



Combined Financial Statements and Supplementary Information

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

*Years ended September 30, 2017 and 2016*



**JANSEN VALK THOMPSON REAHM PC**  
*Certified Public Accountants and Consultants*

# Grand Rapids Art Museum and Grand Rapids Art Museum Foundation

Years ended September 30, 2017 and 2016

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## 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, 2017 and 2016, 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, 2017 and 2016, 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 25 through 32 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.

*Jamson Vaek Thompson & Realm PC*

February 15, 2018

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

Combined Statement of Financial Position

	September 30	
	2017	2016
<b>Assets</b>		
Cash	\$ 1,817,314	\$ 1,432,515
Accounts receivable	74,785	46,624
Contributions receivable	7,431,511	1,547,473
Inventories	115,798	110,294
Prepaid expenses	167,108	122,531
Prepaid exhibitions	114,919	-
Contribution receivable—split-interest agreement	782,000	548,000
Investments	18,531,875	17,248,023
Beneficial interest in remainder trust	92,002	-
Collections (Note H)	-	-
Property and equipment, less accumulated depreciation	62,317,461	64,231,057
Beverage license	42,444	42,444
Total assets	<u>\$ 91,487,217</u>	<u>\$ 85,328,961</u>
<b>Liabilities</b>		
Accounts payable	\$ 301,787	\$ 185,768
Other payables	264,510	256,833
Advance deposits	174,977	60,164
Long-term debt	9,420,000	9,420,000
Total liabilities	<u>10,161,274</u>	<u>9,922,765</u>
<b>Net Assets</b>		
Unrestricted:		
Board-designated reserve	300,000	300,000
Endowment:		
Board-designated	1,267,505	1,177,269
Donor-restricted	(70,132)	(783,291)
Undesignated	53,182,414	55,028,659
Total unrestricted	<u>54,679,787</u>	<u>55,722,637</u>
Temporarily restricted	9,536,443	2,909,532
Permanently restricted for endowment	17,109,713	16,774,027
Total net assets	<u>81,325,943</u>	<u>75,406,196</u>
Total liabilities and net assets	<u>\$ 91,487,217</u>	<u>\$ 85,328,961</u>

*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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Support and revenue:</b>				
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	2,926	2,060,076
Change in value of split-interest agreement	-	-	234,000	234,000
In-kind donations	69,299	-	-	69,299
Other income	39,917	-	-	39,917
Total support and revenue	<u>3,728,861</u>	<u>9,305,856</u>	<u>335,686</u>	<u>13,370,403</u>
Net assets released from restrictions	<u>2,570,145</u>	<u>(2,570,145)</u>	<u>-</u>	<u>-</u>
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
<b>Expenses:</b>				
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 Statement of Activities  
Year ended September 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Support and revenue:</b>				
Contributions	\$ 845,898	\$ 2,931,801	\$ 800	\$ 3,778,499
Admissions	89,776	-	-	89,776
Memberships	218,377	-	-	218,377
Program fees	38,495	-	-	38,495
Special events	620,872	-	-	620,872
Museum store	259,567	-	-	259,567
Investment return	1,166,465	159,527	-	1,325,992
Change in value of split-interest agreement	-	-	22,000	22,000
Other income	16,654	-	-	16,654
Total support and revenue	3,256,104	3,091,328	22,800	6,370,232
Net assets released from restrictions	3,234,091	(3,234,091)	-	-
Total support, revenue and reclassifications	6,490,195	(142,763)	22,800	6,370,232



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

Combined Statement of Activities (continued)

Year ended September 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Expenses:</b>				
Administration	1,157,807	-	-	1,157,807
Curatorial	922,056	-	-	922,056
Advancement	503,059	-	-	503,059
Communications	485,617	-	-	485,617
Membership	224,625	-	-	224,625
Learning and audience engagement	349,564	-	-	349,564
Facilities	1,099,782	-	-	1,099,782
Security	369,430	-	-	369,430
Guest services	126,368	-	-	126,368
Volunteer services	40,748	-	-	40,748
Museum store	249,726	-	-	249,726
Special events	363,497	-	-	363,497
GoSite	61,342	-	-	61,342
Interest	14,087	-	-	14,087
Investment management fees	68,743	-	-	68,743
Depreciation	1,947,608	-	-	1,947,608
Total expenses	7,984,059	-	-	7,984,059
Support, revenue and reclassifications over (under) expenses	(1,493,864)	(142,763)	22,800	(1,613,827)
Collection items purchased	-	(162,316)	-	(162,316)
Change in net assets	(1,493,864)	(305,079)	22,800	(1,776,143)
Net assets, beginning of year	57,216,501	3,214,611	16,751,227	77,182,339
Net assets, end of year	\$ 55,722,637	\$ 2,909,532	\$ 16,774,027	\$ 75,406,196

*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	
	2017	2016
<b>Operating activities</b>		
Change in net assets	\$ 5,919,747	\$ (1,776,143)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	1,977,279	1,947,608
Collection items purchased	108,800	162,316
Donated stock and other	(99,428)	-
Contributions restricted for endowment	(9,684)	(800)
Amortization of discount—contributions receivable	190,969	-
Realized and unrealized net gain on investments	(1,697,199)	(971,829)
Change in value of split-interest agreement	(234,000)	(22,000)
Payment of deferred compensation	(21,720)	(19,517)
Changes in operating assets and liabilities:		
Accounts/contributions receivable	(6,103,168)	148,713
Inventories	(5,504)	8,561
Prepaid expenses	(159,496)	134,603
Accounts payable	116,019	(85,803)
Other payables	7,677	(871)
Advance deposits	114,813	(35,290)
Total adjustments	(5,814,642)	1,265,691
Net cash provided by (used in) operating activities	105,105	(510,452)
<b>Investing activities</b>		
Decrease in cash restricted for investment in property and equipment	-	1,413
Purchases of investments	(2,255,123)	(3,369,938)
Proceeds from sales of investments	2,697,616	3,334,894
Property and equipment expenditures	(63,683)	(257,255)
Collection items purchased	(108,800)	(162,316)
Net cash provided by (used in) investing activities	270,010	(453,202)
<b>Financing activities</b>		
Proceeds from contributions restricted for endowment	9,684	800
Net increase (decrease) in cash	384,799	(962,854)
Cash, beginning of year	1,432,515	2,395,369
Cash, end of year	\$ 1,817,314	\$ 1,432,515

See accompanying notes to financial statements.

# Grand Rapids Art Museum and Grand Rapids Art Museum Foundation

## Notes to Combined Financial Statements

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### **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 74% of the Organization's support in 2017 and 42% in 2016 was provided by contributions from one foundation. The Organization has a concentration of credit risk with respect to contributions receivable from one foundation of approximately \$7,055,000 and \$1,330,000 at September 30, 2017 and 2016, 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)

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## **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 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 market.

### **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)

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**Note A—Summary of Accounting Policies (continued)**

**Property, Equipment and Depreciation**

The Organization capitalizes all expenditures for property and equipment in excess of \$1,000. 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 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 for the 2017 year included consulting, 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 \$69,000 in 2017 and \$0 in 2016.

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)

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**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.

**Subsequent Events**

Subsequent events were evaluated through February 15, 2018, which is the date the combined financial statements were available to be issued.

**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 (FDIC) up to \$250,000 per financial institution. The Museum's cash balances are at times in excess of the \$250,000 insured limit.

**Note C—Contributions Receivable**

Contributions receivable are summarized as follows:

	<u>2017</u>	<u>2016</u>
Receivable in less than one year	\$ 1,982,173	\$ 1,429,690
Receivable in one year to five years	5,640,307	120,150
Total contributions receivable	<u>7,622,480</u>	1,549,840
Less discount to net present value	190,969	2,367
Net contributions receivable	<u>\$ 7,431,511</u>	\$ 1,547,473

Contributions receivable in more than one year were discounted at 1% per annum for 2017 and 2016.

**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)
<b>September 30, 2017</b>			
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>
<b>September 30, 2016</b>			
Investments	\$ 17,248,023	\$ 14,197,922	\$ 3,050,101
Split-interest agreement	548,000	—	548,000
Total	<u>\$ 17,796,023</u>	<u>\$ 14,197,922</u>	<u>\$ 3,598,101</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)

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**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 two publicly traded partnerships, are based on the net asset values of the underlying securities held by the fund and the partnerships. 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 2017 and 2.0% for 2016. 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, 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.



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

Notes to Combined Financial Statements (continued)

**Note D—Fair Value Measurements (continued)**

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
<b>Year ended September 30, 2017</b>				
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>

	Investments	Split-Interest Agreement	Total
<b>Year ended September 30, 2016</b>			
Beginning balance	\$ 2,953,449	\$ 526,000	\$ 3,479,449
Unrealized appreciation included in change in net assets	96,652	22,000	118,652
Ending balance	<u>\$ 3,050,101</u>	<u>\$ 548,000</u>	<u>\$ 3,598,101</u>

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

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

Notes to Combined Financial Statements (continued)

**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 \$782,000 and \$548,000 at September 30, 2017 and 2016, 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 2017 and 2.0% for 2016.

**Note F—Investments**

Investments consist of:

	<b>2017</b>	<b>2016</b>
Mutual funds:		
Commodities	\$ 821,695	\$ 1,199,130
Equities	10,760,807	8,801,503
Fixed income	3,320,384	3,139,326
Real estate and infrastructure	417,508	749,937
Other	314,473	308,026
Total mutual funds	<b>15,634,867</b>	14,197,922
Equity securities	10,352	—
Hedge fund	1,692,378	1,589,313
Publicly traded partnerships	1,194,278	1,460,788
Total	<b>\$ 18,531,875</b>	\$ 17,248,023

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

Notes to Combined Financial Statements (continued)

**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 \$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 is recognized as an asset and as a permanently restricted contribution at the date the trust is 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 Organization.

**Note H—Collections**

The Museum’s art collections consist of donated and purchased art objects, principally drawings, prints, study items and a reference library. Collection items acquired either through purchase or donations are not capitalized and so are not included in the statements of financial position. Purchases of collection items are recorded as decreases in unrestricted net assets if purchased with unrestricted assets and as decreases in temporarily restricted net assets if purchased with donor-restricted assets. Contributions of collection items are not recognized in the combined statements of activities.

**Note I—Property and Equipment**

Property and equipment are summarized by major classifications as follows:

	<u>2017</u>	<u>2016</u>
Land	\$ 7,575,615	\$ 7,575,615
Building	73,168,650	73,112,517
Leasehold improvements	3,800	3,800
Furniture and equipment	2,327,663	2,320,112
Vehicles	61,919	61,919
Total property and equipment	<u>83,137,647</u>	83,073,963
Less accumulated depreciation	<u>20,820,186</u>	18,842,906
Net property and equipment	<u>\$ 62,317,461</u>	<u>\$ 64,231,057</u>

## Grand Rapids Art Museum and Grand Rapids Art Museum Foundation

Notes to Combined Financial Statements (continued)

### Note I—Property and Equipment (continued)

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.

### 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, 2017 and 2016, 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 and 0.48% at September 30, 2016.

### Note K—Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

	<u>2017</u>	<u>2016</u>
American Art acquisitions	\$ 537,024	\$ 389,117
Collections	396,312	474,987
Education programs	86,404	87,460
Exhibitions	242,505	108,978
Furniture restoration and maintenance	14,654	13,115
General operations	425,137	781,420
Programs	7,473,299	899,300
Property and equipment	125,000	53,071
Public outreach	65,000	40,000
Research	35,250	27,250
Underprivileged and disabled patrons	135,858	34,834
Total	<u>\$ 9,536,443</u>	<u>\$ 2,909,532</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:

	<b>2017</b>	<b>2016</b>
American Art acquisitions	\$ <b>1,008,934</b>	\$ 1,000,000
Education programs	<b>546,256</b>	546,256
Exhibitions	<b>57,011</b>	57,011
General operations	<b>14,497,136</b>	14,170,384
Library acquisitions	<b>37,981</b>	37,981
Underprivileged and disabled patrons	<b>962,395</b>	962,395
Total	<b>\$ 17,109,713</b>	\$ 16,774,027

**Note L—Endowment Funds**

The Foundation’s endowment consists of nine 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.

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 (a) the original value of gifts donated to the permanent endowment, and (b) 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.

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

Notes to Combined Financial Statements (continued)

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### **Note L—Endowment Funds (continued)**

*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.

*Spending Policy.* The Organization has a policy of appropriating for distribution each year 4.00% 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.

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

Notes to Combined Financial Statements (continued)

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**Note L—Endowment Funds (continued)**

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

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
<b>September 30, 2017</b>				
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>
<b>September 30, 2016</b>				
Donor-restricted endowment funds	\$ (783,291)	\$ 466,767	\$ 16,774,027	\$ 16,457,503
Unrestricted board- designated funds	1,177,269	—	—	1,177,269
Total funds	<u>\$ 393,978</u>	<u>\$ 466,767</u>	<u>\$ 16,774,027</u>	<u>\$ 17,634,772</u>

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

Notes to Combined Financial Statements (continued)

**Note L—Endowment Funds (continued)**

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

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
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>

Changes in endowment net assets for the year ended September 30, 2016 are as follows:

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Endowment net assets, beginning of year	\$ (103,973)	\$ 337,972	\$ 16,751,227	\$ 16,985,226
Investment return:				
Investment income	315,441	38,452	—	353,893
Net appreciation	852,152	121,075	—	973,227
Total investment return	1,167,593	159,527	—	1,327,120
Contributions	—	—	800	800
Change in value of split- interest agreement	—	—	22,000	22,000
Amounts appropriated for expenditure	(669,642)	(30,732)	—	(700,374)
Endowment net assets, end of year	<u>\$ 393,978</u>	<u>\$ 466,767</u>	<u>\$ 16,774,027</u>	<u>\$ 17,634,772</u>



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

Notes to Combined Financial Statements (continued)

**Note M—Investment Return**

Investment return is summarized as follows:

	2017	2016
Interest and dividends	\$ 356,362	\$ 354,163
Realized and unrealized net gain on investments	1,694,273	971,829
Investment income earned on beneficial interest in remainder trust	6,515	—
Appreciation in beneficial interest in remainder trust	2,926	—
Total	\$ 2,060,076	\$ 1,325,992

**Note N—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 2017 and \$31,416 in 2016. Future minimum lease commitments at September 30, 2017 were as follows: 2018—\$31,416; 2019—\$26,136; 2020—\$23,958.

**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.

**Note O—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 \$49,579 in 2017 and \$42,944 in 2016.

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

Notes to Combined Financial Statements (continued)

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**Note P—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 \$176,788 at September 30, 2017 and \$177,639 at September 30, 2016. Deferred compensation expense under the Plan was \$851 in 2017 and \$1,401 in 2016.

**Note Q—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 R—Supplemental Cash Flow Information**

Cash paid for interest was \$72,607 in 2017 and \$14,450 in 2016.

## Supplementary Information

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

Combining Statement of Financial Position  
September 30, 2017

	<u>Grand Rapids Art Museum</u>	<u>Grand Rapids Art Museum Foundation</u>	<u>Eliminations</u>	<u>Combined</u>
<b>Assets</b>				
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>
<b>Liabilities</b>				
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	<u>10,161,274</u>	<u>21,582</u>	<u>(21,582)</u>	<u>10,161,274</u>
<b>Net Assets</b>				
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 Financial Position  
September 30, 2016

	<u>Grand Rapids Art Museum</u>	<u>Grand Rapids Art Museum Foundation</u>	<u>Eliminations</u>	<u>Combined</u>
<b>Assets</b>				
Cash	\$ 1,337,256	\$ 95,259	\$ -	\$ 1,432,515
Accounts receivable	125,495	1,423	(80,294)	46,624
Contributions receivable	1,547,473	-	-	1,547,473
Inventories	110,294	-	-	110,294
Prepaid expenses	122,531	-	-	122,531
Contribution receivable—split- interest agreement	-	548,000	-	548,000
Investments	177,639	17,070,384	-	17,248,023
Property and equipment, less accumulated depreciation	64,231,057	-	-	64,231,057
Beverage license	42,444	-	-	42,444
Total assets	<u>\$ 67,694,189</u>	<u>\$ 17,715,066</u>	<u>\$ (80,294)</u>	<u>\$ 85,328,961</u>
<b>Liabilities</b>				
Accounts payable	\$ 185,768	\$ 80,294	\$ (80,294)	\$ 185,768
Other payables	256,833	-	-	256,833
Advance deposits	60,164	-	-	60,164
Long-term debt	9,420,000	-	-	9,420,000
Total liabilities	9,922,765	80,294	(80,294)	9,922,765
<b>Net Assets</b>				
Unrestricted	55,328,659	393,978	-	55,722,637
Temporarily restricted	2,442,765	466,767	-	2,909,532
Permanently restricted for endowment	-	16,774,027	-	16,774,027
Total net assets	<u>57,771,424</u>	<u>17,634,772</u>	<u>-</u>	<u>75,406,196</u>
Total liabilities and net assets	<u>\$ 67,694,189</u>	<u>\$ 17,715,066</u>	<u>\$ (80,294)</u>	<u>\$ 85,328,961</u>

**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		
<b>Support and revenue:</b>								
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	-	2,926	1,438,928	612,513	-	-	2,060,076
Change in value of split-interest agreement	-	-	-	-	-	234,000	-	234,000
In-kind donations	69,299	-	-	-	-	-	-	69,299
Other income	39,917	-	-	-	-	-	-	39,917
<b>Total support and revenue</b>	<b>2,917,492</b>	<b>8,693,343</b>	<b>92,002</b>	<b>1,438,928</b>	<b>612,513</b>	<b>243,684</b>	<b>(627,559)</b>	<b>13,370,403</b>
Net assets released from restrictions	2,490,655	(2,490,655)	-	79,490	(79,490)	-	-	-
<b>Total support, revenue and reclassifications</b>	<b>5,408,147</b>	<b>6,202,688</b>	<b>92,002</b>	<b>1,518,418</b>	<b>533,023</b>	<b>243,684</b>	<b>(627,559)</b>	<b>13,370,403</b>

**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		
<b>Expenses:</b>								
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)	-
<b>Total expenses</b>	<b>7,254,392</b>	<b>-</b>	<b>-</b>	<b>715,023</b>	<b>-</b>	<b>-</b>	<b>(627,559)</b>	<b>7,341,856</b>
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
<b>Net assets, end of year</b>	<b>\$ 53,482,414</b>	<b>\$ 8,536,653</b>	<b>\$ 92,002</b>	<b>\$ 1,197,373</b>	<b>\$ 999,790</b>	<b>\$ 17,017,711</b>	<b>\$ -</b>	<b>\$ 81,325,943</b>

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

Combining Statement of Activities  
Year ended September 30, 2016

	Grand Rapids Art Museum		Grand Rapids Art Museum Foundation			Eliminations	Total
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted	Permanently Restricted		
<b>Support and revenue:</b>							
Contributions	\$ 845,898	\$ 2,931,801	\$ -	\$ -	\$ 800	\$ -	\$ 3,778,499
Admissions	89,776	-	-	-	-	-	89,776
Memberships	218,377	-	-	-	-	-	218,377
Program fees	38,495	-	-	-	-	-	38,495
Special events	620,872	-	-	-	-	-	620,872
Museum store	259,567	-	-	-	-	-	259,567
Grand Rapids Art Museum Foundation support	609,219	-	-	-	-	(609,219)	-
Investment return	(1,128)	-	1,167,593	159,527	-	-	1,325,992
Change in value of split-interest agreement	-	-	-	-	22,000	-	22,000
Other income	16,654	-	-	-	-	-	16,654
<b>Total support and revenue</b>	2,697,730	2,931,801	1,167,593	159,527	22,800	(609,219)	6,370,232
Net assets released from restrictions	3,203,359	(3,203,359)	30,732	(30,732)	-	-	-
<b>Total support, revenue and reclassifications</b>	5,901,089	(271,558)	1,198,325	128,795	22,800	(609,219)	6,370,232



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

Combining Statement of Activities (continued)  
Year ended September 30, 2016

	Grand Rapids Art Museum		Grand Rapids Art Museum Foundation			Eliminations	Total
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted	Permanently Restricted		
<b>Expenses:</b>							
Administration	1,135,395	-	22,412	-	-	-	1,157,807
Curatorial	922,056	-	-	-	-	-	922,056
Advancement	503,059	-	-	-	-	-	503,059
Communications	485,617	-	-	-	-	-	485,617
Membership	224,625	-	-	-	-	-	224,625
Learning and audience engagement	349,564	-	-	-	-	-	349,564
Facilities	1,099,782	-	-	-	-	-	1,099,782
Security	369,430	-	-	-	-	-	369,430
Guest services	126,368	-	-	-	-	-	126,368
Volunteer services	40,748	-	-	-	-	-	40,748
Museum store	249,726	-	-	-	-	-	249,726
Special events	363,497	-	-	-	-	-	363,497
GoSite	61,342	-	-	-	-	-	61,342
Interest	14,087	-	-	-	-	-	14,087
Investment management fees	-	-	68,743	-	-	-	68,743
Depreciation	1,947,608	-	-	-	-	-	1,947,608
Grand Rapids Art Museum support	-	-	609,219	-	-	(609,219)	-
Total expenses	7,892,904	-	700,374	-	-	(609,219)	7,984,059
Support, revenue and reclassifications over (under) expenses	(1,991,815)	(271,558)	497,951	128,795	22,800	-	(1,613,827)
Collection items purchased	-	(162,316)	-	-	-	-	(162,316)
Change in net assets	(1,991,815)	(433,874)	497,951	128,795	22,800	-	(1,776,143)
Net assets, beginning of year	57,320,474	2,876,639	(103,973)	337,972	16,751,227	-	77,182,339
Net assets, end of year	\$ 55,328,659	\$ 2,442,765	\$ 393,978	\$ 466,767	\$ 16,774,027	\$ -	\$ 75,406,196

## 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>
<b>Operating activities</b>				
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 on investments	(2,075)	(1,695,124)	-	(1,697,199)
Change in value of split-interest agreement	-	(234,000)	-	(234,000)
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)
Accounts payable	116,019	(58,712)	58,712	116,019
Other payables	7,677	-	-	7,677
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
<b>Investing activities</b>				
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	<u>(108,800)</u>	<u>-</u>	<u>-</u>	<u>(108,800)</u>
Net cash provided by (used in) investing activities	(150,763)	420,773	-	270,010
<b>Financing activities</b>				
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>

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

Combining Statement of Cash Flows  
Year ended September 30, 2016

	<u>Grand Rapids Art Museum</u>	<u>Grand Rapids Art Museum Foundation</u>	<u>Eliminations</u>	<u>Combined</u>
<b>Operating activities</b>				
Change in net assets	\$ (2,425,689)	\$ 649,546	\$ -	\$ (1,776,143)
Adjustments to reconcile change in net assets to net cash used in operating activities:				
Depreciation	1,947,608	-	-	1,947,608
Collection items purchased	162,316	-	-	162,316
Contributions restricted for endowment	-	(800)	-	(800)
Realized/unrealized net gain on investments	1,402	(973,231)	-	(971,829)
Change in value of split-interest agreement	-	(22,000)	-	(22,000)
Deferred compensation payment	(19,517)	-	-	(19,517)
Changes in operating assets and liabilities:				
Receivables	63,228	5,191	80,294	148,713
Inventories	8,561	-	-	8,561
Prepaid expenses	134,603	-	-	134,603
Accounts payable	(74,625)	69,116	(80,294)	(85,803)
Other payables	(871)	-	-	(871)
Advance deposits	(35,290)	-	-	(35,290)
Total adjustments	<u>2,187,415</u>	<u>(921,724)</u>	<u>-</u>	<u>1,265,691</u>
Net cash used in operating activities	(238,274)	(272,178)	-	(510,452)
<b>Investing activities</b>				
Decrease in cash restricted for investment in property/equipment	1,413	-	-	1,413
Purchases of investments	-	(3,369,938)	-	(3,369,938)
Proceeds from sales of investments	19,517	3,315,377	-	3,334,894
Property/equipment expenditures	(257,255)	-	-	(257,255)
Collection items purchased	(162,316)	-	-	(162,316)
Net cash used in investing activities	<u>(398,641)</u>	<u>(54,561)</u>	<u>-</u>	<u>(453,202)</u>
<b>Financing activities</b>				
Proceeds from contributions restricted for endowment	-	800	-	800
Net decrease in cash	(636,915)	(325,939)	-	(962,854)
Cash, beginning of year	1,974,171	421,198	-	2,395,369
Cash, end of year	<u>\$ 1,337,256</u>	<u>\$ 95,259</u>	<u>\$ -</u>	<u>\$ 1,432,515</u>