

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.

NOTE A - Summary of Significant Accounting Policies (continued)

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, 2024, was $92,029.

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.

Leases

The Association 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 Association has elected to establish a threshold to exclude lease assets and obligations that are immaterial to the financial statements. The Association recognizes individual leases over $5,000. The Association 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 Association 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 - Comparative Financial Information

The financial information shown for 2023 in the accompanying financial statements is included to provide a basis for comparison with 2024. 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, 2023, from which the summarized information was derived.

NOTE C - 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. Liquidity is managed through budgeting and cash flow projections; endowment draws cover additional cash flow needs of to cover operating costs. 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 $1,135,742 as of December 31, 2024. The endowment that is donor restricted, but for which investment earnings support operations, is $4,525,294 as of December 31, 2024.

Financial assets available for use consist of the following:

Description	Amount
Cash and Cash Equivalents	$ 211,952
Operating Funds Held in Investments	2,330,510
Accounts Receivable	7,711
Pledges Receivable	9,940
Financial Assets with Purpose Restrictions	(230,974)
Financial Assets Available for Use	$2,329,139

NOTE D - 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 $9,940 in the year ended December 31, 2025.

NOTE E - 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.

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

Endowment (continued)

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.

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

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

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.

The following table sets forth by level, within the fair value hierarchy, the Association's investments and beneficial interest as of December 31, 2024:

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	$1,237,285	$1,237,285	$ ---	$ ---
Balanced Funds	4,771,385	4,771,385	---	---
Bond Funds	298,667	298,667	---	---
Beneficial Interest	794,132	---	---	794,132
Subtotal	$7,101,469	$6,307,337	$ ---	$794,132
Cash and Money Market	1,149,548			
Total Investments	$8,251,017			

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.

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

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, 2024	$782,557
Unrealized Gain	13,313
Realized Gain	27,260
Interest Income	16,754
Administrative Fee	(8,030)
Grants	(37,722)
Ending Balance, December 31, 2024	$794,132

Net Asset Composition of Investments

Investments consist of net assets with the following composition as of December 31, 2024:

Net Asset Composition	Amount
Board Designated Endowment	$1,135,742
Donor Restricted Endowment	4,784,765
Subtotal – Endowment Investments	$5,920,507
Operating Investments	2,330,510
Total Investments	$8,251,017

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

Board Designated Reserves Held in Investments – Quasi-Endowment
Net assets without donor restrictions designated by the board consist of funds designated by the Association's board of directors for specific use. The board of directors reserves the right to change the designation at any time. 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 endowment consists of the following as of December 31, 2024:

Source	Amount
Regas Fund	$ 173,239
Boyd Acquisition Fund	84,454
Additions	765,138
Collection Care	13,506
Alshuler Acquisition Fund	46,929
Haas Photo	3,830
Duck Stamp	48,646
Total	$1,135,742

Donor Restricted Contributions Held in Investments - Endowment
Amounts held in investments with donor restrictions include amounts for prior endowment campaigns and restricted by donors for specific use. Annually, investment income and losses are allocated to each of the funds and appropriations reduce restricted net assets. Losses are allocated to each fund only to the extent that principal is not invaded. Excess losses reduce restricted endowment earnings held within the endowment accounts.

Net assets with donor restrictions consist of the following as of December 31, 2024:

Source	Amount
Endowment	
Operations	$4,525,294
Acquisition Additions	208,460
Earmarked Gifts	1,011
Education	50,000
Total Endowment	$4,784,765

Operating Funds Held in Investments
Amounts held in investments for operations are liquid reserves that the Association invests with intentions to gain investment earnings over time. These amounts are available to cover operating or other costs as needed.

Operating Funds Held in Investments	$2,330,510

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

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 the Racine Community Foundation Board shall determine.

Endowment net asset composition is as follows as of December 31, 2024:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Held in Investments			
Board Designated Endowment	$ 1,135,742	$ ---	$ 1,135,742
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	---	208,460	208,460
General Endowment	---	1,000,000	1,000,000
Earmarked Gifts	---	1,011	1,011
Subtotal	$ 1,135,742	$ 6,318,155	$ 7,453,897
Accumulated Investment Loss	---	(1,533,390)	(1,533,390)
Total Endowment	$ 1,135,742	$ 4,784,765	$ 5,920,507

Change in endowment net assets are as follows in the year ended December 31, 2024:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets			
Beginning of the Year	$ 1,063,502	$ 5,125,799	$ 6,189,301
Investment Return, Net	82,705	495,455	578,160
Appropriated for Expenditure			
Withdrawals	(10,465)	(793,394)	(803,859)
Permanent Collection	---	(43,095)	(43,095)
Total Endowment	$ 1,135,742	$ 4,784,765	$ 5,920,507

NOTE F - 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 Association 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, 2025, 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 has not included the 5-year extension period in the calculation of the right-of-use asset or obligation. The Association 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, 2024:

	Amount
Operating Leases:	
Expense: Rent Expense	$105,186
Operating Cash Flows - Fixed Lease Payments	$103,961
Assets Received in Exchange for Obligations	$ 51,899
Weighted-Average Remaining Lease Term in Years for Operating Leases	3.06
Weighted-Average Discount Rate for Operating Leases	3.55%
Finance Leases:	
Expense: Depreciation and Amortization Expense	$ 16,184
Expense: Interest Expense	$ 2,787
Operating Cash Flows - Payments for Interest Expense	$ 2,787
Financing Cash Flows - Payments on Lease Liabilities	$ 17,031
Weighted-Average Remaining Lease Term in Years for Finance Leases	3.84
Weighted-Average Discount Rate for Finance Leases	4.23%

The maturities of lease liabilities as of December 31, 2024, were as follows:

Year Ending	Operating	Finance
December 31, 2025	$ 88,844	$16,444
December 31, 2026	60,720	16,444
December 31, 2027	61,784	16,444
December 31, 2028	26,060	13,707
Total Lease payments	$237,408	$63,039
Less: Present Value Discount	(12,777)	(4,742)
Present Value of Lease Liabilities	$224,631	$58,297

NOTE F - Leasing Activities (Continued)

Othering Leasing Activity
In addition to the expense related to right-of-use operating leases included above, occupancy expense includes variable lease payment expenses of $11,043 for common area costs at the Four Mile Road warehouse, various other temporary storage and rental costs of $17,865, and in-kind space for Charles A. Wustum Museum of Fine Arts of $184,760.

NOTE G - Net Assets

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

Net assets with donor restrictions consists of the following as of December 31, 2024:

Source	Amount
Endowment	
Operations	$4,525,294
Acquisition Additions	208,460
Earmarked Gifts	1,011
Education	50,000
Total Endowment	$4,784,765
Toshiko Takaezu Ceramic Fund	$ 11,725
Educational Outreach Programs in 2025	50,000
First Fridays	8,500
Polymer Acquisition and Care Fund	38,480
Travel Grants	1,293
Fund for Contemporary Craft of Living Artists	23,600
Creation and Presentation Program	9,940
Fiber Art International Publications	50,762
Educational Exhibits	34,174
Memorial for Watercolor Wisconsin	2,500
Total Purpose Restricted	$ 230,974
Total Net Assets with Donor Restrictions	$5,015,739

NOTE G - Net Assets (continued)

Net Assets Released From Restrictions

Net assets released from restrictions consist of the following for the year ended December 31, 2024:

Source	Amount
First Fridays	$ 8,500
Pledge	983,310
Time Restricted	70,000
Fiber Art International Publications	3,237
Fund for Contemporary Craft of Living Artists	9,700
Total Donations Released from Restrictions	$1,074,747
Endowment Appropriated for Operations	793,394
Total	$1,868,141

NOTE H - 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 2024, 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 $391,016 for the year ended December 31, 2024.

NOTE I - Donated Facility Space

Donated facility space for programming at the Charles A. Wustum museum for year ended December 31, 2024, was $184,760. The value of the facility space was determined using average prices for similar space in the area.

NOTE J - 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 $32,516, collection loan fees were $250 and competitive exhibition revenue was $4,400 for the year ended December 31, 2024. There were no assets or obligations related to admission and exhibition revenue as of December 31, 2024, or December 31, 2023.

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, 2024, was $74,741. There were no assets or obligations related to membership dues as of December 31, 2024, or December 31, 2023.

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 $98,901 for the year ended December 31, 2024. There were no assets related to tuition as of December 31, 2024, or December 31, 2023. Refundable advances includes tuition revenue received in advance of the dates classes are provided. Refundable advances as of December 31, 2024, and December 31, 2023, were $12,602 and $10,075, 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, 2024, was $105,194. There were no assets or obligations related to auxiliary activities as of December 31, 2024, or December 31, 2023.

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 $5,000 during the year ended December 31, 2024. There were no assets as of December 31, 2024, or December 31, 2023, related to art selection, curation and purchase. Refundable advances were $0 and $5,000 as of December 31, 2024, and December 31, 2023, respectively.

NOTE J - Revenue From Contracts with Customers (continued)

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, 2024, was $152,820, of which $55,500 is considered to be received in exchange for goods or services provided.

NOTE K - 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, 2024, were $54,776.

NOTE L - Related Parties

The Association received $15,229 of donations from board members, employees, and their families.

NOTE M - 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 N - 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 O - 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, 2024, the Association had no amounts related to unrecognized income tax benefits and no amounts related to accrued interest and penalties.

NOTE P - Subsequent Events

The Association has evaluated events and transactions occurring after December 31, 2024, through August 20, 2025, 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.