



Combined Financial Statements and Supplementary Information

**Grand Rapids Art Museum
and Grand Rapids Art Museum Foundation**

Years ended September 30, 2018 and 2017



JANSEN VALK THOMPSON REAHM PC
Certified Public Accountants and Consultants

Grand Rapids Art Museum and Grand Rapids Art Museum Foundation

Years ended September 30, 2018 and 2017

Contents

Report of Independent Auditors	1
Financial Statements	
Combined Statements of Financial Position	3
Combined Statement of Activities—2018	4
Combined Statement of Activities—2017	6
Combined Statements of Cash Flows	8
Notes to Combined Financial Statements	10
Supplementary Information	
Combining Statement of Financial Position—2018	27
Combining Statement of Financial Position—2017	28
Combining Statement of Activities—2018.....	29
Combining Statement of Activities—2017.....	31
Combining Statement of Cash Flows—2018	33
Combining Statement of Cash Flows—2017	35



Report of Independent Auditors

Board of Trustees
Grand Rapids Art Museum

Report on the Combined Financial Statements

We have audited the accompanying combined financial statements of Grand Rapids Art Museum and Grand Rapids Art Museum Foundation (collectively, the Organization), which comprise the combined statements of financial position as of September 30, 2018 and 2017, and the related combined statements of activities and cash flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of the combined financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the combined financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the combined financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of September 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Combining Information

Our audits were conducted for the purpose of forming an opinion on the combined financial statements as a whole. The combining information on pages 27 through 35 is presented for purposes of additional analysis of the combined financial statements rather than to present the financial position, changes in net assets, and cash flows of the individual entities, and is not a required part of the combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The combining information has been subjected to the auditing procedures applied in the audits of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining information is fairly stated in all material respects in relation to the combined financial statements as a whole.

Jensen Valle Thompson & Realm PC

February 28, 2019

**Grand Rapids Art Museum
and Grand Rapids Art Museum Foundation**

Combined Statement of Financial Position

	September 30	
	2018	2017
Assets		
Cash	\$ 1,900,594	\$ 1,817,314
Accounts receivable	118,014	74,785
Contributions receivable	5,990,520	7,431,511
Inventories	104,360	115,798
Prepaid expenses	104,591	167,108
Prepaid exhibitions	195,118	114,919
Contribution receivable—split-interest agreement	804,000	782,000
Investments	19,045,707	18,531,875
Contributions receivable—endowment	98,108	-
Beneficial interest in remainder trust	95,103	92,002
Collections (Note H)	-	-
Assets restricted for comprehensive campaign:		
Cash	2,428,271	-
Contributions receivable	3,029,092	-
Property and equipment, less accumulated depreciation	60,363,920	62,317,461
Beverage license	42,444	42,444
Total assets	\$ 94,319,842	\$ 91,487,217
Liabilities		
Accounts payable	\$ 324,866	\$ 301,787
Other payables	267,780	264,510
Advance deposits	203,687	174,977
Long-term debt	9,420,000	9,420,000
Total liabilities	10,216,333	10,161,274
Net Assets		
Unrestricted:		
Board-designated reserve	300,000	300,000
Endowment:		
Board-designated	1,306,757	1,267,505
Donor-restricted	(66,460)	(70,132)
Undesignated	51,425,861	53,182,414
Total unrestricted	52,966,158	54,679,787
Temporarily restricted	13,854,527	9,536,443
Permanently restricted for endowment	17,282,824	17,109,713
Total net assets	84,103,509	81,325,943
Total liabilities and net assets	\$ 94,319,842	\$ 91,487,217

See accompanying notes to financial statements.

**Grand Rapids Art Museum
and Grand Rapids Art Museum Foundation**

Combined Statement of Activities
Year ended September 30, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenue:				
Contributions	\$ 711,518	\$ 6,860,652	\$ 148,010	\$ 7,720,180
Admissions	166,264	-	-	166,264
Memberships	211,985	-	-	211,985
Program fees	104,393	-	-	104,393
Special events	777,454	-	-	777,454
Museum store	262,577	-	-	262,577
Exhibition touring	57,500	-	-	57,500
Investment return	94,798	1,084,496	-	1,179,294
Change in value of split-interest agreement	-	-	22,000	22,000
Appreciation in beneficial interest in remainder trust	-	-	3,101	3,101
In-kind donations	26,951	-	-	26,951
Other income	9,354	-	-	9,354
Total support and revenue	2,422,794	7,945,148	173,111	10,541,053
Net assets released from restrictions	3,815,322	(3,815,322)	-	-
Total support, revenue and reclassifications	6,238,116	4,129,826	173,111	10,541,053

**Grand Rapids Art Museum
and Grand Rapids Art Museum Foundation**

Combined Statement of Activities (continued)

Year ended September 30, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Expenses:				
Administration	1,139,216	-	-	1,139,216
Curatorial	695,603	-	-	695,603
Advancement	772,496	-	-	772,496
Communications	402,609	-	-	402,609
Membership	134,942	-	-	134,942
Learning and audience engagement	402,588	-	-	402,588
Facilities	1,114,279	-	-	1,114,279
Security	283,362	-	-	283,362
Guest services	214,785	-	-	214,785
Museum store	270,081	-	-	270,081
Special events	408,124	-	-	408,124
Interest	56,030	-	-	56,030
Investment management fees	75,632	-	-	75,632
Depreciation	1,981,998	-	-	1,981,998
Total expenses	7,951,745	-	-	7,951,745
Support, revenue and reclassifications over (under) expenses	(1,713,629)	4,129,826	173,111	2,589,308
Proceeds from sale of collection items	-	508,258	-	508,258
Collection items purchased	-	(320,000)	-	(320,000)
Change in net assets	(1,713,629)	4,318,084	173,111	2,777,566
Net assets, beginning of year	54,679,787	9,536,443	17,109,713	81,325,943
Net assets, end of year	\$ 52,966,158	\$ 13,854,527	\$ 17,282,824	\$ 84,103,509

See accompanying notes to financial statements.

**Grand Rapids Art Museum
and Grand Rapids Art Museum Foundation**

Combined Statement of Activities
Year ended September 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenue:				
Contributions	\$ 911,125	\$ 8,693,343	\$ 98,760	\$ 9,703,228
Admissions	120,775	-	-	120,775
Memberships	240,881	-	-	240,881
Program fees	80,945	-	-	80,945
Special events	584,160	-	-	584,160
Museum store	237,122	-	-	237,122
Investment return	1,444,637	612,513	-	2,057,150
Change in value of split-interest agreement	-	-	234,000	234,000
Appreciation in beneficial interest in remainder trust	-	-	2,926	2,926
In-kind donations	69,299	-	-	69,299
Other income	39,917	-	-	39,917
Total support and revenue	3,728,861	9,305,856	335,686	13,370,403
Net assets released from restrictions	2,570,145	(2,570,145)	-	-
Total support, revenue and reclassifications	6,299,006	6,735,711	335,686	13,370,403

**Grand Rapids Art Museum
and Grand Rapids Art Museum Foundation**

Combined Statement of Activities (continued)

Year ended September 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Expenses:				
Administration	1,111,920	-	-	1,111,920
Curatorial	607,635	-	-	607,635
Advancement	568,137	-	-	568,137
Communications	366,260	-	-	366,260
Membership	195,241	-	-	195,241
Learning and audience engagement	317,092	-	-	317,092
Facilities	945,797	-	-	945,797
Security	272,869	-	-	272,869
Guest services	217,416	-	-	217,416
Volunteer services	29,985	-	-	29,985
Museum store	258,793	-	-	258,793
Special events	334,130	-	-	334,130
Interest	72,607	-	-	72,607
Investment management fees	66,695	-	-	66,695
Depreciation	1,977,279	-	-	1,977,279
Total expenses	7,341,856	-	-	7,341,856
Support, revenue and reclassifications over (under) expenses	(1,042,850)	6,735,711	335,686	6,028,547
Collection items purchased	-	(108,800)	-	(108,800)
Change in net assets	(1,042,850)	6,626,911	335,686	5,919,747
Net assets, beginning of year	55,722,637	2,909,532	16,774,027	75,406,196
Net assets, end of year	\$ 54,679,787	\$ 9,536,443	\$ 17,109,713	\$ 81,325,943

See accompanying notes to financial statements.

**Grand Rapids Art Museum
and Grand Rapids Art Museum Foundation**

Combined Statements of Cash Flows

	Year ended September 30	
	2018	2017
Operating activities		
Change in net assets	\$ 2,777,566	\$ 5,919,747
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	1,981,998	1,977,279
Proceeds from sale of collection items	(508,258)	-
Collection items purchased	320,000	108,800
Donated stock	(77,463)	(99,428)
Contributions restricted for:		
Comprehensive campaign	(6,000,000)	-
Endowment	(151,000)	(9,684)
Amortization of discount—contributions receivable	273,865	190,969
Realized and unrealized net gain on investments	(684,694)	(1,694,273)
Change in value of split-interest agreement	(22,000)	(234,000)
Appreciation in beneficial interest	(3,101)	(2,926)
Payment of deferred compensation	(23,156)	(21,720)
Changes in operating assets and liabilities:		
Receivables	1,375,258	(6,103,168)
Inventories	11,438	(5,504)
Prepaid expenses	(17,682)	(159,496)
Payables	26,349	123,696
Advance deposits	28,710	114,813
Total adjustments	<u>(3,469,736)</u>	<u>(5,814,642)</u>
Net cash provided by (used in) operating activities	(692,170)	105,105
Investing activities		
Increase in cash restricted for comprehensive campaign	(2,428,271)	-
Purchases of investments	(1,819,412)	(2,255,123)
Proceeds from sales of investments	2,013,430	2,697,616
Property and equipment expenditures	(28,457)	(63,683)
Proceeds from sale of collection items	508,258	-
Collection items purchased	<u>(320,000)</u>	<u>(108,800)</u>
Net cash provided by (used in) investing activities	(2,074,452)	270,010

**Grand Rapids Art Museum
and Grand Rapids Art Museum Foundation**

Combined Statements of Cash Flows

	Year ended September 30	
	2018	2017
Financing activities		
Proceeds from contributions restricted for:		
Comprehensive campaign	2,800,000	-
Endowment	49,902	9,684
Net cash provided by financing activities	2,849,902	9,684
Net increase in cash	83,280	384,799
Cash, beginning of year	1,817,314	1,432,515
Cash, end of year	\$ 1,900,594	\$ 1,817,314

See accompanying notes to financial statements.

Grand Rapids Art Museum and Grand Rapids Art Museum Foundation

Notes to Combined Financial Statements

Note A—Summary of Accounting Policies

Reporting Entity

The accompanying combined financial statements include the accounts of the Grand Rapids Art Museum (the Museum) and the Grand Rapids Art Museum Foundation (the Foundation) (collectively, the Organization). All inter-organization accounts and transactions have been eliminated in combination.

Nature of the Organization

The Museum's mission is to connect people through art, design, and creativity, through exceptional art and learning experiences. Its vision is to lead and inspire West Michigan to be the most creative and imaginative community in the world.

The Foundation was formed to generate and receive contributions of property of any kind, both real and personal, and to administer such property in a manner consistent with and in support of the principles, objectives and programs of the Museum by providing financial support for the Museum's operations and special projects.

Approximately 80% of the Organization's support in 2018 was provided by contributions from one individual and three foundations and 74% in 2017 was provided by contributions from one foundation. The Organization has a concentration of credit risk with respect to contributions receivable from three foundations of approximately \$8,744,000 and one foundation of approximately \$7,055,000 at September 30, 2018 and 2017, respectively.

Basis of Presentation

The Organization follows net asset accounting methods whereby revenues are classified for accounting and reporting purposes into one of three net asset classes:

- Unrestricted net assets—Net assets which are not subject to donor-imposed restrictions.
- Temporarily restricted net assets—Net assets subject to donor-imposed restrictions that may or will be met either by actions of the Organization, the passage of time, or both.
- Permanently restricted net assets—Net assets subject to donor-imposed restrictions that they be maintained permanently by the Organization. The Organization uses a spending policy—4.00% of the average of the fair market value of endowment assets over a defined period of time—to compute the portion of earnings which will be utilized for operations and special projects.

Grand Rapids Art Museum and Grand Rapids Art Museum Foundation

Notes to Combined Financial Statements (continued)

Note A—Summary of Accounting Policies (continued)

Basis of Accounting

The combined financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

Use of Estimates

Management uses estimates and assumptions in preparing the Organization's combined financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Cash

Cash received with donor-imposed restrictions limiting its use to long-term purposes is not considered cash for purposes of the combined statement of cash flows.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to receivables.

Inventories

Inventories are valued at the lower of cost (first-in, first-out) or net realizable value.

Investments

Investments are stated at their fair values. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note D for discussion of fair value measurements.

Realized gains and losses are computed using the specific identification method. Realized and unrealized gains and losses are included in the change in net assets.

Grand Rapids Art Museum and Grand Rapids Art Museum Foundation

Notes to Combined Financial Statements (continued)

Note A—Summary of Accounting Policies (continued)

Property, Equipment and Depreciation

The Organization capitalizes all expenditures for property and equipment in excess of \$2,500. Property and equipment are stated at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets which generally range from 3 to 40 years.

Donations of property and equipment are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose. Gifts of long-lived assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Revenue Recognition

Contributions are recognized when the donor makes a promise to give to the Organization that is unconditional. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Unconditional promises to give are stated at their net realizable value. Contributions that are restricted by the donor are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires (that is, when a stipulated time restriction ends, or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the combined statement of activities as net assets released from restrictions.

Donated noncash assets and services are recorded at their fair values in the period received. Donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received. Contributed services and supplies for 2018 and 2017 included consulting, marketing/media and supplies. These donations were recorded as contributions and as expenses at fair value at the date of receipt. Contributions of these types were approximately \$27,000 in 2018 and \$69,000 in 2017.

A substantial number of unpaid volunteers have made significant contributions of their time to develop the Museum's programs. The value of this time cannot be determined objectively and therefore is not reflected in the combined financial statements.

Grand Rapids Art Museum and Grand Rapids Art Museum Foundation

Notes to Combined Financial Statements (continued)

Note A—Summary of Accounting Policies (continued)

Income Taxes

The Museum and Foundation are exempt organizations for federal income tax purposes under Internal Revenue Code (IRC) Section 501(a) as organizations described in Section 501(c) of the Internal Revenue Code.

Reclassifications

Certain reclassifications have been made to the 2017 combined financial statement presentation to conform with the 2018 combined financial statement presentation.

Subsequent Events

Subsequent events were evaluated through February 28, 2019, which is the date the combined financial statements were available to be issued.

Accounting Change

In July 2015, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2015-11, *Inventory (Topic 330): Simplifying the Measurement of Inventory*. ASU 2015-11 requires the Museum to value inventory at the lower of cost or net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. ASU 2015-11 is effective for fiscal years beginning after December 15, 2016. The adoption of ASU 2015-11 did not have a material effect on the Museum's combined financial statements.

Note B—Cash

The Museum maintains all of its cash balances, exclusive of money market funds held in an investment account, in two financial institutions. The Museum's cash balances are insured by the Federal Deposit Insurance Corporation up to \$250,000 per financial institution. The Museum's cash balances are at times in excess of the \$250,000 insured limit.

**Grand Rapids Art Museum
and Grand Rapids Art Museum Foundation**

Notes to Combined Financial Statements (continued)

Note C—Contributions Receivable

Contributions receivable are summarized as follows:

	<u>2018</u>	<u>2017</u>
Receivable in less than one year	\$ 2,924,054	\$ 1,982,173
Receivable in one year to five years	6,658,500	5,640,307
Total contributions receivable	<u>9,582,554</u>	<u>7,622,480</u>
Less discount to net present value	464,834	190,969
Net contributions receivable	<u>\$ 9,117,720</u>	<u>\$ 7,431,511</u>

Contributions receivable in more than one year were discounted at 2.5% and 1% per annum for 2018 and 2017, respectively.

Contributions receivable have been included in the accompanying combined statements of financial position under the following captions:

	<u>2018</u>	<u>2017</u>
Contributions receivable	\$ 5,990,520	\$ 7,431,511
Contributions receivable—endowment	98,108	—
Contributions receivable—comprehensive campaign	3,029,092	—
Total contributions receivable	<u>\$ 9,117,720</u>	<u>\$ 7,431,511</u>

**Grand Rapids Art Museum
and Grand Rapids Art Museum Foundation**

Notes to Combined Financial Statements (continued)

Note D—Fair Value Measurements

The Organization’s assets measured at fair value on a recurring basis are as follows:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Unobservable Inputs (Level 3)
September 30, 2018			
Investments	\$ 19,045,707	\$ 16,445,310	\$ 2,600,397
Split-interest agreement	804,000	—	804,000
Beneficial interest in remainder trust	95,103	—	95,103
Total	<u>\$ 19,944,810</u>	<u>\$ 16,445,310</u>	<u>\$ 3,499,500</u>
September 30, 2017			
Investments	\$ 18,531,875	\$ 15,645,219	\$ 2,886,656
Split-interest agreement	782,000	—	782,000
Beneficial interest in remainder trust	92,002	—	92,002
Total	<u>\$ 19,405,877</u>	<u>\$ 15,645,219</u>	<u>\$ 3,760,658</u>

The fair value measurement accounting literature establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices in active markets for identical assets, and Level 3 inputs are unobservable and have the lowest priority. The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its assets. When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are used only when Level 1 or Level 2 inputs are not available.

**Grand Rapids Art Museum
and Grand Rapids Art Museum Foundation**

Notes to Combined Financial Statements (continued)

Note D—Fair Value Measurements (continued)

For the assets measured at fair value, the following inputs were used:

Level 1—Fair Value Measurements

The fair values of mutual funds are based on quoted net asset values of the shares held by the Organization at year-end. The fair values of the equity securities are valued using quoted prices in active markets.

Level 3—Fair Value Measurements

The fair values of investments determined by Level 3 inputs, consisting of a hedge fund and a publicly traded partnership, are based on the net asset values of the underlying securities held by the fund and the partnership. The split-interest agreement and the beneficial interest in the remainder trust are not actively traded and significant other observable inputs are not available. Thus, the fair value of the split-interest agreement is determined by calculating the present value of future distributions expected to be received, using published life expectancy tables and a discount rate of 2.5% for 2018 and 2017. The fair value of the beneficial interest in remainder trust is estimated based on the underlying value of the investments held in the trust as of September 30, 2018 and 2017. The Organization considers the measurement of the beneficial interest to be a Level 3 measurement within the fair value measurement hierarchy because even though the measurement is based on the unadjusted fair value of assets reported by the trustee, the Organization will never receive those assets or have the ability to direct their redemption.

Information about the changes in the investments, split-interest agreement and the beneficial interest, which are measured at fair value on a recurring basis using significant unobservable inputs, is as follows:

	Investments	Split-Interest Agreement	Beneficial Interest in Remainder Trust	Total
Year ended September 30, 2018				
Beginning balance	\$ 2,886,656	\$ 782,000	\$ 92,002	\$ 3,760,658
Unrealized appreciation (depreciation) included in change in net assets	(286,259)	22,000	3,101	(261,158)
Ending balance	<u>\$ 2,600,397</u>	<u>\$ 804,000</u>	<u>\$ 95,103</u>	<u>\$ 3,499,500</u>

**Grand Rapids Art Museum
and Grand Rapids Art Museum Foundation**

Notes to Combined Financial Statements (continued)

Note D—Fair Value Measurements (continued)

	Investments	Split-Interest Agreement	Beneficial Interest in Remainder Trust	Total
Year ended September 30, 2017				
Beginning balance	\$ 3,050,101	\$ 548,000	\$ —	\$ 3,598,101
Contribution	—	—	89,076	89,076
Unrealized appreciation included in change in net assets	224,115	234,000	2,926	461,041
Sales	(387,560)	—	—	(387,560)
Ending balance	<u>\$ 2,886,656</u>	<u>\$ 782,000</u>	<u>\$ 92,002</u>	<u>\$ 3,760,658</u>

Unrealized appreciation (depreciation) in investments is reported in investment return in the combined statements of activities. Unrealized appreciation in the split-interest agreement and unrealized appreciation in the beneficial interest in remainder trust are reported as change in value of split-interest agreement and appreciation in the beneficial interest in remainder trust in the combined statements of activities.

Note E—Contribution Receivable—Split-Interest Agreement

The Foundation is named as one of the beneficiaries under a trust agreement. Annual earnings from the trust are paid to the designated income beneficiary. The trust will terminate at the death of the income beneficiary, at which date the Foundation will receive its share of the trust's assets. The Foundation's beneficial interest in the trust was \$804,000 and \$782,000 at September 30, 2018 and 2017, respectively. These interests, based on the fair market value of the underlying assets, have been recorded at the present value of the future distributions expected to be received based on the beneficiary's life expectancy, using a discount rate of 2.5% for 2018 and 2017.

**Grand Rapids Art Museum
and Grand Rapids Art Museum Foundation**

Notes to Combined Financial Statements (continued)

Note F—Investments

Investments consist of:

	<u>2018</u>	<u>2017</u>
Mutual funds:		
Commodities	\$ 781,741	\$ 821,695
Equities	11,056,653	10,760,807
Fixed income	3,902,054	3,320,384
Real estate and infrastructure	416,113	417,508
Other	288,749	314,473
Total mutual funds	<u>16,445,310</u>	15,634,867
Equity securities	—	10,352
Hedge fund	1,767,376	1,692,378
Publicly traded partnership	833,021	1,194,278
Total	<u>\$ 19,045,707</u>	<u>\$ 18,531,875</u>

Note G—Beneficial Interest in Remainder Trust

The Museum is one of five income beneficiaries of a perpetual remainder trust held and administered by an independent trustee. Under the terms of the trust, the Museum has the irrevocable right to annually receive 1% of the average fair value of trust assets, in perpetuity. The Museum recorded \$1,983 in 2018, and \$6,515 in 2017, from the perpetual remainder trust as unrestricted investment return in the combined statements of activities. The fair value of the beneficial interest in a remainder trust was recognized as an asset and as a permanently restricted contribution at the date the trust was established. The Museum's estimate of fair value at the reporting date is based on fair value information received from the trustee. See Note D for discussion of fair value measurements. Trust assets consist of, but are not limited to, cash and cash equivalents, corporate and government bonds, mutual funds, and real estate. These assets are not subject to control or direction by the Museum.

Grand Rapids Art Museum and Grand Rapids Art Museum Foundation

Notes to Combined Financial Statements (continued)

Note H—Collections

The Museum’s art collections consist of donated and purchased art objects, principally drawings, prints, study items and a reference library. The Museum adopted a policy of not capitalizing the collection of artwork in its combined financial statements. Accordingly, no collection items are recognized as assets, whether they are purchased or received as a donation. Purchases of collection items reduce net assets in the period when purchased. Proceeds from sales or insurance recoveries are recorded as increases in net assets when received. The Museum employs a curator to ensure the collection is protected and preserved. It is the policy of the Museum that proceeds from the sale of any collection items are to be used to purchase additional collection items.

Note I—Property and Equipment

Property and equipment are summarized by major classifications as follows:

	2018	2017
Land	\$ 7,575,615	\$ 7,575,615
Building	73,188,541	73,168,650
Leasehold improvements	3,800	3,800
Furniture and equipment	2,336,229	2,327,663
Vehicles	61,919	61,919
Total property and equipment	83,166,104	83,137,647
Less accumulated depreciation	22,802,184	20,820,186
Net property and equipment	\$ 60,363,920	\$ 62,317,461

The Museum’s facility is located in downtown Grand Rapids. Part of the land was acquired from the Downtown Development Authority of the City of Grand Rapids (DDA) for \$1. The deed on this land contains a covenant that, in the event the Museum discontinues operating a public art museum on the site and does not construct a new facility within a defined area of metropolitan Grand Rapids, the property and all structures thereon must be transferred to the DDA for \$1. If the Museum discontinues operating a public art museum on the site and constructs a new facility within the defined area, it must pay the DDA the then fair market value of the land.

**Grand Rapids Art Museum
and Grand Rapids Art Museum Foundation**

Notes to Combined Financial Statements (continued)

Note J—Long-term Debt

In December 2007, the Museum entered into a loan agreement with the Michigan Strategic Fund to borrow \$10,000,000 to finance the construction, furnishing and equipping of the facility. The Michigan Strategic Fund issued tax exempt variable rate demand limited obligation revenue bonds (Series B) to provide the funds loaned to the Museum. The Series B bonds underlying the loan agreement, totaling \$9,420,000 at September 30, 2018 and 2017, mature in a lump sum on May 1, 2041. The effective interest rate on the Series B bonds was 0.77% at September 30, 2017. Effective June 2018, interest payments on the bonds were suspended. See footnote L for more information.

Note K—Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

	2018	2017
American Art acquisitions	\$ 620,897	\$ 537,024
Collections	646,169	396,312
Comprehensive campaign	5,783,886	—
Education programs	74,208	86,404
Exhibitions	122,564	242,505
Furniture restoration and maintenance	15,531	14,654
General operations	590,552	425,137
Programs	5,723,888	7,473,299
Property and equipment	101,725	125,000
Public outreach	—	65,000
Research	—	35,250
Underprivileged and disabled patrons	175,107	135,858
Total	<u>\$ 13,854,527</u>	<u>\$ 9,536,443</u>

**Grand Rapids Art Museum
and Grand Rapids Art Museum Foundation**

Notes to Combined Financial Statements (continued)

Note K—Restricted Net Assets (continued)

Permanently restricted net assets are restricted to investment in perpetuity, the income from which is expendable to support:

	2018	2017
American Art acquisitions	\$ 1,058,934	\$ 1,008,934
Education programs	546,256	546,256
Exhibitions	57,011	57,011
General operations	14,620,247	14,497,136
Library acquisitions	37,981	37,981
Underprivileged and disabled patrons	962,395	962,395
Total	\$ 17,282,824	\$ 17,109,713

Note L—Comprehensive Campaign

During 2018, the Museum initiated the preparatory phase of a comprehensive campaign with three primary components: capital, endowment and bridge/programming. As of September 30, 2018, the Museum had received approximately \$6,111,000 in contribution revenue and had expended approximately \$95,000 for these projects.

In April 2018, the Museum received a challenge grant whereby the donor that holds the Series B bonds will forgive the \$9,420,000 Series B bonds long-term debt and all related suspended interest if the Museum can raise \$9,420,000 for the comprehensive campaign. As of the issuance date of the combined financial statements, the Museum has commitments totaling \$4,611,000 towards the challenge grant.

Note M—Endowment Funds

The Foundation's endowment consists of ten individual funds established for a variety of purposes. Its endowment includes both donor-restricted funds and funds designated by the Foundation's Board of Trustees to function as endowment. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowment, are classified and reported based on the existence or absence of donor-imposed restrictions.

Grand Rapids Art Museum and Grand Rapids Art Museum Foundation

Notes to Combined Financial Statements (continued)

Note M—Endowment Funds (continued)

The Board of Trustees has interpreted the Michigan Prudent Management of Institutional Funds Act (MPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets the original value of gifts donated to the permanent endowment, and accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by MPMIFA. In accordance with MPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the Foundation's investment policies.

Investment Return Objectives, Risk Parameters and Strategies. The Foundation has adopted investment and spending policies, approved by the Board of Trustees, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds, including funds designated by the Board of Trustees to function as endowments, while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income and capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which includes equity securities, debt securities and alternative strategies, which are intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of 4.0%, while growing the funds. Therefore, the Foundation expects its endowment assets, over time, to produce an average rate of return of approximately the consumer price index plus 4.0% annually. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed so as not to expose the fund to unacceptable levels of risk.

**Grand Rapids Art Museum
and Grand Rapids Art Museum Foundation**

Notes to Combined Financial Statements (continued)

Note M—Endowment Funds (continued)

Spending Policy. The Organization has a policy of appropriating for distribution each year 4.0% of its endowment fund’s average fair value of the prior 16 quarters through the calendar year-end preceding the fiscal year in which the distribution is planned for all amounts. In establishing this policy, the Foundation considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation. The Foundation expects the current spending policy to allow its endowment funds to grow at the consumer price index rate. This is consistent with the Foundation’s objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through new gifts and investment return.

See Note G—*Beneficial Interest in Remainder Trust*—for the investment and spending policies relating to the perpetual remainder trust.

Endowment net asset composition by type of fund is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
September 30, 2018				
Donor-restricted endowment funds	\$ (66,460)	\$ 1,415,404	\$ 17,187,721	\$ 18,536,665
Unrestricted board- designated funds	1,306,757	—	—	1,306,757
Perpetual remainder trust	—	—	95,103	95,103
Total funds	<u>\$ 1,240,297</u>	<u>\$ 1,415,404</u>	<u>\$ 17,282,824</u>	<u>\$ 19,938,525</u>
September 30, 2017				
Donor-restricted endowment funds	\$ (70,132)	\$ 999,790	\$ 17,017,711	\$ 17,947,369
Unrestricted board- designated funds	1,267,505	—	—	1,267,505
Perpetual remainder trust	—	—	92,002	92,002
Total funds	<u>\$ 1,197,373</u>	<u>\$ 999,790</u>	<u>\$ 17,109,713</u>	<u>\$ 19,306,876</u>

**Grand Rapids Art Museum
and Grand Rapids Art Museum Foundation**

Notes to Combined Financial Statements (continued)

Note M—Endowment Funds (continued)

Changes in endowment net assets for the year ended September 30, 2018 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 1,197,373	\$ 999,790	\$ 17,109,713	\$ 19,306,876
Investment return:				
Investment income	36,666	442,432	—	479,098
Net appreciation	55,801	642,064	3,101	700,966
Total investment return	92,467	1,084,496	3,101	1,180,064
Contributions	11,109	—	148,010	159,119
Change in value of split- interest agreement	—	—	22,000	22,000
Amounts appropriated for expenditure	(60,652)	(668,882)	—	(729,534)
Endowment net assets, end of year	<u>\$ 1,240,297</u>	<u>\$ 1,415,404</u>	<u>\$ 17,282,824</u>	<u>\$ 19,938,525</u>

Changes in endowment net assets for the year ended September 30, 2017 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 393,978	\$ 466,767	\$ 16,774,027	\$ 17,634,772
Investment return:				
Investment income	221,856	134,463	—	356,319
Net appreciation	1,217,072	478,050	2,926	1,698,048
Total investment return	1,438,928	612,513	2,926	2,054,367
Contributions	—	—	98,760	98,760
Change in value of split- interest agreement	—	—	234,000	234,000
Amounts appropriated for expenditure	(635,533)	(79,490)	—	(715,023)
Endowment net assets, end of year	<u>\$ 1,197,373</u>	<u>\$ 999,790</u>	<u>\$ 17,109,713</u>	<u>\$ 19,306,876</u>

**Grand Rapids Art Museum
and Grand Rapids Art Museum Foundation**

Notes to Combined Financial Statements (continued)

Note N—Investment Return

Investment return is summarized as follows:

	2018	2017
Interest and dividends	\$ 492,617	\$ 356,362
Realized and unrealized net gain on investments	684,694	1,694,273
Investment income earned on beneficial interest in remainder trust	1,983	6,515
Total	\$ 1,179,294	\$ 2,057,150

Note O—Commitments

Lease Commitments

The Museum leases certain office equipment under noncancelable operating leases. The lease agreements are for five years. Lease expense for this office equipment was \$31,416 in 2018 and 2017.

The Museum leases a secondary office facility under a noncancelable operating lease that expires in March 2020. Rent expense for the lease totaled approximately \$29,709 in 2018 and \$29,021 in 2017.

Future minimum lease commitments at September 30, 2018 under noncancelable operating leases with remaining terms in excess of one year are as follows:

Year ending September 30	Equipment	Facilities	Total
2019	\$ 26,136	\$ 30,055	\$ 56,191
2020	23,958	15,028	38,986
Total lease commitments	\$ 50,094	\$ 45,083	\$ 95,177

Collaborative Arrangement

In October 2016, the Museum entered into a collaborative arrangement with WOOD TV8 for the purpose of growing community connections through the media arts. The arrangement is for three years beginning March 2017. The Museum provides space for the joint media center and collaboratively works with WOOD TV8 to conceive and produce broadcasts, programs, events and presentations utilizing the media arts.

**Grand Rapids Art Museum
and Grand Rapids Art Museum Foundation**

Notes to Combined Financial Statements (continued)

Note P—Retirement Plan

The Museum has an IRC Section 401(k) retirement plan covering all eligible employees. The Museum's matching contributions to the plan totaled \$54,804 in 2018 and \$49,579 in 2017.

Note Q—Deferred Compensation Plan

The Museum established an IRC Section 457 deferred compensation plan in 2002. Eligibility in the Plan is determined by the Board of Trustees in its sole discretion. Deferred compensation payable under the Plan was \$163,615 at September 30, 2018 and \$176,788 at September 30, 2017. Deferred compensation expense under the Plan was \$13,173 in 2018 and \$851 in 2017.

Note R—Risk and Uncertainties

The Organization holds investments in various financial instruments under an investment objective consisting of any combination of mutual funds and other investment securities. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the investment amount reported in the combined statements of financial position.

Note S—Supplemental Cash Flow Information

Cash paid for interest was \$56,030 in 2018 and \$72,607 in 2017.

Supplementary Information

**Grand Rapids Art Museum
and Grand Rapids Art Museum Foundation**

Combining Statement of Financial Position
September 30, 2018

	Grand Rapids Art Museum	Grand Rapids Art Museum Foundation	Eliminations	Combined
Assets				
Cash	\$ 1,834,226	\$ 66,368	\$ -	\$ 1,900,594
Accounts receivable	125,160	1,788	(8,934)	118,014
Contributions receivable	5,990,520	-	-	5,990,520
Inventories	104,360	-	-	104,360
Prepaid expenses	104,591	-	-	104,591
Prepaid exhibitions	195,118	-	-	195,118
Contribution receivable—split- interest agreement	-	804,000	-	804,000
Investments	163,615	18,882,092	-	19,045,707
Contributions receivable—endowmen	-	98,108	-	98,108
Beneficial interest in remainder trust	95,103	-	-	95,103
Assets restricted for comprehensive campaign:				
Cash	2,428,271	-	-	2,428,271
Contributions receivable	3,029,092	-	-	3,029,092
Property and equipment, less accumulated depreciation	60,363,920	-	-	60,363,920
Beverage license	42,444	-	-	42,444
Total assets	\$ 74,476,420	\$ 19,852,356	\$ (8,934)	\$ 94,319,842
Liabilities				
Accounts payable	\$ 324,866	\$ 8,934	\$ (8,934)	\$ 324,866
Other payables	267,780	-	-	267,780
Advance deposits	203,687	-	-	203,687
Long-term debt	9,420,000	-	-	9,420,000
Total liabilities	10,216,333	8,934	(8,934)	10,216,333
Net Assets				
Unrestricted	51,725,861	1,240,297	-	52,966,158
Temporarily restricted	12,439,123	1,415,404	-	13,854,527
Permanently restricted for endowment	95,103	17,187,721	-	17,282,824
Total net assets	64,260,087	19,843,422	-	84,103,509
Total liabilities and net assets	\$ 74,476,420	\$ 19,852,356	\$ (8,934)	\$ 94,319,842

**Grand Rapids Art Museum
and Grand Rapids Art Museum Foundation**

Combining Statement of Financial Position
September 30, 2017

	Grand Rapids Art Museum	Grand Rapids Art Museum Foundation	Eliminations	Combined
Assets				
Cash	\$ 1,709,257	\$ 108,057	\$ -	\$ 1,817,314
Accounts receivable	94,703	1,664	(21,582)	74,785
Contributions receivable	7,431,511	-	-	7,431,511
Inventories	115,798	-	-	115,798
Prepaid expenses	167,108	-	-	167,108
Prepaid exhibitions	114,919	-	-	114,919
Contribution receivable—split- interest agreement	-	782,000	-	782,000
Investments	187,140	18,344,735	-	18,531,875
Beneficial interest in remainder trust	92,002	-	-	92,002
Property and equipment, less accumulated depreciation	62,317,461	-	-	62,317,461
Beverage license	42,444	-	-	42,444
Total assets	<u>\$ 72,272,343</u>	<u>\$ 19,236,456</u>	<u>\$ (21,582)</u>	<u>\$ 91,487,217</u>
Liabilities				
Accounts payable	\$ 301,787	\$ 21,582	\$ (21,582)	301,787
Other payables	264,510	-	-	264,510
Advance deposits	174,977	-	-	174,977
Long-term debt	9,420,000	-	-	9,420,000
Total liabilities	10,161,274	21,582	(21,582)	10,161,274
Net Assets				
Unrestricted	53,482,414	1,197,373	-	54,679,787
Temporarily restricted	8,536,653	999,790	-	9,536,443
Permanently restricted for endowment	92,002	17,017,711	-	17,109,713
Total net assets	<u>62,111,069</u>	<u>19,214,874</u>	<u>-</u>	<u>81,325,943</u>
Total liabilities and net assets	<u>\$ 72,272,343</u>	<u>\$ 19,236,456</u>	<u>\$ (21,582)</u>	<u>\$ 91,487,217</u>

**Grand Rapids Art Museum
and Grand Rapids Art Museum Foundation**

Combining Statement of Activities
Year ended September 30, 2018

	Grand Rapids Art Museum			Grand Rapids Art Museum Foundation			Eliminations	Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	Unrestricted	Temporarily Restricted	Permanently Restricted		
Support and revenue:								
Contributions	\$ 700,409	\$ 6,860,652	\$ -	\$ 11,109	\$ -	\$ 148,010	\$ -	\$ 7,720,180
Admissions	166,264	-	-	-	-	-	-	166,264
Memberships	211,985	-	-	-	-	-	-	211,985
Program fees	104,393	-	-	-	-	-	-	104,393
Special events	777,454	-	-	-	-	-	-	777,454
Museum store	262,577	-	-	-	-	-	-	262,577
Grand Rapids Art Museum								
Foundation support	635,412	-	-	-	-	-	(635,412)	-
Exhibition touring	57,500	-	-	-	-	-	-	57,500
Investment return	2,331	-	-	92,467	1,084,496	-	-	1,179,294
Change in value of split-interest agreement	-	-	-	-	-	22,000	-	22,000
Appreciation in beneficial interest in remainder trust	-	-	3,101	-	-	-	-	3,101
In-kind donations	26,951	-	-	-	-	-	-	26,951
Other income	9,354	-	-	-	-	-	-	9,354
Total support and revenue	2,954,630	6,860,652	3,101	103,576	1,084,496	170,010	(635,412)	10,541,053
Net assets released from restrictions	3,146,440	(3,146,440)	-	668,882	(668,882)	-	-	-
Total support, revenue and reclassifications	6,101,070	3,714,212	3,101	772,458	415,614	170,010	(635,412)	10,541,053

**Grand Rapids Art Museum
and Grand Rapids Art Museum Foundation**

Combining Statement of Activities (continued)
Year ended September 30, 2018

	Grand Rapids Art Museum			Grand Rapids Art Museum Foundation			Eliminations	Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	Unrestricted	Temporarily Restricted	Permanently Restricted		
Expenses:								
Administration	1,120,726	-	-	18,490	-	-	-	1,139,216
Curatorial	695,603	-	-	-	-	-	-	695,603
Advancement	772,496	-	-	-	-	-	-	772,496
Communications	402,609	-	-	-	-	-	-	402,609
Membership	134,942	-	-	-	-	-	-	134,942
Learning and audience engagement	402,588	-	-	-	-	-	-	402,588
Facilities	1,114,279	-	-	-	-	-	-	1,114,279
Security	283,362	-	-	-	-	-	-	283,362
Guest services	214,785	-	-	-	-	-	-	214,785
Museum store	270,081	-	-	-	-	-	-	270,081
Special events	408,124	-	-	-	-	-	-	408,124
Interest	56,030	-	-	-	-	-	-	56,030
Investment management fees	-	-	-	75,632	-	-	-	75,632
Depreciation	1,981,998	-	-	-	-	-	-	1,981,998
Grand Rapids Art Museum support	-	-	-	635,412	-	-	(635,412)	-
Total expenses	7,857,623	-	-	729,534	-	-	(635,412)	7,951,745
Support, revenue and reclassifications over (under) expenses	(1,756,553)	3,714,212	3,101	42,924	415,614	170,010	-	2,589,308
Proceeds from sale of collection items	-	508,258	-	-	-	-	-	508,258
Collection items purchased	-	(320,000)	-	-	-	-	-	(320,000)
Change in net assets	(1,756,553)	3,902,470	3,101	42,924	415,614	170,010	-	2,777,566
Net assets, beginning of year	53,482,414	8,536,653	92,002	1,197,373	999,790	17,017,711	-	81,325,943
Net assets, end of year	\$ 51,725,861	\$ 12,439,123	\$ 95,103	\$ 1,240,297	\$ 1,415,404	\$ 17,187,721	\$ -	\$ 84,103,509

**Grand Rapids Art Museum
and Grand Rapids Art Museum Foundation**

Combining Statement of Activities
Year ended September 30, 2017

	Grand Rapids Art Museum			Grand Rapids Art Museum Foundation			Eliminations	Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	Unrestricted	Temporarily Restricted	Permanently Restricted		
Support and revenue:								
Contributions	\$ 911,125	\$ 8,693,343	\$ 89,076	\$ -	\$ -	\$ 9,684	\$ -	\$ 9,703,228
Admissions	120,775	-	-	-	-	-	-	120,775
Memberships	240,881	-	-	-	-	-	-	240,881
Program fees	80,945	-	-	-	-	-	-	80,945
Special events	584,160	-	-	-	-	-	-	584,160
Museum store	237,122	-	-	-	-	-	-	237,122
Grand Rapids Art Museum Foundation support	627,559	-	-	-	-	-	(627,559)	-
Investment return	5,709	-	-	1,438,928	612,513	-	-	2,057,150
Change in value of split-interest agreement	-	-	-	-	-	234,000	-	234,000
Appreciation in beneficial interest in remainder trust	-	-	2,926	-	-	-	-	2,926
In-kind donations	69,299	-	-	-	-	-	-	69,299
Other income	39,917	-	-	-	-	-	-	39,917
Total support and revenue	2,917,492	8,693,343	92,002	1,438,928	612,513	243,684	(627,559)	13,370,403
Net assets released from restrictions	2,490,655	(2,490,655)	-	79,490	(79,490)	-	-	-
Total support, revenue and reclassifications	5,408,147	6,202,688	92,002	1,518,418	533,023	243,684	(627,559)	13,370,403

**Grand Rapids Art Museum
and Grand Rapids Art Museum Foundation**

Combining Statement of Activities (continued)
Year ended September 30, 2017

	Grand Rapids Art Museum			Grand Rapids Art Museum Foundation			Eliminations	Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	Unrestricted	Temporarily Restricted	Permanently Restricted		
Expenses:								
Administration	1,091,151	-	-	20,769	-	-	-	1,111,920
Curatorial	607,635	-	-	-	-	-	-	607,635
Advancement	568,137	-	-	-	-	-	-	568,137
Communications	366,260	-	-	-	-	-	-	366,260
Membership	195,241	-	-	-	-	-	-	195,241
Learning and audience engagement	317,092	-	-	-	-	-	-	317,092
Facilities	945,797	-	-	-	-	-	-	945,797
Security	272,869	-	-	-	-	-	-	272,869
Guest services	217,416	-	-	-	-	-	-	217,416
Volunteer services	29,985	-	-	-	-	-	-	29,985
Museum store	258,793	-	-	-	-	-	-	258,793
Special events	334,130	-	-	-	-	-	-	334,130
Interest	72,607	-	-	-	-	-	-	72,607
Investment management fees	-	-	-	66,695	-	-	-	66,695
Depreciation	1,977,279	-	-	-	-	-	-	1,977,279
Grand Rapids Art Museum support	-	-	-	627,559	-	-	(627,559)	-
Total expenses	7,254,392	-	-	715,023	-	-	(627,559)	7,341,856
Support, revenue and reclassifications over (under) expenses	(1,846,245)	6,202,688	92,002	803,395	533,023	243,684	-	6,028,547
Collection items purchased	-	(108,800)	-	-	-	-	-	(108,800)
Change in net assets	(1,846,245)	6,093,888	92,002	803,395	533,023	243,684	-	5,919,747
Net assets, beginning of year	55,328,659	2,442,765	-	393,978	466,767	16,774,027	-	75,406,196
Net assets, end of year	<u>\$ 53,482,414</u>	<u>\$ 8,536,653</u>	<u>\$ 92,002</u>	<u>\$ 1,197,373</u>	<u>\$ 999,790</u>	<u>\$ 17,017,711</u>	<u>\$ -</u>	<u>\$ 81,325,943</u>

**Grand Rapids Art Museum
and Grand Rapids Art Museum Foundation**

Combining Statement of Cash Flows

Year ended September 30, 2018

	<u>Grand Rapids Art Museum</u>	<u>Grand Rapids Art Museum Foundation</u>	<u>Eliminations</u>	<u>Combined</u>
Operating activities				
Change in net assets	\$ 2,149,018	\$ 628,548	\$ -	\$ 2,777,566
Adjustments to reconcile change in net assets to net cash used in operating activities:				
Depreciation	1,981,998	-	-	1,981,998
Proceeds from sale of collection items	(508,258)	-	-	(508,258)
Collection items purchased	320,000	-	-	320,000
Donated stock	(77,463)	-	-	(77,463)
Contributions restricted for:				
Comprehensive campaign	(6,000,000)	-	-	(6,000,000)
Endowment	-	(151,000)	-	(151,000)
Amortization of discount	270,875	2,990	-	273,865
Realized/unrealized net (gain) loss on investments	13,173	(697,867)	-	(684,694)
Change in value of split-interest agreement	-	(22,000)	-	(22,000)
Appreciation in beneficial interest	(3,101)	-	-	(3,101)
Deferred compensation payment	(23,156)	-	-	(23,156)
Changes in operating assets and liabilities:				
Receivables	1,388,030	(124)	(12,648)	1,375,258
Inventories	11,438	-	-	11,438
Prepaid expenses	(17,682)	-	-	(17,682)
Payables	26,349	(12,648)	12,648	26,349
Advance deposits	28,710	-	-	28,710
Total adjustments	<u>(2,589,087)</u>	<u>(880,649)</u>	<u>-</u>	<u>(3,469,736)</u>
Net cash used in operating activities	(440,069)	(252,101)	-	(692,170)

**Grand Rapids Art Museum
and Grand Rapids Art Museum Foundation**

Combining Statement of Cash Flows (continued)

Year ended September 30, 2018

	<u>Grand Rapids Art Museum</u>	<u>Grand Rapids Art Museum Foundation</u>	<u>Eliminations</u>	<u>Combined</u>
Investing activities				
Increase in cash restricted for comprehensive campaign	(2,428,271)	-	-	(2,428,271)
Purchases of investments	-	(1,819,412)	-	(1,819,412)
Proceeds from sales of investments	33,508	1,979,922	-	2,013,430
Property/equipment expenditures	(28,457)	-	-	(28,457)
Proceeds from sale of collection items	508,258	-	-	508,258
Collection items purchased	(320,000)	-	-	(320,000)
Net cash provided by (used in) investing activities	(2,234,962)	160,510	-	(2,074,452)
Financing activities				
Proceeds from restricted contributions:				
Comprehensive campaign	2,800,000	-	-	2,800,000
Endowment	-	49,902	-	49,902
Net cash provided by financing activities	2,800,000	49,902	-	2,849,902
Net increase (decrease) in cash	124,969	(41,689)	-	83,280
Cash, beginning of year	1,709,257	108,057	-	1,817,314
Cash, end of year	<u>\$ 1,834,226</u>	<u>\$ 66,368</u>	<u>\$ -</u>	<u>\$ 1,900,594</u>

**Grand Rapids Art Museum
and Grand Rapids Art Museum Foundation**

Combining Statement of Cash Flows
Year ended September 30, 2017

	<u>Grand Rapids Art Museum</u>	<u>Grand Rapids Art Museum Foundation</u>	<u>Eliminations</u>	<u>Combined</u>
Operating activities				
Change in net assets	\$ 4,339,645	\$ 1,580,102	\$ -	\$ 5,919,747
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:				
Depreciation	1,977,279	-	-	1,977,279
Collection items purchased	108,800	-	-	108,800
Donated stock and other	(99,428)	-	-	(99,428)
Contributions restricted for endowment	-	(9,684)	-	(9,684)
Amortization of discount	190,969	-	-	190,969
Realized/unrealized net (gain) loss on investments	851	(1,695,124)	-	(1,694,273)
Change in value of split-interest agreement	-	(234,000)	-	(234,000)
Appreciation in beneficial interest	(2,926)	-	-	(2,926)
Deferred compensation payment	(21,720)	-	-	(21,720)
Changes in operating assets and liabilities:				
Receivables	(6,044,215)	(241)	(58,712)	(6,103,168)
Inventories	(5,504)	-	-	(5,504)
Prepaid expenses	(159,496)	-	-	(159,496)
Payables	123,696	(58,712)	58,712	123,696
Advance deposits	114,813	-	-	114,813
Total adjustments	<u>(3,816,881)</u>	<u>(1,997,761)</u>	<u>-</u>	<u>(5,814,642)</u>
Net cash provided by (used in) operating activities	522,764	(417,659)	-	105,105
Investing activities				
Purchases of investments	-	(2,255,123)	-	(2,255,123)
Proceeds from sales of investments	21,720	2,675,896	-	2,697,616
Property/equipment expenditures	(63,683)	-	-	(63,683)
Collection items purchased	(108,800)	-	-	(108,800)
Net cash provided by (used in) investing activities	(150,763)	420,773	-	270,010
Financing activities				
Proceeds from contributions restricted for endowment	-	9,684	-	9,684
Net increase in cash	372,001	12,798	-	384,799
Cash, beginning of year	1,337,256	95,259	-	1,432,515
Cash, end of year	<u>\$ 1,709,257</u>	<u>\$ 108,057</u>	<u>\$ -</u>	<u>\$ 1,817,314</u>