RACINE ART MUSEUM ASSOCIATION, INC.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2025

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

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, 2025, 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, 2025, 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, 2024, financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report date August 20, 2025. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2024, 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 18, 2026

RACINE ART MUSEUM ASSOCIATION, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2025
(With Summarized Totals for December 31, 2024)

ASSETS

	2025	2024
CURRENT ASSETS		
Cash and Cash Equivalents	$ 294,954	$ 211,952
Accounts Receivable	3,645	7,711
Pledges Receivable	26,000	9,940
Grants Receivable	59,340	---
Prepaid Expenses	27,266	35,335
Total Current Assets	$ 411,205	$ 264,938
INVESTMENTS		
Racine Community Foundation, Inc. - Beneficial Interest	$ 858,503	$ 794,132
Investments - General	3,442,040	2,315,462
Investments - Endowment	3,982,771	5,141,423
Total Investments	$ 8,283,314	$ 8,251,017
FIXED ASSETS		
Fixed Assets	$ 8,372,045	$ 8,360,129
Less: Accumulated Depreciation	(4,875,493)	(4,801,124)
Net Fixed Assets	$ 3,496,552	$ 3,559,005
LEASES		
Right-of-Use Asset - Operating Leases	$ 139,662	$ 218,191
Right-of-Use Asset - Finance Leases	41,861	56,636
Total Leases	$ 181,523	$ 274,827
OTHER ASSETS		
Inventory	$ 31,110	$ 64,694
Artwork Held for Resale	89,861	78,041
Total Long-Term Assets	$ 120,971	$ 142,735
TOTAL ASSETS	$ 12,493,565	$ 12,492,522

LIABILITIES AND NET ASSETS

	2025	2024
CURRENT LIABILITIES		
Accounts Payable	$ 60,296	$ 55,963
Accrued Payroll	74,557	37,841
Refundable Advances	12,419	12,602
Gift Certificate Liability	4,702	4,667
Lease Liability - Current Portion for Operating Leases	56,605	82,321
Lease Liability - Current Portion for Finance Leases	14,928	14,311
Total Current Liabilities	$ 223,507	$ 207,705
LONG-TERM LIABILITIES		
Lease Liability - Long-Term Portion for Operating Leases	$ 85,705	$ 142,310
Lease Liability - Long-Term Portion for Finance Leases	29,059	43,986
Total Long-Term Liabilities	$ 114,764	$ 186,296
Total Liabilities	$ 338,271	$ 394,001
NET ASSETS		
Without Donor Restrictions		
Operating	$ 2,375,384	$ 2,388,035
Fixed Assets	3,496,552	3,559,005
Board Designated	1,135,742	1,135,742
Total Net Assets Without Donor Restrictions	$ 7,007,678	$ 7,082,782
With Donor Restrictions	5,147,616	5,015,739
Total Net Assets	$ 12,155,294	$ 12,098,521
TOTAL LIABILITIES AND NET ASSETS	$ 12,493,565	$ 12,492,522

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, 2025
(With Summarized Totals for the Year Ended December 31, 2024)

	Without Donor Restrictions	With Donor Restrictions	2025 Total	2024 Total
REVENUE				
Contributions	$ 610,915	$ 143,840	$ 754,755	$ 738,330
Donated Goods, Services and Facility Space	184,760	---	184,760	184,760
City of Racine Contribution	392,000	---	392,000	391,016
Tuition	96,631	---	96,631	98,901
Admission and Exhibition Revenue	32,382	---	32,382	37,166
Membership Dues	70,127	---	70,127	74,741
Rental Income	600	---	600	400
Auxiliary Activities	86,744	---	86,744	105,194
Change in Value of Artwork Held for Resale	59,100	---	59,100	---
Special Events				
Revenues	120,086	---	120,086	152,820
Expenses	(49,707)	---	(49,707)	(56,483)
Artwork Selection, Curation, and Purchase Services	---	---	---	5,000
Other Revenues	4,978	---	4,978	3,369
Net Assets Released from Restrictions - Operations	84,012	(84,012)	---	---
Total Revenue	$ 1,692,628	$ 59,828	$ 1,752,456	$ 1,735,214
EXPENSES				
Program Services				
Education	$ 477,085	$ ---	$ 477,085	$ 416,627
Exhibition	1,156,312	---	1,156,312	1,181,180
Auxiliary Activities	504,740	---	504,740	321,107
Management	458,614	---	458,614	447,386
Fundraising	347,386	---	347,386	276,154
Total Expenses	$ 2,944,137	$ ---	$ 2,944,137	$ 2,642,454
CHANGE IN NET ASSETS FROM OPERATIONS	$ (1,251,509)	$ 59,828	$ (1,191,681)	$ (907,240)
OTHER CHANGES				
Collection Items Purchased but not Capitalized	$ (24,130)	$ ---	$ (24,130)	$ (65,071)
Insurance Proceeds	160,890	15,540	176,430	---
Dividends, Interest, and Capital Gain Distributions	500,661	---	500,661	384,921
Realized and Unrealized Change in Value of Investments				
Brokerage Accounts	502,549	(7,862)	494,687	273,216
Racine Community Foundation	---	100,806	100,806	---
Net Assets Released from Restrictions - Endowment				
Racine Community Foundation	36,435	(36,435)	---	---
Total Other Changes	$ 1,176,405	$ 72,049	$ 1,248,454	$ 593,066
CHANGE IN NET ASSETS	$ (75,104)	$ 131,877	$ 56,773	$ (314,174)
NET ASSETS, BEGINNING OF YEAR	7,082,782	5,015,739	12,098,521	12,412,695
NET ASSETS, END OF YEAR	$ 7,007,678	$ 5,147,616	$ 12,155,294	$ 12,098,521

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, 2025
(With Summarized Totals for the Year Ended December 31, 2024)

	Program Services						
	Education	Exhibition	Auxiliary Activities	Management	Fundraising	2025 Total	2024 Total
Salaries and Wages	$ 229,646	$ 511,105	$ 214,644	$ 226,414	$ 233,573	$ 1,415,382	$ 1,149,971
Retirement	8,864	19,728	8,285	8,739	9,015	54,631	54,776
Employee Benefits	17,312	38,530	16,181	17,068	17,608	106,699	81,202
Payroll Taxes	18,876	42,012	17,643	18,611	19,199	116,341	95,496
Professional Fees	---	---	---	38,558	---	38,558	95,635
Information Technology	8,680	19,319	8,113	8,558	8,828	53,498	46,263
Grant Expenditures	773	---	---	---	---	773	1,222
Supplies	---	---	---	2,364	---	2,364	2,375
Materials	33,181	5,501	621	---	---	39,303	46,867
Postage and Art Shipping	---	23,057	2,743	2,788	---	28,588	9,495
Subscriptions	---	---	---	3,894	200	4,094	3,213
Occupancy	85,950	199,157	4,286	---	---	289,393	318,854
Utilities	16,718	52,802	18,585	6,252	1,848	96,205	91,234
Telephone	606	10	---	3,430	---	4,046	3,882
Equipment Rental and Maintenance	2,157	4,800	2,016	2,126	2,194	13,293	17,277
Building Maintenance	15,227	45,934	15,115	7,103	1,579	84,958	61,353
Depreciation and Amortization	15,791	107,827	49,193	59,488	5,054	237,353	241,436
Grounds Maintenance	271	2,251	47,111	355	105	50,093	46,964
Travel and Entertainment	1,585	9,632	131	6,096	414	17,858	9,139
Conferences, Conventions and Meetings	1,030	725	---	---	---	1,755	2,304
Staff Development	---	301	---	---	---	301	150
Insurance	---	18,815	---	36,132	---	54,947	48,456
Membership Dues	---	---	205	2,291	---	2,496	1,828
Promotion	9,180	34,311	1,788	---	47,769	93,048	92,029
Cost of Sales	---	918	94,548	---	---	95,466	63,992
Bank Fees	---	---	3,522	7,566	---	11,088	13,023
Programming Expense	11,238	9,399	---	---	---	20,637	36,159
Permanent Collection Conservation	---	10,178	---	---	---	10,178	879
Artwork Purchases for Others	---	---	---	---	---	---	5,000
Other Expense	---	---	10	781	---	791	1,980
Subtotal	$ 477,085	$ 1,156,312	$ 504,740	$ 458,614	$ 347,386	$ 2,944,137	$ 2,642,454
Special Event Expenses							
Contract Services and Artists	$ ---	$ ---	$ ---	$ ---	$ 16,126	$ 16,126	$ 10,103
Food and Venue	---	---	---	---	19,226	19,226	27,062
Promotion	---	---	---	---	7,055	7,055	12,254
Supplies	---	---	---	---	4,145	4,145	4,463
Miscellaneous	---	---	---	---	3,155	3,155	2,601
Total Special Events	$ ---	$ ---	$ ---	$ ---	$ 49,707	$ 49,707	$ 56,483
TOTAL EXPENSES	$ 477,085	$ 1,156,312	$ 504,740	$ 458,614	$ 397,093	$ 2,993,844	$ 2,698,937

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, 2025
(With Summarized Totals for the Year Ended December 31, 2024)

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ 56,773	$ (314,174)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Unrealized and Realized (Gain) Loss on Investments	(585,009)	(269,028)
Donated Stock	---	(1,077,161)
Depreciation and Amortization	237,353	241,436
(Increase) Decrease in Accounts Receivable	4,066	(3,968)
(Increase) Decrease in Grants Receivable	(59,340)	---
(Increase) Decrease in Pledges Receivable	(16,060)	983,370
(Increase) Decrease in Prepaid Expenses	8,069	2,850
(Increase) Decrease in Inventory	33,584	6,622
(Increase) Decrease in Artwork Held for Resale	(11,820)	16,578
(Increase) Decrease in Right-of-Use Operating Lease Asset	78,529	48,105
Increase (Decrease) in Right-of-Use Operating Lease Liability	(82,321)	(42,895)
Increase (Decrease) in Accounts Payable	4,333	(29,645)
Increase (Decrease) in Accrued Payroll	36,715	(2,020)
Increase (Decrease) in Refundable Advances	(183)	(2,473)
Increase (Decrease) in Gift Certificate Liability	35	343
Net Cash Used by Operating Activities	$ (295,276)	$ (442,060)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	$ (160,124)	$ (4,558)
Purchase of Investments	(1,071,865)	(1,417,162)
Proceeds from Sale of Investments	560,720	1,025,447
Withdrawal from Investments	1,027,422	758,279
Proceeds from Racine Community Foundation Distributions	36,435	37,722
Net Cash Provided by Investing Activities	$ 392,588	$ 399,728
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Finance Lease	$ (14,310)	$ (15,142)
Net Cash Used by Financing Activities	$ (14,310)	$ (15,142)
Net Increase (Decrease) in Cash and Cash Equivalents	$ 83,002	$ (57,474)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	211,952	269,426
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 294,954	$ 211,952
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest Paid	$ 2,133	$ 2,754
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, 2025

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, 2025, 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 and Grants Receivable
Pledges and grants 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 and grants 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, 2025, pledges and grants 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 or grants 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, 2025, was $93,048.

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 2024 in the accompanying financial statements is included to provide a basis for comparison with 2025. 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, 2024, from which the summarized information was derived.

Reclassifications
Certain amounts in the 2024 financial statements have been reclassified for comparative purposes to conform to the presentation in the 2025 financial statements. Net assets and changes in net assets are unchanged due to these reclassifications.

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. 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, 2025. The endowment that is donor restricted, but for which investment earnings support operations, is $4,606,944 as of December 31, 2025. The Organization also has a credit card with a total credit limit of $50,000, of which $23,293 was available for use as of December 31, 2025.

Financial assets available for use consist of the following:

Description	Amount
Cash and Cash Equivalents	$ 294,954
Operating Funds Held in Investments	2,306,298
Accounts Receivable	3,645
Pledges Receivable	26,000
Grants Receivable	59,340
Financial Assets with Purpose Restrictions	(305,342)
Financial Assets Available for Use	$2,384,895

NOTE D - Concentration of Risk

The Organization maintains its cash balances at several financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to $250,000. At December 31, 2025, the Organization's uninsured cash balances total $4,649.

NOTE E - Pledges and Grants Receivable

The Association records a pledge or grant receivable when a donor makes an unconditional promise to give. Pledge or grant 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 $26,000 and grant receivables of $59,340 in the year ended December 31, 2026.

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.

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.

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

Policy for Appropriation of Funds (continued)
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

The Organization does not intend to make withdrawals from the donor restricted endowment held in investment accounts until the donor restricted endowment value has reached $6,000,000. The Racine Community Foundation, Inc. makes annual disbursements from the funds held at the community foundation based on its disbursement policies.

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, 2025:

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)
Equities	$6,504,484	$6,504,484	$ ---	$ ---
Fixed Income	642,033	264,625	377,408	---
Beneficial Interest	858,503	---	---	858,503
Subtotal	$8,005,020	$6,769,109	$377,408	$858,503
Cash and Money Market	278,294			
Total Investments	$8,283,314			

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

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, 2025	$794,132
Unrealized Gain	19,113
Realized Gain	77,580
Interest Income	12,328
Administrative Fee	(8,215)
Grants	(36,435)
Ending Balance, December 31, 2025	$858,503

Net Asset Composition of Investments

Investments consist of net assets with the following composition as of December 31, 2025:

Net Asset Composition	Amount
Without Donor Restrictions	
Board Designated Endowment	$1,135,742
Operating Investments	2,306,298
Total Without Donor Restrictions	$3,442,040
With Donor Restrictions	
Endowment Investments Restricted	$3,982,771
Racine Community Foundation, Inc.	858,503
Total With Donor Restrictions	$4,841,274
Total Investments	$8,283,314

NOTE F - 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.

Board designated endowment investments	$1,135,742

Donor Restricted Contributions Held in Investments and at the Racine Community Foundation, Inc. - 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.

Donor restricted endowment funds held in investments and at the Racine Community Foundation, Inc:

Purpose	Amount
Endowment	
Operations	$4,606,944
Acquisition Additions	184,330
Education	50,000
Total Donor Restricted Endowment	$4,841,274

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	$2,306,298

Endowment Net Asset Classification
The Racine Art Museum Association, Inc.'s donor restricted endowment includes funds held in an endowment investment account and funds held at the Racine Community Foundation, Inc. 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 4.75% of the average for the last twelve quarters of the market value of the Association's Fund for use as the Racine Community Foundation Board shall determine.

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

Endowment net asset composition is as follows as of December 31, 2025:

	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			
General Operations Endowment	---	6,059,695	6,059,695
Education	---	50,000	50,000
Collection Acquisition Gifts	---	208,460	208,460
Subtotal	$ 1,135,742	$ 6,318,155	$ 7,453,897
Accumulated Investment Loss	---	(1,476,881)	(1,476,881)
Total Endowment	$ 1,135,742	$ 4,841,274	$ 5,977,016

Change in endowment net assets are as follows in the year ended December 31, 2025:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets			
Beginning of the Year	$ 1,135,742	$ 4,784,765	$ 5,920,507
Contributions			
Investment Return, Net	---	92,944	92,944
Appropriated for Expenditure			
Withdrawals	---	(12,305)	(12,305)
Permanent Collection	---	(24,130)	(24,130)
Total Endowment	$ 1,135,742	$ 4,841,274	$ 5,977,016

NOTE G - Fixed Assets

Fixed assets consist of the following as of December 31, 2025:

Source	Amount
Building and Leasehold Improvements	$ 7,755,570
Equipment	543,430
Vehicle	29,808
Website	43,237
Total Fixed Assets	$ 8,372,045
Less: Accumulated Depreciation	(4,875,493)
Net Fixed Assets	$ 3,496,552

NOTE H - Leasing Activities

Finance Leases
The Association entered into a finance lease for a copy machine in June 2023 which requires 63 monthly payments of $1,370. The Association uses the risk-free treasury rate for equipment under finance leases.

Operating Leases
The Association had an operating lease for warehouse space at 2824 Four Mile Road in Caledonia, Wisconsin. The lease term ended on June 30, 2025, and was not renewed. 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, 2025:

	Amount
Operating Leases:	
Expense: Rent Expense	$94,160
Operating Cash Flows - Fixed Lease Payments	$59,985
Weighted-Average Remaining Lease Term in Years for Operating Leases	2.42
Weighted-Average Discount Rate for Operating Leases	3.69%
Finance Leases:	
Expense: Depreciation and Amortization Expense	$14,775
Expense: Interest Expense	$ 2,133
Operating Cash Flows - Payments for Interest Expense	$ 2,133
Financing Cash Flows - Payments on Lease Liabilities	$14,310
Weighted-Average Remaining Lease Term in Years for Finance Leases	2.84
Weighted-Average Discount Rate for Finance Leases	4.23%

The maturities of lease liabilities as of December 31, 2025, were as follows:

Year Ending	Operating	Finance
December 31, 2026	$ 60,720	$16,444
December 31, 2027	61,784	16,444
December 31, 2028	26,060	13,703
Total Lease payments	$148,564	$46,591
Less: Present Value Discount	(6,254)	(2,604)
Present Value of Lease Liabilities	$142,310	$43,987

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 $6,167 for common area costs at the Four Mile Road warehouse, various other temporary storage and rental costs of $4,306, and in-kind space for Charles A. Wustum Museum of Fine Arts of $184,760.

RACINE ART MUSEUM ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE I - 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, 2025:

Source	Amount
Endowment	
General Operations	$4,606,944
Acquisition Additions	184,330
Education	50,000
Total Endowment	$4,841,274
Toshiko Takaezu Ceramic Fund	$ 11,725
Educational Outreach Programs in 2026	50,000
Educational Outreach Programs in 2027	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	9,340
Fiber Art International Publications	50,762
Educational Exhibits	19,802
Permanent Collection	15,540
Care Fund for Specific Artworks	25,000
Memorial for Watercolor Wisconsin	1,300
Total Purpose Restricted	$ 305,342
Time Restricted	$ 1,000
Total Net Assets with Donor Restrictions	$5,147,616

Net Assets Released From Restrictions
Net assets released from restrictions consist of the following for the year ended December 31, 2025:

Source	Amount
First Fridays	$ 8,500
Educational Exhibits	14,372
Creation and Presentation Program	9,940
Educational Programs	50,000
Memorial for Watercolor Wisconsin	1,200
Total Donations Released from Restrictions	$ 84,012
Endowment Appropriated for Operations	36,435
Total	$120,447

NOTE J - 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. An extension agreement was signed on August 14, 2025, to extend the term 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 2025, 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 $392,000 for the year ended December 31, 2025.

NOTE K - Donated Facility Space

Donated facility space for programming at the Charles A. Wustum museum for year ended December 31, 2025, was $184,760. The value of the facility space was determined using average prices for similar space in the area.

NOTE L - 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 $30,147, collection loan fees were $600 and competitive exhibition revenue was $1,635 for the year ended December 31, 2025. There were no assets or obligations related to admission and exhibition revenue as of December 31, 2025, or December 31, 2024.

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, 2025, was $70,127. There were no assets or obligations related to membership dues as of December 31, 2025, or December 31, 2024.

NOTE L - 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 $96,631 for the year ended December 31, 2025. There were no assets related to tuition as of December 31, 2025, or December 31, 2024. Refundable advances includes tuition revenue received in advance of the dates classes are provided. Refundable advances as of December 31, 2025, and December 31, 2024, were $12,419 and $12,602, 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, 2025, was $86,744. There were no assets or obligations related to auxiliary activities as of December 31, 2025, or December 31, 2024.

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, 2025, was $120,086, of which $72,261 is considered to be received in exchange for goods or services provided.

NOTE M - Insurance Proceeds

The Association received insurance proceeds of $176,430 during the year ended December 31, 2025. In accordance with accounting principles generally accepted in the United States, the Association has recognized this gain in the financial statements in the period during which the cash settlement was completed. Any future proceeds resulting in a gain will be recognized in the period the cash is received.

NOTE N - Retirement Benefits

The Association provides a 401(k) plan for full and part-time employees. After one year of service, those age 21 years or older that work over 1,000 hours per year are eligible to enter the plan and are eligible to receive contributions provided by the Association. The Association will provide a safe harbor match based on the amount of the employee contribution. The Association will provide a match ratio of employee contribution to Association contribution as follows: 1%:1%, 2%:2%, 3%:3%, 4%:3.5%, 5%:4%. The safe harbor contribution is fully vested upon contribution. In addition, the Association may provide an additional elective contribution of up to 3.5%, regardless of employee contribution, which would vest over a seven-year period. Association contributions to the plan during the year ended December 31, 2025, were $54,631.

NOTE O - Related Parties

The Association received $14,177 of donations from board members, employees, and their families.

NOTE P - 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 Q - 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 R - 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, 2025, the Association had no amounts related to unrecognized income tax benefits and no amounts related to accrued interest and penalties.

NOTE S - Subsequent Events

The Association has evaluated events and transactions occurring after December 31, 2025, through August 18, 2026, 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.