



Combined Financial Statements and Supplementary Information

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

*Years ended September 30, 2020 and 2019*



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

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

Years ended September 30, 2020 and 2019

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## Independent Auditor's Report

Board of Trustees  
Grand Rapids Art Museum

### **Report on the Consolidated Financial Statements**

We have audited the accompanying consolidated financial statements of Grand Rapids Art Museum and Grand Rapids Art Museum Foundation (collectively, the Organization), which comprise the consolidated statements of financial position as of September 30, 2020 and 2019, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### ***Management's Responsibility for the Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of September 30, 2020 and 2019, 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.

### **Adoption of New Accounting Standards**

As described in Note A to the consolidated financial statements, the Organization adopted the provisions of Financial Accounting Standards Board Accounting Standards Update (ASU) No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. ASU No. 2016-18 requires that a statement of cash flows explain the change during the period in the total cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. In addition, the Organization adopted ASU No. 2018-08, *Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU clarifies and improves guidance for contributions received and contributions made, and provides guidance to organizations on how to account for certain exchange transactions. Our opinion is not modified with respect to these matters.

### **Report on Consolidating Information**

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information on pages 36 through 45 is presented for purposes of additional analysis of the consolidated 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 consolidated 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 consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.



February 4, 2021

# Grand Rapids Art Museum and Grand Rapids Art Museum Foundation

## Consolidated Statements of Financial Position

	September 30	
	2020	2019
<b>Assets</b>		
Cash	\$ 1,476,120	\$ 1,207,191
Accounts receivable	147,841	27,511
Contributions receivable	3,084,315	4,296,701
Inventories	123,541	110,119
Prepaid expenses	157,450	206,514
Prepaid exhibitions	137,270	151,712
Collections (Note E)	-	-
Assets restricted for comprehensive campaign:		
Cash	1,382,742	3,148,308
Contributions receivable	2,061,081	3,024,435
Property and equipment, less accumulated depreciation	58,903,409	58,537,061
Beverage license	42,444	42,444
Beneficial interest in perpetual trust	91,037	89,006
Assets restricted for endowment:		
Cash	33,154	260,051
Interest receivable	1,705	1,873
Contributions receivable	25,000	48,795
Contribution receivable—split-interest agreement	806,000	817,000
Investments	20,545,879	19,333,953
Total assets	<u>\$ 89,018,988</u>	<u>\$ 91,302,674</u>
<b>Liabilities</b>		
Accounts payable	\$ 233,764	\$ 230,777
Other payables	261,933	245,286
Advance deposits	56,205	167,757
Long-term debt:		
Paycheck Protection Program loan	457,300	-
Bonds payable	9,420,000	9,420,000
Total liabilities	<u>10,429,202</u>	<u>10,063,820</u>
<b>Net Assets</b>		
Without donor restrictions:		
Board-designated	1,706,797	1,642,871
Undesignated	46,154,709	48,635,146
Total without donor restrictions	<u>47,861,506</u>	<u>50,278,017</u>
With donor restrictions	30,728,280	30,960,837
Total net assets	<u>78,589,786</u>	<u>81,238,854</u>
Total liabilities and net assets	<u>\$ 89,018,988</u>	<u>\$ 91,302,674</u>

*See accompanying notes to financial statements.*

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

Consolidated Statement of Activities  
Year ended September 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Support and revenue:</b>			
Contributions	\$ 1,641,587	\$ 716,357	\$ 2,357,944
Admissions	79,798	-	79,798
Memberships	141,431	-	141,431
Program fees	56,265	-	56,265
Special events	213,433	-	213,433
Museum store	98,595	-	98,595
Exhibition touring	110,000	-	110,000
Net investment return	83,536	932,891	1,016,427
Change in value of split-interest agreement	-	(11,000)	(11,000)
Appreciation in beneficial interest in remainder trust	-	2,031	2,031
In-kind donations	186,594	-	186,594
Other income	41,232	-	41,232
Total support and revenue	2,652,471	1,640,279	4,292,750
Net assets released from restrictions	1,848,836	(1,848,836)	-
Total support, revenue and reclassifications	4,501,307	(208,557)	4,292,750
<b>Expenses:</b>			
Program	3,552,589	-	3,552,589
Management and general	2,792,535	-	2,792,535
Fundraising	572,694	-	572,694
Total expenses	6,917,818	-	6,917,818
Support, revenue and reclassifications under expenses	(2,416,511)	(208,557)	(2,625,068)
Collection items purchased	-	(24,000)	(24,000)
Change in net assets	(2,416,511)	(232,557)	(2,649,068)
Net assets, beginning of year	50,278,017	30,960,837	81,238,854
Net assets, end of year	\$ 47,861,506	\$ 30,728,280	\$ 78,589,786

*See accompanying notes to financial statements.*

# Grand Rapids Art Museum and Grand Rapids Art Museum Foundation

## Consolidated Statement of Activities Year ended September 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Support and revenue:</b>			
Contributions	\$ 783,882	\$ 2,499,496	\$ 3,283,378
Admissions	125,413	-	125,413
Memberships	191,733	-	191,733
Program fees	106,568	-	106,568
Special events	706,174	-	706,174
Museum store	187,659	-	187,659
Exhibition touring	110,000	-	110,000
Net investment return	87,737	521,209	608,946
Change in value of split-interest agreement	-	13,000	13,000
Appreciation in beneficial interest in remainder trust	-	1,426	1,426
In-kind donations	51,970	-	51,970
Other income	9,541	13,724	23,265
Total support and revenue	2,360,677	3,048,855	5,409,532
Net assets released from restrictions	2,880,259	(2,880,259)	-
Total support, revenue and reclassifications	5,240,936	168,596	5,409,532
<b>Expenses:</b>			
Program	4,000,996	-	4,000,996
Management and general	3,355,865	-	3,355,865
Fundraising	638,676	-	638,676
Total expenses	7,995,537	-	7,995,537
Support, revenue and reclassifications over (under) expenses	(2,754,601)	168,596	(2,586,005)
Collection items purchased	-	(278,650)	(278,650)
Change in net assets	(2,754,601)	(110,054)	(2,864,655)
Net assets, beginning of year	53,032,618	31,070,891	84,103,509
Net assets, end of year	\$ 50,278,017	\$ 30,960,837	\$ 81,238,854

*See accompanying notes to financial statements.*

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

Consolidated Statement of Functional Expenses  
Year ended September 30, 2020

	Program Services			Total Program
	Curatorial	Education	Other	
Salaries and wages	\$ 217,105	\$ 350,864	\$ 95,002	\$ 662,971
Employee benefits	33,197	34,369	23,101	90,667
Payroll taxes	15,346	25,777	6,885	48,008
Advertising and promotions	47	80	2,079	2,206
Bank fees	-	-	-	-
Conferences and meetings	455	1,070	594	2,119
Cost of sales	-	-	51,902	51,902
Depreciation	-	-	1,437,208	1,437,208
Dues and subscriptions	1,323	296	3,431	5,050
Exhibition	194,525	-	-	194,525
In-kind services	-	-	58,149	58,149
Insurance	-	-	72,977	72,977
Interest	-	-	-	-
Meals and entertainment	110	536	42	688
Member benefits	-	1,240	1,133	2,373
Miscellaneous	948	1,846	1,070	3,864
Occupancy	-	-	465,766	465,766
Parking	-	2,924	649	3,573
Printing, publications and postage	1,701	1,753	31,498	34,952
Professional services	805	2,942	194,777	198,524
Supplies	658	26,871	180,635	208,164
Travel	2,442	5,211	1,250	8,903
Total expenses	\$ 468,662	\$ 455,779	\$ 2,628,148	\$ 3,552,589



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Supporting Services				
Management		Total		Total
and General	Fundraising	Supporting		
\$ 747,710	\$ 321,905	\$ 1,069,615	\$ 1,732,586	
83,292	32,789	116,081	206,748	
49,638	23,123	72,761	120,769	
57,164	-	57,164	59,370	
22,666	-	22,666	22,666	
4,721	286	5,007	7,126	
23,171	-	23,171	75,073	
552,571	23,715	576,286	2,013,494	
11,577	413	11,990	17,040	
13,722	12,338	26,060	220,585	
-	-	-	58,149	
28,132	1,638	29,770	102,747	
82,000	-	82,000	82,000	
7,791	3,186	10,977	11,665	
2,808	16,515	19,323	21,696	
33,019	9,259	42,278	46,142	
182,277	7,834	190,111	655,877	
29,768	109	29,877	33,450	
14,328	29,027	43,355	78,307	
744,981	31,797	776,778	975,302	
92,196	57,442	149,638	357,802	
9,003	1,318	10,321	19,224	
<u>\$ 2,792,535</u>	<u>\$ 572,694</u>	<u>\$ 3,365,229</u>	<u>\$ 6,917,818</u>	

See accompanying notes to financial statements.

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

Consolidated Statement of Functional Expenses  
Year ended September 30, 2019

	Program Services			Total Program
	Curatorial	Education	Other	
Salaries and wages	\$ 288,991	\$ 384,091	\$ 121,392	\$ 794,474
Employee benefits	42,482	32,369	23,780	98,631
Payroll taxes	20,235	28,797	8,546	57,578
Advertising and promotions	-	60	2,607	2,667
Bank fees	-	-	-	-
Conferences and meetings	878	1,097	1,309	3,284
Cost of sales	-	-	101,230	101,230
Depreciation	-	-	1,426,334	1,426,334
Dues and subscriptions	2,036	622	3,965	6,623
Exhibition	369,960	-	-	369,960
In-kind services	-	-	48,417	48,417
Insurance	-	-	75,927	75,927
Interest	-	-	-	-
Meals and entertainment	212	4,001	803	5,016
Member benefits	111	3,217	689	4,017
Miscellaneous	429	5,010	2,791	8,230
Occupancy	50	-	560,105	560,155
Parking	120	6,001	775	6,896
Printing, publications and postage	20,083	3,391	23,701	47,175
Professional services	4,889	36,215	208,484	249,588
Supplies	5,235	42,207	61,859	109,301
Travel	18,371	983	6,139	25,493
Total expenses	<u>\$ 774,082</u>	<u>\$ 548,061</u>	<u>\$ 2,678,853</u>	<u>\$ 4,000,996</u>

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Supporting Services			
Management and General	Fundraising	Total Supporting	Total
\$ 1,027,278	\$ 296,453	\$ 1,323,731	\$ 2,118,205
136,682	28,420	165,102	263,733
70,189	21,455	91,644	149,222
50,459	499	50,958	53,625
28,667	-	28,667	28,667
4,834	3,459	8,293	11,577
80,924	-	80,924	182,154
549,869	14,731	564,600	1,990,934
22,393	665	23,058	29,681
69,459	27,739	97,198	467,158
-	-	-	48,417
28,377	1,577	29,954	105,881
147,000	-	147,000	147,000
8,508	435	8,943	13,959
2,729	72,144	74,873	78,890
25,795	7,296	33,091	41,321
219,212	5,717	224,929	785,084
37,498	434	37,932	44,828
26,271	30,512	56,783	103,958
700,921	67,276	768,197	1,017,785
113,411	55,154	168,565	277,866
5,389	4,710	10,099	35,592
<u>\$ 3,355,865</u>	<u>\$ 638,676</u>	<u>\$ 3,994,541</u>	<u>\$ 7,995,537</u>

See accompanying notes to financial statements.

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

Consolidated Statements of Cash Flows

	Year ended September 30	
	2020	2019
<b>Operating activities</b>		
Change in net assets	\$ (2,649,068)	\$ (2,864,655)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	2,013,494	1,990,934
Collection items purchased	24,000	278,650
Donated stock	(48,651)	(70,394)
Contributions restricted for:		
Comprehensive campaign	(12,500)	(1,000,000)
Amortization of discount—contributions receivable	(167,282)	(181,454)
Realized and unrealized net (gain) loss on investments	(529,484)	132,845
Change in value of split-interest agreement	11,000	(13,000)
Appreciation in beneficial interest	(2,031)	(1,426)
Payment of deferred compensation	-	(165,970)
Changes in operating assets and liabilities:		
Receivables	1,232,806	1,987,169
Inventories	(13,422)	(5,759)
Prepaid expenses	63,506	(58,517)
Payables	19,634	(116,583)
Advance deposits	(111,552)	(35,930)
Total adjustments	2,479,518	2,740,565
Net cash used in operating activities	(169,550)	(124,090)
<b>Investing activities</b>		
Distributions from perpetual trust	-	7,523
Purchases of investments	(5,091,363)	(1,411,626)
Proceeds from sales of investments	4,408,921	1,156,505
Property and equipment expenditures	(2,379,842)	(164,075)
Collection items purchased	(24,000)	(278,650)
Net cash used in investing activities	(3,086,284)	(690,323)

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

Consolidated Statements of Cash Flows (continued)

	Year ended September 30	
	2020	2019
<b>Financing activities</b>		
Proceeds from contributions restricted for:		
Comprehensive campaign	1,050,000	1,050,000
Endowment	25,000	51,098
Proceeds from Paycheck Protection		
Program loan	457,300	-
Net cash provided by financing activities	1,532,300	1,101,098
Net increase (decrease) in cash	(1,723,534)	286,685
Cash, beginning of year	4,615,550	4,328,865
Cash, end of year	<u>\$ 2,892,016</u>	<u>\$ 4,615,550</u>

Cash is presented in the accompanying consolidated statements of financial position as follows:

Cash	\$ 1,476,120	\$ 1,207,191
Restricted cash—comprehensive campaign	1,382,742	3,148,308
Restricted cash—endowment	33,154	260,051
Total cash	<u>\$ 2,892,016</u>	<u>\$ 4,615,550</u>

*See accompanying notes to financial statements.*

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

## **Notes to Consolidated Financial Statements**

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### **Note A—Summary of Accounting Policies**

#### **Nature of the Organization**

The Grand Rapids Art Museum's (the Museum) 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 Grand Rapids Art Museum Foundation (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.

The Museum's and Foundation's support comes primarily from donor contributions. Approximately 30% of the Museum's support in 2019 was provided by contributions from one foundation. The Museum had a concentration of credit risk with respect to contributions receivable from five foundations of approximately \$4,962,000 and four foundations of approximately \$6,997,000 at September 30, 2020 and 2019, respectively.

#### **Basis of Consolidation**

The accompanying consolidated financial statements include the accounts of the Museum and its non-profit incorporated subsidiary, the Foundation (collectively, the Organization). The Foundation is controlled by the Museum through its majority appointed board of trustee rights contained in their respective by-laws. All material intercompany accounts and transactions have been eliminated.

#### **Basis of Accounting**

The accompanying consolidated financial statements of the Organization are prepared using the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

#### **Use of Estimates**

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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

## **Notes to Consolidated Financial Statements (continued)**

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

#### **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.

Investments sold are valued using the specific identification method. Net investment return is reported in the accompanying consolidated statement of activities and consists of interest and dividend income, realized and unrealized gains and losses, less external investment expenses.

#### **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 recorded as support at their estimated fair values on the date of donation. Such donations are reported as without restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use, and contributions of cash that must be used to acquire property and equipment are reported as increases in net assets with donor restrictions. Absent donor stipulations regarding how long those donated 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 such donations with restrictions to net assets without donor restrictions at that time.

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

## **Notes to Consolidated Financial Statements (continued)**

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

#### **Beneficial Interest in Perpetual Trust**

The Museum is one of five irrevocable beneficiaries of a perpetual remainder trust held and administered by an independent trustee. A perpetual trust provides for the distribution of the net income of the trust to the Organization. At the date the Organization receives notice of a beneficial interest, a contribution with donor restrictions of a perpetual nature is recorded in the consolidated statement of activities, and a beneficial interest in perpetual trust is recorded in the consolidated statement of financial position at the fair value of the Museum's share of the underlying trust asset. Thereafter, the beneficial interest in the trust is reported at the fair value of the trust's assets in the consolidated statement of financial position, with trust distributions and changes in fair value recognized in the consolidated statement of activities.

#### **Classification of Net Assets**

Net assets, revenues, gains and losses of the Organization are classified based on the presence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- Net Assets Without Donor Restrictions—net assets available for use in general operations which are not subject to donor-imposed restrictions.
- Net Assets With Donor Restrictions—net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met either by action of the Organization or the passage of time. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates the funds be maintained in perpetuity.

#### **Contributions**

Contributions are recognized as revenue when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends, or purpose restriction is accomplished) in the fiscal year in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions.



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

## **Notes to Consolidated Financial Statements (continued)**

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

#### **Donated Materials, Supplies and Services**

Donated materials and supplies are reflected as contributions in the accompanying consolidated statement of activities at their estimated values at date of receipt.

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 2020 and 2019 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 \$187,000 in 2020 and \$52,000 in 2019.

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 consolidated financial statements.

#### **Functional Allocation of Expenses**

The costs of providing program and support services have been reported on a functional basis in the consolidated statement of activities. The consolidated statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the program and supporting services benefited. The expenses that are allocated are compensation and benefits, depreciation, insurance, occupancy costs, office expenses and professional services which are allocated on the basis of management's estimate of time and effort. Although the methods of allocation used are considered reasonable, other methods could be used that would produce different amounts.

#### **Income Taxes**

The Museum and Foundation are not-for-profit corporations and are exempt organizations from federal income tax under Section 501(a) as organizations described in Section 501(c)(3) of the Internal Revenue Code (IRC).

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

Notes to Consolidated Financial Statements (continued)

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

**Newly Adopted Accounting Pronouncements**

The Organization adopted the provisions of the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash (ASU 2016-18)*. ASU 2016-18 requires that a statement of cash flows explain the change during the period in the total cash, cash equivalents and amounts generally described as restricted cash or restricted cash equivalents. The Organization adopted this standard on October 1, 2019 and has retrospectively applied the ASU to September 30, 2019.

The Organization also adopted the provisions of FASB ASU No. 2018-08, *Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU clarifies and improves guidance for contributions received and contributions made, and provides guidance to organizations on how to account for certain exchange transactions. This change is preferable in that it clarifies whether to account for transactions as contributions or as exchange transactions. In addition, it clarifies whether a contribution is conditional. As a result, it enhances comparability of financial information among not-for-profit entities. The adoption of this ASU did not have a significant impact on the Organization's consolidated financial statements.

The 2019 consolidated financial statements have been restated to conform to the 2020 presentation and disclosure requirements of ASU Nos. 2016-18 and 2018-08.

**Upcoming New Accounting Pronouncements**

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* which establishes a new standard on revenue recognition. The ASU and all subsequently issued clarifying ASUs replace most existing revenue recognition guidance in U.S. GAAP. The ASU also requires expanded disclosures related to the nature, amount, timing and uncertainty of revenue from cash flows arising from contracts with customers.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which will require leases to be recorded as an asset in the consolidated statement of financial position for the right to use the leased asset and a liability for the corresponding lease obligation for leases with terms of more than twelve months.

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

## **Notes to Consolidated Financial Statements (continued)**

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

#### **Upcoming New Accounting Pronouncements (continued)**

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement*. This ASU eliminates disclosures that relied too heavily on subjective information that may have been misinterpreted and strengthens remaining disclosures to provide investors with increased transparency for the estimates and assumptions used in valuation. This standard is effective for fiscal years beginning after December 15, 2019.

In March 2019, the FASB issued ASU No. 2019-03, *Not-for-Profit Entities (Topic 958), Updating the Definition of Collections*. This standard aligns the definition of collections for U.S. GAAP with the definition used in the Code of Ethics for Museums of the American Alliance of Museums. This standard is effective for fiscal years beginning after December 15, 2019.

In June 2020, the FASB issued ASU 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842)*. This standard delayed the effective dates of ASU No. 2014-09 and 2016-02 by one year to October 1, 2020 and October 1, 2022, respectively.

The Organization is evaluating the impact these pronouncements may have on the consolidated financial statements.

#### **Subsequent Events**

Subsequent events were evaluated through February 4, 2021, which is the date the consolidated 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 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 Consolidated Financial Statements (continued)

### Note C—Contributions Receivable

Contributions receivable are summarized as follows at September 30:

	<b>2020</b>	<b>2019</b>
Receivable in less than one year	<b>\$ 1,836,494</b>	\$ 2,835,811
Receivable in one year to five years	<b>3,450,000</b>	4,817,500
Total contributions receivable	<b>5,286,494</b>	7,653,311
Less discount to net present value	<b>116,098</b>	283,380
Net contributions receivable	<b><u>\$ 5,170,396</u></b>	<b><u>\$ 7,369,931</u></b>

Contributions receivable in more than one year were discounted at 2.5% per annum for both 2020 and 2019.

Contributions receivable have been included in the accompanying consolidated statements of financial position under the following captions at September 30:

	<b>2020</b>	<b>2019</b>
Contributions receivable	<b>\$ 3,084,315</b>	\$ 4,296,701
Contributions receivable—comprehensive campaign	<b>2,061,081</b>	3,024,435
Contributions receivable—endowment	<b>25,000</b>	48,795
Total contributions receivable	<b><u>\$ 5,170,396</u></b>	<b><u>\$ 7,369,931</u></b>

### Note D—Fair Value Measurements

The Organization reports assets at fair value in the consolidated financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset based on market data obtained from sources independent of the Organization. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset based on the best information available.

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

Notes to Consolidated Financial Statements (continued)

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

A three-tier hierarchy categorizes the inputs as follows:

*Level 1*—Quoted prices (unadjusted) in active markets for identical assets that the Organization has the ability to access at the measurement date. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these assets does not entail a significant degree of judgment.

*Level 2*—Inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly. These include quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, inputs other than quoted prices that are observable for the assets and market-corroborated inputs.

*Level 3*—Unobservable inputs for the asset. In these situations, the Organization develops inputs using the best information available in the circumstances.

The availability of observable inputs can vary from instrument to instrument and is affected by a wide variety of factors, including, for example, the liquidity of markets and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment.

The Organization uses prices and inputs that are current as of the measurement date, obtained through multiple third-party custodians and from independent pricing services.

A description of the valuation techniques applied to the major categories of investments measured at fair value is outlined below:

*Hedge Fund*—Hedge fund is estimated based on the net asset values of the underlying securities held by the fund.

*Mutual Funds*—Mutual funds are valued using quoted net asset values in active markets.

*Perpetual Trust*—Perpetual trust is estimated based on the underlying value of the investments held in the trust using quoted net asset values in active markets.

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

Notes to Consolidated Financial Statements (continued)

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

*Split-Interest Agreement*—Split-interest agreement is estimated 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 2020 and 2019.

Assets measured at fair value on a recurring basis at September 30, 2020 are as follows:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Beneficial Interest in Perpetual Trust</b>	\$ 91,037	\$ —	\$ —	\$ 91,037
<b>Split-Interest Agreement</b>	\$ 806,000	\$ —	\$ —	\$ 806,000
<b>Endowment Investments:</b>				
Hedge fund	\$ 1,952,344	\$ —	\$ —	1,952,344
Mutual funds	18,593,535	18,593,535	—	—
<b>Total endowment investments</b>	<b>\$ 20,545,879</b>	<b>\$ 18,593,535</b>	<b>\$ —</b>	<b>\$ 1,952,344</b>

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

Notes to Consolidated Financial Statements (continued)

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

Assets measured at fair value on a recurring basis at September 30, 2019 are as follows:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Beneficial Interest in Perpetual Trust</b>	\$ 89,006	\$ —	\$ —	\$ 89,006
<b>Split Interest Agreement</b>	\$ 817,000	\$ —	\$ —	\$ 817,000
<b>Endowment Investments:</b>				
Hedge fund	\$ 1,816,104	\$ —	\$ —	1,816,104
Mutual funds	16,886,210	16,886,210	—	—
Publicly traded partnership	631,639	—	—	631,639
Total endowment investments	\$ 19,333,953	\$ 16,886,210	\$ —	\$ 2,447,743

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

Notes to Consolidated 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:

	<b>Investments</b>	<b>Split-Interest Agreement</b>	<b>Beneficial Interest in Perpetual Trust</b>	<b>Total</b>
<b>Year ended September 30, 2020</b>				
Beginning balance	\$ 2,447,743	\$ 817,000	\$ 89,006	\$ 3,353,749
Sale of investment	(631,639)	—	—	(631,639)
Unrealized appreciation (depreciation) included in change in net assets	136,240	(11,000)	2,031	127,271
Ending balance	<u>\$ 1,952,344</u>	<u>\$ 806,000</u>	<u>\$ 91,037</u>	<u>\$ 2,849,381</u>

	<b>Investments</b>	<b>Split-Interest Agreement</b>	<b>Beneficial Interest in Perpetual Trust</b>	<b>Total</b>
<b>Year ended September 30, 2019</b>				
Beginning balance	\$ 2,600,397	\$ 804,000	\$ 95,103	\$ 3,499,500
Unrealized appreciation (depreciation) included in change in net assets	(152,654)	13,000	1,426	(138,228)
Distributions received	—	—	(7,523)	(7,523)
Ending balance	<u>\$ 2,447,743</u>	<u>\$ 817,000</u>	<u>\$ 89,006</u>	<u>\$ 3,353,749</u>

Unrealized appreciation (depreciation) in investments is reported in net investment return in the consolidated statements of activities. Unrealized appreciation (depreciation) 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 perpetual trust in the consolidated statements of activities.



# Grand Rapids Art Museum and Grand Rapids Art Museum Foundation

## Notes to Consolidated Financial Statements (continued)

### Note E—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 consolidated 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 F—Property and Equipment

Property and equipment are summarized by major classifications as follows at September 30:

	2020	2019
Land	\$ 7,575,615	\$ 7,575,615
Building	75,391,284	73,200,070
Leasehold improvements	3,800	3,800
Furniture and equipment	2,669,454	2,488,774
Vehicles	36,919	61,919
Total property and equipment	85,677,072	83,330,178
Less accumulated depreciation	26,773,663	24,793,117
Net property and equipment	\$ 58,903,409	\$ 58,537,061

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 Consolidated Financial Statements (continued)**

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### **Note G—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 \$806,000 and \$817,000 at September 30, 2020 and 2019, respectively. This interest, based on the fair market value of the underlying assets, has 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 2020 and 2019.

### **Note H—Debt**

#### **Line of Credit**

The Organization has a \$750,000 revolving line of credit agreement with a bank (\$750,000 available at September 30, 2020), under which borrowings bear interest at the London Interbank Offer Rate (LIBOR) plus 2.25% (2.68% at September 20, 2020). The line of credit is guaranteed by the assets of the Foundation and matured January 2, 2021.

#### **Paycheck Protection Program Loan**

In May 2020, the Organization received a loan from a financial institution through the U.S. Small Business Administration (SBA) in the amount of \$457,300. The loan was issued under the Paycheck Protection Program (PPP) established by the Coronavirus Aid, Relief and Economic Security Act (CARES). The Organization has elected to account for the PPP loan as debt pursuant to the guidance in FASB ASC 470. Under this model, the liability would only be derecognized upon repayment to the creditor or upon legal release from the SBA under ASC 405-20. The PPP loan helps businesses keep their workforce employed during the Coronavirus crisis. Subject to potential forgiveness as described below, the PPP loan matures in May 2022 and bears interest at a rate of 1.00%. Monthly payments of principal and interest are deferred until after the Organization's application for forgiveness has been acted upon by the lender and SBA. The PPP loan is unsecured and federally guaranteed.

All or a portion of the PPP loan may be eligible for forgiveness by the SBA and lender upon application by the Organization, provided the Organization used the loan proceeds for eligible purposes. Eligible purposes include payroll, benefits, rent, and utilities incurred during the 24-week period beginning on the funding date of the loan (the covered period). Not more than 40% of the amount forgiven may be for non-payroll costs. Subsequent to year-end, the Organization submitted its application for forgiveness.

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

Notes to Consolidated Financial Statements (continued)

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**Note H—Debt (continued)**

**Paycheck Protection Program Loan (continued)**

Consistent with the requirements for PPP loan forgiveness, the Organization has used the loan proceeds solely for the payment of payroll and otherwise in a manner which it believes satisfies these requirements. However, no assurance can be given that the application for loan forgiveness that the Organization has submitted will be approved, in whole or in part.

**Bonds Payable**

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, 2020 and 2019, mature in a lump sum on May 1, 2041. The effective interest rate on the Series B bonds was 0.87% at September 30, 2020. Effective June 2018, interest payments on the bonds were suspended. See footnote K for more information.

**Note I—Board-designated Net Assets**

The Organization's board has designated, from net assets without donor restrictions, net assets for the following purposes at September 30:

	<u>2020</u>	<u>2019</u>
Board designated:		
Operating reserve	\$ 300,000	\$ 300,000
Endowment	<u>1,406,797</u>	<u>1,342,871</u>
Total	<u>\$ 1,706,797</u>	<u>\$ 1,642,871</u>

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

Notes to Consolidated Financial Statements (continued)

**Note J—Net Assets With Donor Restrictions**

Net assets with donor restrictions are restricted for the following purposes at September 30:

	<b>2020</b>	<b>2019</b>
<b>Subject to expenditure for specific purpose:</b>		
Collections	\$ 457,517	\$ 432,242
Comprehensive campaign	4,900,000	3,804,793
Education programs	—	23,750
Exhibitions	282,133	91,041
Property and equipment	10,877	5,877
Public outreach	3,345	—
Promises to give with donor restrictions:		
Comprehensive campaign	2,061,081	3,024,435
Exhibitions	19,167	81,534
Property and equipment	49,984	73,199
Total purpose restrictions	<u>\$ 7,784,104</u>	<u>\$ 7,536,871</u>
<b>Subject to the passage of time:</b>		
Programs	\$ —	\$ 141,273
Promises to give with donor restrictions:		
Programs	2,905,500	4,141,968
Total time restrictions	<u>\$ 2,905,500</u>	<u>\$ 4,283,241</u>

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

Notes to Consolidated Financial Statements (continued)

**Note J— Net Assets With Donor Restrictions (continued)**

	<b>2020</b>	<b>2019</b>
<b>Endowment:</b>		
Subject to appropriation and expenditure when a specified event occurs:		
American Art acquisitions	\$ 790,278	\$ 669,331
Education programs	83,765	64,878
Exhibitions	11,754	8,629
Furniture restoration and maintenance	16,720	15,961
General operations	1,630,429	934,992
Underprivileged and disabled patrons	262,190	206,543
Subtotal	<u>2,795,136</u>	<u>1,900,334</u>
Subject to the Organization's spending policy and appropriation:		
American Arts acquisitions	1,058,936	1,058,936
Education programs	546,256	546,256
Exhibitions	57,011	57,011
General operations	14,633,186	14,639,131
Library acquisitions	37,981	37,981
Underprivileged and disabled patrons	962,395	962,395
Underwater endowment	(52,225)	(61,319)
Subtotal	<u>17,243,540</u>	<u>17,240,391</u>
Total endowment	<u>20,038,676</u>	<u>19,140,725</u>
Total net assets with donor restrictions	<u><u>\$ 30,728,280</u></u>	<u><u>\$ 30,960,837</u></u>

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

### Notes to Consolidated Financial Statements (continued)

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#### **Note K—Comprehensive Campaign**

In 2018, the Museum initiated the preparatory phase of a comprehensive campaign with three primary components: capital, endowment, and bridge/programming. As of September 30, 2020, the Museum had received approximately \$7,012,500 in contribution revenue and had expended approximately \$1,592,158 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 and all related suspended interest if the Museum can raise \$9,420,000 for the comprehensive campaign. At September 30, 2020, the Museum has commitments totaling \$9,400,000.

#### **Note L—Endowment**

The Foundation's endowment consists of ten individual funds established for a variety of purposes. The 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 date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation retains in perpetuity (a) the original value of the initial and subsequent gift amounts and (b) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by 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 Foundation, and (7) the Foundation's investment policies.

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

Notes to Consolidated Financial Statements (continued)

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**Note L—Endowment (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-tax 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 endowment fund to unacceptable levels of risk.

*Spending Policy.* The Foundation 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.

Effective in 2019, the Foundation decided to stop making distributions to the Museum in an effort to grow the Endowment. The Organization intends to rely on funds raised in the comprehensive campaign to meet the Museum's current operating requirements. See Footnote K.

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

Notes to Consolidated Financial Statements (continued)

**Note L—Endowment (continued)**

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

	Without Donor Restrictions	With Donor Restrictions	Total
<b>September 30, 2020</b>			
Board-designated endowment funds	\$ 1,406,797	\$ —	\$ 1,406,797
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donors	—	17,204,728	17,204,728
Accumulated investment gains	—	2,742,911	2,742,911
Perpetual trust	—	91,037	91,037
Total funds	<u>\$ 1,406,797</u>	<u>\$ 20,038,676</u>	<u>\$ 21,445,473</u>
<b>September 30, 2019</b>			
Board-designated endowment funds	\$ 1,342,871	\$ —	\$ 1,342,871
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donors	—	17,212,704	17,212,704
Accumulated investment gains	—	1,839,015	1,839,015
Perpetual trust	—	89,006	89,006
Total funds	<u>\$ 1,342,871</u>	<u>\$ 19,140,725</u>	<u>\$ 20,483,596</u>



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

Notes to Consolidated Financial Statements (continued)

**Note L—Endowment (continued)**

Changes in endowment net assets for the year ended September 30, 2020 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 1,342,871	\$ 19,140,725	\$ 20,483,596
Investment return:			
Investment income, net of fees	30,258	425,606	455,864
Net appreciation	33,668	504,515	538,183
Total investment return	63,926	930,121	994,047
Contributions	—	3,025	3,025
Appreciation in beneficial interest in perpetual trust	—	2,031	2,031
Change in value of split-interest agreement	—	(11,000)	(11,000)
Amounts appropriated for expenditure	—	(26,226)	(26,226)
Endowment net assets, end of year	<u>\$ 1,406,797</u>	<u>\$ 20,038,676</u>	<u>\$ 21,445,473</u>

Changes in endowment net assets for the year ended September 30, 2019 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 1,306,757	\$ 18,631,768	\$ 19,938,525
Investment return:			
Investment income, net of fees	32,817	449,797	482,614
Net appreciation	3,297	62,837	66,134
Total investment return	36,114	512,634	548,748
Contributions	—	11,980	11,980
Appreciation in beneficial interest in perpetual trust	—	1,426	1,426
Change in value of split-interest agreement	—	13,000	13,000
Amounts appropriated for expenditure	—	(30,083)	(30,083)
Endowment net assets, end of year	<u>\$ 1,342,871</u>	<u>\$ 19,140,725</u>	<u>\$ 20,483,596</u>

# Grand Rapids Art Museum and Grand Rapids Art Museum Foundation

## Notes to Consolidated Financial Statements (continued)

### Note M—Net Investment Return

Net investment return is summarized as follows for the years ended September 30:

	<u>2020</u>	<u>2019</u>
Interest and dividends	\$ 565,046	\$ 655,205
Realized and unrealized net gain on investments	528,170	29,674
Investment management fees	(76,789)	(75,933)
Total	<u>\$ 1,016,427</u>	<u>\$ 608,946</u>

### 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 \$26,289 in 2020 and \$27,690 in 2019.

The Museum leases a secondary office facility under a noncancelable operating lease that expires in March 2023. Rent expense for the lease totaled \$30,992 in 2020 and \$30,055 in 2019.

Future minimum lease commitments at September 30, 2020 under noncancelable operating leases with remaining terms in excess of one year are as follows:

<u>Year ending September 30</u>	<u>Amount</u>
2021	\$ 32,386
2022	32,386
2023	17,359
2024	777
Total lease commitments	<u>\$ 82,908</u>

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

## **Notes to Consolidated Financial Statements (continued)**

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### **Note N—Commitments (continued)**

#### **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 which expired March 2020. The arrangement has been extended and now expires September 2022. 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 \$46,681 in 2020 and \$55,126 in 2019.

#### **Note P—Deferred Compensation Plan**

The Museum has established an IRC Section 457 deferred compensation plan. Eligibility in the Plan is determined by the Board of Trustees in its sole discretion. Deferred compensation payable under the Plan was \$0 at September 30, 2020 and at September 30, 2019. Deferred compensation expense under the Plan was \$0 in 2020 and \$165,970 in 2019.

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

Notes to Consolidated Financial Statements (continued)

**Note Q—Liquidity and Availability**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the consolidated statement of financial position date, comprise the following at September 30:

	<b>2020</b>	<b>2019</b>
Cash	<b>\$ 2,892,016</b>	\$ 4,615,550
Receivables	<b>5,318,237</b>	7,397,442
Investments	<b>20,545,879</b>	19,333,953
Total financial assets	<b>28,756,132</b>	31,346,945
Less those unavailable for general expenditure within one year due to:		
Restricted by donor with purpose restrictions	<b>3,558,634</b>	4,249,162
Restricted by donor with time restrictions	<b>1,070,791</b>	2,472,396
Donor-restricted endowment	<b>17,204,728</b>	17,212,704
Board-designated endowment	<b>1,406,797</b>	1,342,871
Financial assets available to meet cash needs for general expenditures within one year	<b>\$ 5,515,182</b>	\$ 6,069,812

Restricted contributions require resources to be used in a particular manner or in a future period, therefore, the Organization must maintain sufficient resources to meet those responsibilities to its donors. As a result, financial assets may not be available for general expenditure within one year. Amounts not available to meet expenditures within one year include amounts restricted for a specific purpose, amounts restricted by the passage of time and amounts restricted for endowment.

The Organization's endowment funds consist of donor-restricted endowments and funds designated by the Board of Trustees as endowment. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure. The Organization does not intend to spend the accumulated investment gains on endowment funds; however, these amounts could be made available if necessary.

The Organization's board-designated endowment of \$1,406,797 is subject to an annual spending policy rate up to 4% as described in Footnote L. Although the Organization does not intend to spend from this board-designated endowment (other than amounts appropriated for general expenditure as part of the Board's annual budget approval and appropriation), these amounts could be made available if necessary.

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

Notes to Consolidated Financial Statements (continued)

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**Note Q—Liquidity and Availability (continued)**

As part of the Organization's liquidity management plan, the Board has designated an amount for an operating reserve which was \$300,000 as of September 30, 2020.

**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 consolidated statements of financial position.

**Note S—Supplemental Cash Flow Information**

Cash paid for interest was \$0 in 2020 and in 2019.

**Note T—Coronavirus Pandemic**

As a result of the global coronavirus (COVID-19) pandemic of 2020, businesses have been disrupted through mandated and voluntary closings and many organizations' financial positions have seen an anticipated change. The Museum closed to the general public on March 13, 2020 and remained closed until August 1, 2020. Currently, the Museum is open to the general public three days a week. The Museum also closed the store and has no current plans to reopen the store for retail sales.

The duration and full effect of the pandemic are currently unknown, as the global situation continues to change. Currently, it is not possible to estimate the extent of any potential losses or to determine if any of the changes in fair values are other than temporary in nature. Accordingly, the accompanying consolidated financial statements do not include adjustments related to the effects of the pandemic.

## Supplementary Information

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

Consolidating Statement of Financial Position  
September 30, 2020

	Grand Rapids Art Museum	Grand Rapids Art Museum Foundation	Eliminations	Consolidated
<b>Assets</b>				
Cash	\$ 1,476,120	\$ -	\$ -	\$ 1,476,120
Accounts receivable	205,143	-	(57,302)	147,841
Contributions receivable	3,084,315	-	-	3,084,315
Inventories	123,541	-	-	123,541
Prepaid expenses	157,450	-	-	157,450
Prepaid exhibitions	137,270	-	-	137,270
Assets restricted for comprehensive campaign:				
Cash	1,382,742	-	-	1,382,742
Contributions receivable	2,061,081	-	-	2,061,081
Property and equipment, less accumulated depreciation	58,903,409	-	-	58,903,409
Beverage license	42,444	-	-	42,444
Beneficial interest in perpetual trust	91,037	-	-	91,037
Assets restricted for endowment:				
Cash	-	33,154	-	33,154
Interest receivable	-	1,705	-	1,705
Contributions receivable	-	25,000	-	25,000
Contribution receivable—split-interest agreement	-	806,000	-	806,000
Investments	-	20,545,879	-	20,545,879
Total assets	<u>\$ 67,664,552</u>	<u>\$ 21,411,738</u>	<u>\$ (57,302)</u>	<u>\$ 89,018,988</u>
<b>Liabilities</b>				
Accounts payable	\$ 233,764	\$ 57,302	\$ (57,302)	\$ 233,764
Other payables	261,933	-	-	261,933
Advance deposits	56,205	-	-	56,205
Long-term debt:				
Paycheck Protection Program loan	457,300	-	-	457,300
Bonds payable	9,420,000	-	-	9,420,000
Total liabilities	<u>10,429,202</u>	<u>57,302</u>	<u>(57,302)</u>	<u>10,429,202</u>
<b>Net Assets</b>				
Without donor restrictions	46,454,709	1,406,797	-	47,861,506
With donor restrictions	10,780,641	19,947,639	-	30,728,280
Total net assets	<u>57,235,350</u>	<u>21,354,436</u>	<u>-</u>	<u>78,589,786</u>
Total liabilities and net assets	<u>\$ 67,664,552</u>	<u>\$ 21,411,738</u>	<u>\$ (57,302)</u>	<u>\$ 89,018,988</u>

# Grand Rapids Art Museum and Grand Rapids Art Museum Foundation

Consolidating Statement of Financial Position  
September 30, 2019

	Grand Rapids Art Museum	Grand Rapids Art Museum Foundation	Eliminations	Consolidated
<b>Assets</b>				
Cash	\$ 1,207,191	\$ -	\$ -	\$ 1,207,191
Accounts receivable	94,591	-	(67,080)	27,511
Contributions receivable	4,296,701	-	-	4,296,701
Inventories	110,119	-	-	110,119
Prepaid expenses	206,514	-	-	206,514
Prepaid exhibitions	151,712	-	-	151,712
Assets restricted for comprehensive campaign:				
Cash	3,148,308	-	-	3,148,308
Contributions receivable	3,024,435	-	-	3,024,435
Property and equipment, less accumulated depreciation	58,537,061	-	-	58,537,061
Beverage license	42,444	-	-	42,444
Beneficial interest in perpetual trust	89,006	-	-	89,006
Assets restricted for endowment:				
Cash	-	260,051	-	260,051
Interest receivable	-	1,873	-	1,873
Contributions receivable	-	48,795	-	48,795
Contribution receivable—split-interest agreement	-	817,000	-	817,000
Investments	-	19,333,953	-	19,333,953
Total assets	<u>\$ 70,908,082</u>	<u>\$ 20,461,672</u>	<u>\$ (67,080)</u>	<u>\$ 91,302,674</u>
<b>Liabilities</b>				
Accounts payable	\$ 230,777	\$ 67,080	\$ (67,080)	230,777
Other payables	245,286	-	-	245,286
Advance deposits	167,757	-	-	167,757
Long-term debt	9,420,000	-	-	9,420,000
Total liabilities	<u>10,063,820</u>	<u>67,080</u>	<u>(67,080)</u>	<u>10,063,820</u>
<b>Net Assets</b>				
Without donor restrictions	48,935,146	1,342,871	-	50,278,017
With donor restrictions	11,909,116	19,051,721	-	30,960,837
Total net assets	<u>60,844,262</u>	<u>20,394,592</u>	<u>-</u>	<u>81,238,854</u>
Total liabilities and net assets	<u>\$ 70,908,082</u>	<u>\$ 20,461,672</u>	<u>\$ (67,080)</u>	<u>\$ 91,302,674</u>



# Grand Rapids Art Museum and Grand Rapids Art Museum Foundation

Consolidating Statement of Activities  
Year ended September 30, 2020

	<b>Grand Rapids Art Museum</b>	
	<b>Without</b>	<b>With Donor</b>
	<b>Donor</b>	<b>Restrictions</b>
	<b>Restrictions</b>	
<b>Support and revenue:</b>		
Contributions	\$ 1,641,587	\$ 713,332
Admissions	79,798	-
Memberships	141,431	-
Program fees	56,265	-
Special events	213,433	-
Museum store	98,595	-
Exhibition touring	110,000	-
Net investment return	19,610	2,770
Change in value of split-interest agreement	-	-
Appreciation in beneficial interest in remainder trust	-	2,031
In-kind donations	186,594	-
Other income	41,232	-
Total support and revenue	2,588,545	718,133
Net assets released from restrictions	1,822,608	(1,822,608)
Total support, revenue and reclassifications	4,411,153	(1,104,475)
<b>Expenses:</b>		
Program	3,552,589	-
Management and general	2,766,307	-
Fundraising	572,694	-
Total expenses	6,891,590	-
Support, revenue and reclassifications over (under) expenses	(2,480,437)	(1,104,475)
Collection items purchased	-	(24,000)
Change in net assets	(2,480,437)	(1,128,475)
Net assets, beginning of year	48,935,146	11,909,116
Net assets, end of year	\$ 46,454,709	\$ 10,780,641

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

Consolidating Statement of Activities (continued)  
Year ended September 30, 2020

<b>Grand Rapids Art Museum Foundation</b>				
<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Eliminations</b>	<b>Total</b>	
\$ -	\$ 3,025	\$ -	\$ 2,357,944	
-	-	-	79,798	
-	-	-	141,431	
-	-	-	56,265	
-	-	-	213,433	
-	-	-	98,595	
-	-	-	110,000	
63,926	930,121	-	1,016,427	
-	(11,000)	-	(11,000)	
-	-	-	2,031	
-	-	-	186,594	
-	-	-	41,232	
63,926	922,146	-	4,292,750	
26,228	(26,228)	-	-	
90,154	895,918	-	4,292,750	
-	-	-	3,552,589	
26,228	-	-	2,792,535	
-	-	-	572,694	
26,228	-	-	6,917,818	
63,926	895,918	-	(2,625,068)	
-	-	-	(24,000)	
63,926	895,918	-	(2,649,068)	
1,342,871	19,051,721	-	81,238,854	
\$ 1,406,797	\$ 19,947,639	\$ -	\$ 78,589,786	

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

Consolidating Statement of Activities

Year ended September 30, 2019

	<b>Grand Rapids Art Museum</b>	
	<b>Without</b>	<b>With Donor</b>
	<b>Donor</b>	<b>Restrictions</b>
	<b>Restrictions</b>	
<b>Support and revenue:</b>		
Contributions	\$ 783,882	\$ 2,487,516
Admissions	125,413	-
Memberships	191,733	-
Program fees	106,568	-
Special events	706,174	-
Museum store	187,659	-
Exhibition touring	110,000	-
Net investment return	51,623	8,575
Change in value of split-interest agreement	-	-
Appreciation in beneficial interest in remainder trust	-	1,426
In-kind donations	51,970	-
Other income	9,502	13,724
Total support and revenue	2,324,524	2,511,241
Net assets released from restrictions	2,857,701	(2,857,701)
Total support, revenue and reclassifications	5,182,225	(346,460)
<b>Expenses:</b>		
Program	4,000,996	-
Management and general	3,333,268	-
Fundraising	638,676	-
Total expenses	7,972,940	-
Support, revenue and reclassifications over (under) expenses	(2,790,715)	(346,460)
Collection items purchased	-	(278,650)
Change in net assets	(2,790,715)	(625,110)
Net assets, beginning of year	51,725,861	12,534,226
Net assets, end of year	\$ 48,935,146	\$ 11,909,116

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

Consolidating Statement of Activities (continued)  
Year ended September 30, 2019

<b>Grand Rapids Art Museum Foundation</b>				
<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Eliminations</b>	<b>Total</b>	
\$ -	\$ 11,980	\$ -	\$ 3,283,378	
-	-	-	125,413	
-	-	-	191,733	
-	-	-	106,568	
-	-	-	706,174	
-	-	-	187,659	
-	-	-	110,000	
36,114	512,634	-	608,946	
-	13,000	-	13,000	
-	-	-	1,426	
-	-	-	51,970	
39	-	-	23,265	
36,153	537,614	-	5,409,532	
22,558	(22,558)	-	-	
58,711	515,056	-	5,409,532	
-	-	-	4,000,996	
22,597	-	-	3,355,865	
-	-	-	638,676	
22,597	-	-	7,995,537	
36,114	515,056	-	(2,586,005)	
-	-	-	(278,650)	
36,114	515,056	-	(2,864,655)	
1,306,757	18,536,665	-	84,103,509	
\$ 1,342,871	\$ 19,051,721	\$ -	\$ 81,238,854	

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

Consolidating Statement of Cash Flows  
Year ended September 30, 2020

	<b>Grand Rapids Art Museum</b>	<b>Grand Rapids Art Museum Foundation</b>	<b>Eliminations</b>	<b>Consolidated</b>
<b>Operating activities</b>				
Change in net assets	\$ (3,608,912)	\$ 959,844	\$ -	\$ (2,649,068)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:				
Depreciation	2,013,494	-	-	2,013,494
Collection items purchased	24,000	-	-	24,000
Donated stock	(48,651)	-	-	(48,651)
Contributions restricted for Comprehensive campaign	(12,500)	-	-	(12,500)
Amortization of discount	(166,077)	(1,205)	-	(167,282)
Realized/unrealized net gain on investments	-	(529,484)	-	(529,484)
Change in value of split-interest agreement	-	11,000	-	11,000
Appreciation in beneficial interest	(2,031)	-	-	(2,031)
Changes in operating assets and liabilities:				
Receivables	1,242,416	168	(9,778)	1,232,806
Inventories	(13,422)	-	-	(13,422)
Prepaid expenses	63,506	-	-	63,506
Payables	19,634	(9,778)	9,778	19,634
Advance deposits	(111,552)	-	-	(111,552)
Total adjustments	<u>3,008,817</u>	<u>(529,299)</u>	<u>-</u>	<u>2,479,518</u>
Net cash provided by (used in) operating activities	(600,095)	430,545	-	(169,550)

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

Consolidating Statement of Cash Flows (continued)  
Year ended September 30, 2020

	<u>Grand Rapids Art Museum</u>	<u>Grand Rapids Art Museum Foundation</u>	<u>Eliminations</u>	<u>Consolidated</u>
<b>Investing activities</b>				
Purchases of investments	-	(5,091,363)	-	(5,091,363)
Proceeds from sales of investments	-	4,408,921	-	4,408,921
Property/equipment expenditures	(2,379,842)	-	-	(2,379,842)
Collection items purchased	(24,000)	-	-	(24,000)
Net cash used in investing activities	(2,403,842)	(682,442)	-	(3,086,284)
<b>Financing activities</b>				
Proceeds from restricted contributions:				
Comprehensive campaign	1,050,000	-	-	1,050,000
Endowment	-	25,000	-	25,000
Proceeds from Paycheck Protection Program loan	457,300	-	-	457,300
Net cash provided by financing activities	1,507,300	25,000	-	1,532,300
Net decrease in cash	(1,496,637)	(226,897)	-	(1,723,534)
Cash, beginning of year	4,355,499	260,051	-	4,615,550
Cash, end of year	<u>\$ 2,858,862</u>	<u>\$ 33,154</u>	<u>\$ -</u>	<u>\$ 2,892,016</u>

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

Consolidating Statement of Cash Flows  
Year ended September 30, 2019

	<u>Grand Rapids Art Museum</u>	<u>Grand Rapids Art Museum Foundation</u>	<u>Eliminations</u>	<u>Consolidated</u>
<b>Operating activities</b>				
Change in net assets	\$ (3,415,825)	\$ 551,170	\$ -	\$ (2,864,655)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:				
Depreciation	1,990,934	-	-	1,990,934
Collection items purchased	278,650	-	-	278,650
Donated stock	(70,394)	-	-	(70,394)
Contributions restricted for:				
Comprehensive campaign	(1,000,000)	-	-	(1,000,000)
Amortization of discount	(179,669)	(1,785)	-	(181,454)
Realized/unrealized net (gain) loss on investments	163,940	(31,095)	-	132,845
Change in value of split-interest agreement	-	(13,000)	-	(13,000)
Appreciation in beneficial interest	(1,426)	-	-	(1,426)
Deferred compensation payment	(165,970)	-	-	(165,970)
Changes in operating assets and liabilities:				
Receivables	1,929,108	(85)	58,146	1,987,169
Inventories	(5,759)	-	-	(5,759)
Prepaid expenses	(58,517)	-	-	(58,517)
Payables	(116,583)	58,146	(58,146)	(116,583)
Advance deposits	(35,930)	-	-	(35,930)
Total adjustments	<u>2,728,384</u>	<u>12,181</u>	<u>-</u>	<u>2,740,565</u>
Net cash provided by (used in) operating activities	(687,441)	563,351	-	(124,090)

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

Consolidating Statement of Cash Flows (continued)  
Year ended September 30, 2019

	<b>Grand Rapids Art Museum</b>	<b>Grand Rapids Art Museum Foundation</b>	<b>Eliminations</b>	<b>Consolidated</b>
<b>Investing activities</b>				
Distributions from perpetual trust	7,523	-	-	7,523
Purchases of investments	-	(1,411,626)	-	(1,411,626)
Proceeds from sales of investments	165,645	990,860	-	1,156,505
Property/equipment expenditures	(164,075)	-	-	(164,075)
Collection items purchased	(278,650)	-	-	(278,650)
Net cash used in investing activities	(269,557)	(420,766)	-	(690,323)
<b>Financing activities</b>				
Proceeds from restricted contributions:				
Comprehensive campaign	1,050,000	-	-	1,050,000
Endowment	-	51,098	-	51,098
Net cash provided by financing activities	1,050,000	51,098	-	1,101,098
Net increase in cash	93,002	193,683	-	286,685
Cash, beginning of year	4,262,497	66,368	-	4,328,865
Cash, end of year	<u>\$ 4,355,499</u>	<u>\$ 260,051</u>	<u>\$ -</u>	<u>\$ 4,615,550</u>