



**GRAND RAPIDS ART MUSEUM
AND GRAND RAPIDS ART MUSEUM FOUNDATION**

AUDITED CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY
INFORMATION

Years ended September 30, 2023 and 2022

GRAND RAPIDS ART MUSEUM AND GRAND RAPIDS ART MUSEUM FOUNDATION

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Grand Rapids Art Museum and
Grand Rapids Art Museum Foundation

Opinion

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, 2023 and 2022, 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.

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, 2023 and 2022, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the 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, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

To the Board of Trustees
Grand Rapids Art Museum and
Grand Rapids Art Museum Foundation

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

To the Board of Trustees
Grand Rapids Art Museum and
Grand Rapids Art Museum Foundation

Report on Consolidating Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The 2023 and 2022 consolidating information as identified in the table of contents 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 2023 and 2022 consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly 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 for the years September 30, 2023 and 2022, as a whole.

The logo for UHY LLP, featuring the letters "UHY" in a large, stylized, cursive font, followed by "LLP" in a smaller, sans-serif font.

Kalamazoo, Michigan
June 4, 2024

**GRAND RAPIDS ART MUSEUM AND
GRAND RAPIDS ART MUSEUM FOUNDATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	September 30,	
	2023	2022
ASSETS		
Cash	\$ 1,120,409	\$ 839,643
Receivables:		
Accounts	4,577	47,641
Contributions	4,386,403	5,857,462
Employee Retention Credit	-	847,161
Inventories	21,710	19,204
Prepaid expenses	140,319	116,172
Prepaid exhibitions	42,167	412,453
Assets restricted for comprehensive campaign:		
Cash	167,251	226,785
Contributions receivable	331,421	243,928
COLLECTIONS (NOTE 2)	-	-
PROPERTY AND EQUIPMENT, net	59,080,697	60,145,984
BEVERAGE LICENSE	42,444	42,444
BENEFICIAL INTEREST IN PERPETUAL TRUST	87,547	82,292
ASSETS RESTRICTED FOR ENDOWMENT		
Cash	63,774	35,311
Interest receivable	2,895	2,559
Contributions receivable	35,043	46,702
Contribution receivable—split-interest agreement	-	961,305
Investments	22,906,322	20,211,422
Total assets restricted for endowment	23,008,034	21,257,299
Total assets	\$ 88,432,979	\$ 90,138,468

	September 30,	
	2023	2022
LIABILITIES AND NET ASSETS		
Accounts payable	\$ 477,438	\$ 657,531
Other payables	55,376	43,571
Advance deposits	158,604	110,468
Line-of-credit	1,000,000	1,300,000
Total liabilities	1,691,418	2,111,570
NET ASSETS		
Without donor restrictions	60,209,667	53,984,772
With donor restrictions	26,531,894	34,042,126
Total net assets	86,741,561	88,026,898
Total liabilities and net assets	\$ 88,432,979	\$ 90,138,468

**GRAND RAPIDS ART MUSEUM AND
GRAND RAPIDS ART MUSEUM FOUNDATION**
CONSOLIDATED STATEMENT OF ACTIVITIES
Year Ended September 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions	\$ 1,796,875	\$ 1,070,728	\$ 2,867,603
Admissions	405,666	-	405,666
Memberships	168,971	-	168,971
Program fees	76,251	-	76,251
Special events	349,532	-	349,532
Museum store	18,106	-	18,106
Exhibition touring	180,000	-	180,000
Commissions	83,801	-	83,801
Net investment return	135,632	2,654,609	2,790,241
In-kind donations	15,170	-	15,170
Other income	10,876	-	10,876
Net assets released from restrictions	11,235,498	(11,235,498)	-
Total support, revenue and reclassifications	14,476,378	(7,510,161)	6,966,217
OPERATING EXPENSES			
Program services	4,366,682	-	4,366,682
Management and general	2,946,428	71	2,946,499
Fundraising	878,773	-	878,773
Total expenses	8,191,883	71	8,191,954
Support, revenue and reclassifications over (under) expenses	6,284,495	(7,510,232)	(1,225,737)
Collection items purchased	59,600	-	59,600
CHANGE IN NET ASSETS	6,224,895	(7,510,232)	(1,285,337)
NET ASSETS - Beginning of year	53,984,772	34,042,126	88,026,898
NET ASSETS - End of year	\$ 60,209,667	\$ 26,531,894	\$ 86,741,561

**GRAND RAPIDS ART MUSEUM AND
GRAND RAPIDS ART MUSEUM FOUNDATION**
CONSOLIDATED STATEMENT OF ACTIVITIES
Year Ended September 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions	\$ 1,509,277	\$ 6,519,388	\$ 8,028,665
Admissions	113,746	-	113,746
Memberships	143,427	-	143,427
Program fees	61,994	-	61,994
Special events	420,797	-	420,797
Museum store	20,828	-	20,828
Exhibition touring	90,000	-	90,000
Gain on extinguishment of debt	457,300	-	457,300
Government grant	847,161	-	847,161
Net investment return	(324,469)	(3,936,032)	(4,260,501)
Change in value of split-interest agreement	-	124,305	124,305
Depreciation in beneficial interest in perpetual trust	-	(16,226)	(16,226)
In-kind donations	456,421	-	456,421
Other income	25,213	-	25,213
Net assets released from restrictions	2,295,580	(2,295,580)	-
Total support, revenue and reclassifications	6,117,275	395,855	6,513,130
OPERATING EXPENSES			
Program services	3,892,481	-	3,892,481
Management and general	2,997,881	-	2,997,881
Fundraising	882,865	-	882,865
Total expenses	7,773,227	-	7,773,227
Support, revenue and reclassifications over (under) expenses	(1,655,952)	395,855	(1,260,097)
Collection items purchased	-	(56,000)	(56,000)
CHANGE IN NET ASSETS	(1,655,952)	339,855	(1,316,097)
NET ASSETS - Beginning of year	55,640,724	33,702,271	89,342,995
NET ASSETS - End of year	<u>\$ 53,984,772</u>	<u>\$ 34,042,126</u>	<u>\$ 88,026,898</u>

**GRAND RAPIDS ART MUSEUM AND
GRAND RAPIDS ART MUSEUM FOUNDATION
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**

	Year Ended September 30, 2023			
	Program Services			Total
	Curatorial	Education	Other	Program
Salaries and wages	\$ 238,938	\$ 538,467	\$ 45,143	\$ 822,548
Employee benefits	24,833	41,100	5,636	71,569
Payroll taxes	15,825	39,884	3,216	58,925
Advertising and promotions	-	166	16,593	16,759
Conferences and meetings	198	310	-	508
Cost of sales	-	-	6,795	6,795
Depreciation	-	-	1,642,518	1,642,518
Dues and subscriptions	983	206	826	2,015
Exhibition	681,502	-	-	681,502
Fees	154	-	1,542	1,696
In-kind services	-	-	15,170	15,170
Insurance	-	-	77,611	77,611
Interest expense	-	-	-	-
Meals and entertainment	1,082	5,149	722	6,953
Member benefits	117	4,765	4,317	9,199
Miscellaneous	229	3,843	5,470	9,542
Occupancy	14,394	11,233	584,134	609,761
Parking	95	7,980	1,272	9,347
Printing, publications and postage	7,448	2,163	18,971	28,582
Professional services	3,383	20,493	215,083	238,959
Supplies	651	37,106	7,737	45,494
Travel	3,499	7,535	195	11,229
Total expenses	<u>\$ 993,331</u>	<u>\$ 720,400</u>	<u>\$ 2,652,951</u>	<u>\$ 4,366,682</u>

Supporting Services			
Management and General	Fundraising	Total Supporting	Total
\$ 625,219	\$ 439,214	\$ 1,064,433	\$ 1,886,981
71,358	52,173	123,531	195,100
42,417	31,330	73,747	132,672
26,330	-	26,330	43,089
4,571	1,263	5,834	6,342
34,664	3,566	38,230	45,025
636,299	61,882	698,181	2,340,699
9,847	502	10,349	12,364
160,010	20,500	180,510	862,012
46,174	899	47,073	48,769
-	-	-	15,170
26,887	1,384	28,271	105,882
61,426	-	61,426	61,426
8,629	2,370	10,999	17,952
19,486	56,239	75,725	84,924
6,241	5,411	11,652	21,194
299,880	67,817	367,697	977,458
21,552	1,979	23,531	32,878
18,777	26,887	45,664	74,246
794,645	98,446	893,091	1,132,050
8,912	3,388	12,300	57,794
23,175	3,523	26,698	37,927
<u>\$ 2,946,499</u>	<u>\$ 878,773</u>	<u>\$ 3,825,272</u>	<u>\$ 8,191,954</u>

**GRAND RAPIDS ART MUSEUM AND
GRAND RAPIDS ART MUSEUM FOUNDATION
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**

	Year Ended September 30, 2022			
	Program Services			Total
	Curatorial	Education	Other	Program
Salaries and wages	\$ 269,605	\$ 496,175	\$ 43,548	\$ 809,328
Employee benefits	28,662	31,558	3,795	64,015
Payroll taxes	18,847	36,553	3,012	58,412
Advertising and promotions	-	1,850	10,442	12,292
Bad debt	-	-	-	-
Conferences and meetings	489	60	-	549
Cost of sales	-	-	(693)	(693)
Depreciation	-	-	1,521,354	1,521,354
Dues and subscriptions	1,070	189	2,171	3,430
Exhibition	410,541	-	-	410,541
Fees	-	-	-	-
In-kind services	-	-	31,128	31,128
Insurance	(1,624)	-	75,744	74,120
Interest expense	-	-	-	-
Meals and entertainment	212	6,970	51	7,233
Member benefits	10	1,382	383	1,775
Miscellaneous	1,399	2,452	13,750	17,601
Occupancy	460	1,272	487,153	488,885
Parking	138	4,427	523	5,088
Printing, publications and postage	2,196	1,406	15,361	18,963
Professional services	3,711	24,748	239,202	267,661
Supplies	412	33,359	65,210	98,981
Travel	995	823	-	1,818
Total expenses	<u>\$ 737,123</u>	<u>\$ 643,224</u>	<u>\$ 2,512,134</u>	<u>\$ 3,892,481</u>

Supporting Services			
Management and General	Fundraising	Total Supporting	Total
\$ 786,856	\$ 421,742	\$ 1,208,598	\$ 2,017,926
91,741	40,421	132,162	196,177
50,993	29,893	80,886	139,298
31,993	(246)	31,747	44,039
2,617	-	2,617	2,617
4,864	27	4,891	5,440
44,384	-	44,384	43,691
580,330	28,610	608,940	2,130,294
17,952	901	18,853	22,283
52,649	23,138	75,787	486,328
19,934	-	19,934	19,934
10,220	-	10,220	41,348
27,203	1,468	28,671	102,791
4,406	-	4,406	4,406
4,721	4,625	9,346	16,579
3,368	83,717	87,085	88,860
114,852	9,005	123,857	141,458
218,444	7,650	226,094	714,979
40,721	1,257	41,978	47,066
7,750	41,695	49,445	68,408
869,274	122,442	991,716	1,259,377
8,509	63,715	72,224	171,205
4,100	2,805	6,905	8,723
<u>\$ 2,997,881</u>	<u>\$ 882,865</u>	<u>\$ 3,880,746</u>	<u>\$ 7,773,227</u>

**GRAND RAPIDS ART MUSEUM AND
GRAND RAPIDS ART MUSEUM FOUNDATION
CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Years Ended September 30,	
	2023	2022
OPERATING ACTIVITIES		
Change in net assets	\$ (1,285,337)	\$ (1,316,097)
Adjustments to reconcile change in net assets assets to net cash provided by operating activities:		
Depreciation	1,655,872	2,130,294
Collection items purchased	59,600	56,000
Donated stock	(4,950)	(172,275)
Change in discount of contribution receivable	(253,710)	839,933
Realized/unrealized net (gain)/loss on investments	(2,184,776)	5,082,790
Change in value of split-interest agreement	-	(124,305)
Depreciation in beneficial interest	-	16,226
Paycheck Protection Program	-	(457,300)
Changes in operating assets and liabilities:		
Receivables	1,846,725	(5,065,414)
Employee retention credit	847,161	(847,161)
Inventories	(2,506)	(6,427)
Prepaid expenses	346,139	(97,119)
Payables	(246,182)	443,109
Advance deposits	48,136	23,190
Total adjustments	2,111,509	1,821,541
Net cash provided by operating activities	826,172	505,444
INVESTING ACTIVITIES		
Distributions from perpetual trust	-	5,100
Purchases of investments	(2,279,006)	(2,180,431)
Proceeds from sales of investments	1,768,881	2,164,172
Property/equipment expenditures	(590,585)	(3,916,303)
Divestiture of split-interest agreement	961,305	-
Collection items purchased	(59,600)	(56,000)
Net cash used in investing activities	\$ (199,005)	\$ (3,983,462)

	Years Ended September 30,	
	2023	2022
FINANCING ACTIVITIES		
Proceeds from restricted contributions:		
Cash received—comprehensive campaign	\$ 128,450	\$ 1,552,500
Contributions receivable—comprehensive campaign	(200,667)	(286,914)
Proceeds/(payments) from borrowings, net	(300,000)	1,300,000
Net cash provided by (used in) financing activities	(372,217)	2,565,586
NET CHANGE IN CASH	254,950	(912,432)
CASH , beginning of year	1,101,739	2,014,171
CASH , end of year	1,356,689	1,101,739
Cash is presented in the accompanying consolidated statements of financial position as follows:		
Cash	1,120,409	839,643
Restricted cash—comprehensive campaign	167,251	226,785
Restricted cash—endowment	63,774	35,311
Total cash	\$ 1,351,434	\$ 1,101,739

**GRAND RAPIDS ART MUSEUM and
GRAND RAPIDS ART MUSEUM FOUNDATION**
NOTES TO FINANCIAL STATEMENTS
September 30, 2023 and 2022

NOTE 1 – ORGANIZATION

The Grand Rapids Art Museum's (the "Museum") mission is to connect people through art, creativity, and design, 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.

Principles 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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of certain accounting policies followed in the preparation of these consolidated financial statements. The policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the consolidated financial statements.

Reclassifications

Certain 2022 amounts in the consolidated statement of net position have been reclassified to 2023 presentations. Additionally, for the year ended September 30, 2022 there was a net present value adjustment for pledges which was reflected in revenue and receivables, but which was not reflected in net assets. As such, there was an understatement in unrestricted net assets and an overstatement in restricted net assets by the amount of the adjustment, \$473,546. There were various other reclassifications which had a net affect of increasing unrestricted assets and decreasing restricted net assets by \$78,534. These reclassifications had no effect on total net assets.

Cash and Cash Equivalents

The Organization considers money market accounts and all highly liquid debt instruments with a maturity of three months or less to be cash equivalents.

**GRAND RAPIDS ART MUSEUM and
GRAND RAPIDS ART MUSEUM FOUNDATION**
NOTES TO FINANCIAL STATEMENTS
September 30, 2023 and 2022

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Receivables and Allowance for Uncollectible Accounts

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 5 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.

Investment management fees totaled \$74,226 in 2023 and \$75,410 in 2022.

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. The Organization's donations restricted for property and equipment received was \$88,905 in 2023 and \$116,755 in 2022, respectively.

**GRAND RAPIDS ART MUSEUM and
GRAND RAPIDS ART MUSEUM FOUNDATION**
NOTES TO FINANCIAL STATEMENTS
September 30, 2023 and 2022

NOTE 2 – SUMMARY OF SIGNIFICANT 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 of the Organization are classified based on the presence or absence of donor-imposed restrictions.

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions or which the donor-imposed restrictions have expired or been fulfilled. Net assets in this category may be expended for any purpose in performing the primary objectives of the Organization. In addition, the Organization also has board-designated net assets, which are net assets without donor restrictions that have been set aside for specific purposes by the board.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where the donor has stipulated the funds be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is: when the stipulated time has lapsed; when the stipulated purpose for which the resources was restricted has been fulfilled; or both.

Earnings, gains, and losses on donor-restricted net assets are classified as net assets without donor restrictions, unless specifically restricted by the donor or by applicable state law.

Functional Allocation of Expenses

The costs of providing the various programs have been summarized on a functional basis in the consolidated statement of functional expenses. The consolidated statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated are compensation and benefits which are allocated on the basis of management's estimate of time and effort. All other expenses are presented with the programs or supporting services to which they primarily relate. Although the methods of allocation used are considered reasonable, other methods could be used that would produce different amounts.

**GRAND RAPIDS ART MUSEUM and
GRAND RAPIDS ART MUSEUM FOUNDATION**
NOTES TO FINANCIAL STATEMENTS
September 30, 2023 and 2022

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Advertising

Advertising and promotion costs are expensed at the time the advertising takes place. Advertising costs incurred were \$43,089 in 2023 and \$44,039 in 2022.

Income Taxes

The Museum and Foundation are not-for-profit corporations and are exempt organizations from federal income tax under Internal Revenue Code (IRC) Section 501(a) as organizations described in IRC Section 501(c)(3). There are no uncertain tax positions that require an accrual as of year-end.

Revenue Recognition

Contribution Revenue

Unconditional 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.

Revenue from Contracts with Customers

The Museum recognizes revenue from admissions, program fees, special events, and commissions. These revenues are recognized when the service is provided. Admission revenues are recorded when the tickets are used, which is generally within a short time period as these tickets are normally sold on the day of attendance or in advance with a specific time and date of eligible use. Program fees are recorded as revenue on the date the program occurs. Special event revenues are recorded as revenue on the date the event occurs. Commissions are recorded as revenue on the date the commission program occurred. Admissions, program fees and special event revenues received in advance of the specific use or specific program, or event date, are classified as advance deposits in the consolidated statement of financial position.

Memberships, which are nonrefundable, are comprised of an exchange element based on the value of benefits provided, and a contribution element for the difference between total fees paid and the exchange element. The Museum recognizes the exchange portion of membership fees as revenue over the membership period (which is normally one year from date of purchase), and the associated contribution revenue when received. Membership fees related to the exchange element of the transaction that carry member benefits can be utilized in future periods have been recorded in advance deposits in the consolidated statement of financial position.

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NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Other Revenue

Net investment return, split-interest agreement value changes and appreciation in beneficial interest are reported as increases or decreases in net assets without donor restriction unless their use is restricted by explicit donor stipulation or by law.

Donated Materials, Supplies and Services

Donated materials and supplies are recognized 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 2023 and 2022 included consulting, marketing/media, furniture, equipment, and supplies. These donations were recorded as contributions and as expenses at fair value at the date of receipt. Contributions of these types were \$15,170 in 2023 and \$456,000 in 2022.

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.

Concentrations

The Museum maintains all of its cash balances, exclusive of money market funds held in an investment account, in one financial institution. The Museum maintains deposits in excess of federally insured limits. Management has deemed this as a normal business risk.

The Museum's and Foundation's support comes primarily from donor contributions. The Museum had a concentration of credit risk with respect to contributions receivable from two foundations of \$4,072,571 and one foundation of approximately \$4,484,000 at September 30, 2023 and 2022, respectively.

Use of Estimates

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

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NOTE 3 – CONTRIBUTIONS RECEIVABLE

Contributions receivable are summarized as follows at September 30:

	2023	2022
Receivable in less than one year	\$ 1,668,988	\$ 2,675,955
Receivable in one year to five years	3,671,295	4,313,264
Total contributions receivable	5,340,283	6,989,219
Less discount to net present value	587,417	841,127
Net contributions receivable	<u>\$ 4,752,866</u>	<u>\$ 6,148,092</u>

Contributions receivable in more than one year were discounted at 8.5% per annum for 2023 and 6.25% per annum for 2022.

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

	2023	2022
Contributions receivable	\$ 4,386,403	\$ 5,857,462
Contributions receivable—comprehensive campaign	331,421	243,928
Contributions receivable—endowment	35,042	46,702
Total contributions receivable	<u>\$ 4,752,866</u>	<u>\$ 6,148,092</u>

NOTE 4 – CONTRIBUTED NONFINANCIAL ASSETS

For the year ended September 30, 2023, contributed nonfinancial assets recognized within the consolidated statement of activities included:

	Revenue Recognized	Utilization in Programs & Activities	Donor Restrictions	Valuation Techniques and Inputs
Media	\$ 13,000	2023 Summer Concert	No associated donor restrictions	The Organization estimated the fair value on the basis of fees incurred for other similar services
Food & beverage	2,170	Autumn Affair	No associated donor restrictions	The Organization estimated the fair value on the basis of cost incurred for other similar products

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NOTE 4 – CONTRIBUTED NONFINANCIAL ASSETS (Continued)

For the year ended September 30, 2022, contributed nonfinancial assets recognized within the consolidated statement of activities included:

	<u>Revenue Recognized</u>	<u>Utilization in Programs & Activities</u>	<u>Donor Restrictions</u>	<u>Valuation Techniques and Inputs</u>
Furniture & Equipment	\$ 413,419	Creative Learning Center upgrade & Live Artfully Dinner	No associated donor restrictions	The Organization estimated the fair value on the basis of comparable furniture & equipment in the market.
Professional services	5,000	GRAM Actuarial Report	No associated donor restrictions	The Organization estimated the fair value on the basis of comparable services.
Printed material	15,072	Gala 2022	No associated donor restrictions	The Organization estimated the fair value on the basis of cost incurred for other similar products
Media	17,000	Henson 2022 Exhibition	No associated donor restrictions	The Organization estimated the fair value on the basis of fees incurred for other similar services
Food & beverage	930	Jasper Johns Exhibition	No associated donor restrictions	The Organization estimated the fair value on the basis of cost incurred for other similar products
Rent	5,000	General	No associated donor restrictions	The Organization estimated the fair value on the basis of comparable rent in the market

NOTE 5 – FAIR VALUE MEASUREMENTS

The Organization reports assets and liabilities 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 between market participants at the measurement date. In determining fair value, the Organization uses various methods, including market, income and cost approaches. Based on these approaches, the Organization often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and/or the risks inherent in the inputs to the valuation technique. These inputs may be readily observable, market corroborated or generally unobservable inputs. The Organization utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs.

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NOTE 5 – FAIR VALUE MEASUREMENTS (Continued)

The fair value hierarchy ranks the quality and reliability of information used to determine fair values. Based on the observability of the inputs used in the valuation techniques, financial assets and liabilities carried at fair value are classified and disclosed in one of the following three categories:

Level 1—Quoted prices (unadjusted) in active markets for identical assets that the Organization has the ability to access at the measurement date.

Level 2—Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets; quoted prices in markets that are not active; and other inputs that are observable or can be corroborated by observable market data.

Level 3—Significant unobservable inputs that reflect the Organization's own assumptions about the assumptions that market participants would use in pricing an asset.

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.

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

Exchange Traded Funds (ETF)—ETFs are a basket of securities that trade on an exchange and are valued at the last reported sales price on the valuation date.

Hedge Funds—Valued at the net asset values ("NAV") provided by the external investment managers of the underlying funds as a practical expedient to determine the fair value.

Mutual Funds—Valued at daily closing prices as reported by the fund. Mutual funds are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily NAV and to transact at that price. The mutual funds held are deemed to be actively traded.

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

Split-Interest Agreement—Split-interest agreement value is estimated by calculating the present value of future distributions expected to be received, using published life expectancy tables and a discount rate of 3% for 2022, there were no split-interest agreements held as of September 30, 2023.

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NOTE 5 – FAIR VALUE MEASUREMENTS (Continued)

Assets measured at fair value on a recurring basis at September 30, 2023 are as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Investments Valued Using the Practical Expedient</u>	<u>Total</u>
Beneficial Interest in Perpetual Trust	<u>\$ -</u>	<u>\$ -</u>	<u>87,547</u>	<u>\$ -</u>	<u>\$ 87,547</u>
Endowment Investments:					
Exchange traded funds	\$ 1,240,573	\$ -	\$ -	\$ -	\$ 1,240,573
Hedge funds	-	-	-	1,910,187	1,910,187
Mutual funds	<u>19,755,562</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,755,562</u>
Total endowment investments	<u>\$ 20,996,135</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,910,187</u>	<u>\$ 22,906,322</u>

Assets measured at fair value on a recurring basis at September 30, 2022 are as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Investments Valued Using the Practical Expedient</u>	<u>Total</u>
Beneficial Interest in Perpetual Trust	<u>\$ -</u>	<u>\$ -</u>	<u>82,292</u>	<u>\$ -</u>	<u>\$ 82,292</u>
Split- Interest Agreement	<u>\$ -</u>	<u>\$ -</u>	<u>961,305</u>	<u>\$ -</u>	<u>\$ 961,305</u>
Endowment Investments:					
Exchange traded funds	\$ 768,128	\$ -	\$ -	\$ -	\$ 768,128
Hedge funds	-	-	-	2,169,729	2,169,729
Mutual funds	<u>17,273,565</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,273,565</u>
Total endowment investments	<u>\$ 18,041,693</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,169,729</u>	<u>\$ 20,211,422</u>

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NOTE 5 – FAIR VALUE MEASUREMENTS (Continued)

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

	<u>Hedge Fund</u>	<u>Split-Interest Agreement</u>	<u>Beneficial Interest in Perpetual Trust</u>	<u>Total</u>
Year ended September 30, 2023				
Beginning balance	\$ 2,169,729	\$ 961,305	\$ 82,292	\$ 3,213,326
Unrealized appreciation				
included in changes in net assets	240,458	-	9,815	250,273
Distributions received	(500,000)	(961,305)	(4,560)	(1,465,865)
Ending balance	<u>\$ 1,910,187</u>	<u>\$ -</u>	<u>\$ 87,547</u>	<u>\$ 1,997,734</u>
	<u>Hedge Fund</u>	<u>Split-Interest Agreement</u>	<u>Beneficial Interest in Perpetual Trust</u>	<u>Total</u>
Year ended September 30, 2022				
Beginning balance	\$ 2,421,572	\$ 837,000	\$ 103,618	\$ 3,362,190
Unrealized appreciation				
(depreciation) included in				
changes in net assets	(251,843)	124,305	(16,226)	(143,764)
Distributions received	-	-	(5,100)	(5,100)
Ending balance	<u>\$ 2,169,729</u>	<u>\$ 961,305</u>	<u>\$ 82,292</u>	<u>\$ 3,213,326</u>

Unrealized (gain)/loss 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 perpetual trust are reported as changes in value of split-interest agreement and appreciation in the beneficial interest in perpetual trust in the consolidated statements of activities.

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NOTE 6 – 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 7 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	September 30,	
	2023	2022
Land	\$ 7,575,615	\$ 7,575,615
Building	80,992,193	79,983,690
Leasehold improvements	3,800	3,800
Furniture and equipment	3,074,999	3,492,916
Vehicles	36,919	36,919
Total property & equipment	91,683,526	91,092,940
Less accumulated depreciation	32,602,829	30,946,956
Property and equipment, net	<u>\$ 59,080,697</u>	<u>\$ 60,145,984</u>

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.

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NOTE 8 – Advance Deposits

The timing of revenue recognition results in advance deposits (contract liability) on the consolidated statements of financial position. Advance deposits have been recorded for special events and touring exhibitions occurring in the next fiscal year and for the portion of memberships attributable to the next fiscal year. Advance deposits are recognized in the consolidated statements of activities when the special event or touring exhibition occurs. The Organization's contract liabilities consist of the following at September 30:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Advance deposits	<u>\$ 158,604</u>	<u>\$ 110,468</u>	<u>\$ 87,278</u>

NOTE 9 – Debt

Line of Credit

The Organization has two revolving line of credit agreements with a bank under which borrowings bear interest at the Bank's Prime Rate less 0.50%. Line of credits are summarized as follows September 30:

	<u>2023</u>	<u>2022</u>
Line of credit		
General	\$ 750,000	\$ 750,000
Less borrowings	-	700,000
Available	<u>750,000</u>	<u>50,000</u>
Comprehensive campaign	1,500,000	1,500,000
Less borrowings	<u>1,000,000</u>	<u>600,000</u>
Available	<u>500,000</u>	<u>900,000</u>
Total available	<u>\$ 1,250,000</u>	<u>\$ 950,000</u>
Banks Prime Rate less 50%	8.00%	5.75%

Both line of credits are guaranteed by the assets of the Foundation and mature May 31, 2024 and September 1, 2024, respectively.

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NOTE 10 – 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>2023</u>	<u>2022</u>
Board designated:		
Operating reserves	\$ 804,252	\$ 300,000
Endowment	<u>1,441,596</u>	<u>1,341,887</u>
Total	<u>\$ 2,245,848</u>	<u>\$ 1,641,887</u>

NOTE 11 – NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2023</u>	<u>2022</u>
Subject to expenditure for specific purpose:		
General operations	\$ 27,030	\$ 31,519
Comprehensive campaign	-	8,491,248
Exhibitions	78,771	185,041
Education programs	399,772	57,147
Property and equipment	1,299	-
Public outreach	141,436	2,000
Collections	450,582	413,507
Promises to give with donor restrictions:		
Comprehensive campaign	-	243,928
Exhibitions	10,330	32,333
Property and equipment	<u>87,605</u>	<u>106,068</u>
Total purpose restrictions	<u>\$ 1,196,825</u>	<u>\$ 9,562,791</u>
Subject to passage of time:		
Promises to give with donor restrictions:		
Programs	<u>3,707,984</u>	<u>4,520,577</u>
Total time restrictions	<u>\$ 3,707,984</u>	<u>\$ 4,520,577</u>

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NOTE 11 – NET ASSETS WITH DONOR RESTRICTIONS (Continued)

	<u>2023</u>	<u>2022</u>
Endowments:		
Subject to appropriation and expenditure when a specified event occurs:		
American Art acquisitions	\$ 955,504	\$ 735,735
Education programs	93,938	64,385
Exhibitions	20,372	11,449
Furniture restoration and maintenance	18,816	16,646
General operations	2,108,025	798,091
Underprivileged and disabled patrons	<u>292,445</u>	<u>205,657</u>
Subtotal	<u>3,489,100</u>	<u>1,831,963</u>
Permanently restricted endowments:		
American Art acquisitions	1,069,436	1,069,436
Education programs	547,257	547,256
Exhibitions	57,011	57,011
General operations	15,510,909	15,513,937
Library	37,982	37,981
Underprivileged and disabled patrons	962,395	962,395
Underwater endowments	<u>(47,005)</u>	<u>(61,221)</u>
Subtotal	<u>18,137,985</u>	<u>18,126,795</u>
Total endowments	<u>\$ 21,627,085</u>	<u>\$ 19,958,758</u>
Total net assets with donor restrictions	<u><u>\$ 26,531,894</u></u>	<u><u>\$ 34,042,126</u></u>

NOTE 12 – COMPREHENSIVE CAMPAIGN

In 2018, the Museum initiated the preparatory phase of a comprehensive campaign with three primary components: capital, endowment, and bridge/programming. The Museum had received approximately \$9,201,000 and \$8,842,000 in contribution revenue and had expended approximately \$4,713,000 and \$4,539,000 as of September 30, 2023 and September 30, 2022 respectively for these projects.

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NOTE 13 – ENDOWMENT

The Foundation's endowment consists of eleven 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.

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 5%, 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 5% 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.

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NOTE 13 – ENDOWMENT (Continued)

Spending Policy. The Foundation has a policy of appropriating for distribution each year 5.0% of its endowment fund's average fair value of the prior 12 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.

Endowment net asset composition by type of fund at September 30, 2023 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
September 30, 2023			
Board-designated endowment funds	\$ 1,441,596	\$ -	\$ 1,441,596
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donors	-	18,097,442	18,097,442
Accumulated investment gains	-	3,442,095	3,442,095
Perpetual trust	-	87,547	87,547
Total funds	<u>\$ 1,441,596</u>	<u>\$ 21,627,084</u>	<u>\$ 23,068,680</u>

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NOTE 13 – ENDOWMENT (Continued)

Endowment net asset composition by type of fund at September 30, 2022 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
September 30, 2022			
Board-designated endowment funds	\$ 1,341,887	\$ -	\$ 1,341,887
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donors	-	18,105,724	18,105,724
Accumulated investment gains	-	1,770,742	1,770,742
Perpetual trust	-	82,292	82,292
Total funds	<u>\$ 1,341,887</u>	<u>\$ 19,958,758</u>	<u>\$ 21,300,645</u>

Changes in endowment net assets for the year ended September 30, 2023 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 1,341,887	\$ 19,958,758	\$ 21,300,645
Investment return:			
Investment income	40,790	608,108	648,898
Net depreciation	64,047	2,046,429	2,110,476
Total investment return	104,837	2,654,537	2,759,374
Contributions	-	13,419	13,419
Amounts appropriated for expenditure	(5,128)	(999,630)	(1,004,758)
Endowment net assets, end of year	<u>\$ 1,441,596</u>	<u>\$ 21,627,084</u>	<u>\$ 23,068,680</u>

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NOTE 13 – ENDOWMENT (Continued)

Changes in endowment net assets for the year ended September 30, 2022 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 1,696,410	\$ 24,611,283	\$ 26,307,693
Investment return:			
Investment income	63,896	762,514	826,410
Net depreciation	<u>(387,903)</u>	<u>(4,698,546)</u>	<u>(5,086,449)</u>
Total investment return	(324,007)	(3,936,032)	(4,260,039)
Contributions	-	53,627	53,627
Depreciation in beneficial interest in perpetual trust	-	(16,226)	(16,226)
Change in value of split-interest agreement	-	124,305	124,305
Amounts appropriated for expenditure	<u>(30,516)</u>	<u>(878,199)</u>	<u>(908,715)</u>
Endowment net assets, end of year	<u>\$ 1,341,887</u>	<u>\$ 19,958,758</u>	<u>\$ 21,300,645</u>

NOTE 14 – NET INVESTMENT RETURN

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

	2023	2022
Interest and dividends	\$ 643,643	\$ 898,161
Realized and unrealized net gain (loss) on investments	2,220,824	(5,083,252)
Investment management fees	<u>(74,226)</u>	<u>(75,410)</u>
Total	<u>\$ 2,790,241</u>	<u>\$ (4,260,501)</u>

NOTE 15 – COMMITMENTS

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 expires in October 2023. 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.

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September 30, 2023 and 2022

NOTE 16 – RETIREMENT PLAN

The Museum has an IRC Section 401(k) retirement plan covering all eligible employees. The Museum suspended matching effective October 2020 and reinstated in January 2023. As such the Museum's matching contributions were \$32,057 in 2023 and \$0 in 2022.

NOTE 17 – RISK AND UNCERTAINTIES

The Organization holds investments in various 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 18 – LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

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:

	2023	2022
Financial assets		
Cash	\$ 1,351,434	\$ 1,101,739
Receivables	4,757,444	6,195,733
Investments	<u>22,906,322</u>	<u>20,211,422</u>
Total financial assets	<u>29,015,200</u>	<u>27,508,894</u>
Less those unavailable for general expenditures:		
Restricted by donor with purpose restrictions	1,653,987	6,008,750
Restricted by donor with time restrictions	3,707,984	-
Donor-restricted endowment	18,097,442	18,105,724
Board-designated endowment	<u>1,441,596</u>	<u>1,341,887</u>
Financial assets available to meet general expenditures within one year	<u>\$ 4,114,191</u>	<u>\$ 2,052,533</u>

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 in perpetuity.

**GRAND RAPIDS ART MUSEUM and
GRAND RAPIDS ART MUSEUM FOUNDATION**
NOTES TO FINANCIAL STATEMENTS
September 30, 2023 and 2022

NOTE 18 – LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES (Continued)

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 \$1,441,596 is subject to an annual spending policy rate up to 5% as described in Note 14. 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.

As part of the Organization's liquidity management plan, the Board has a line of credit and has designated an amount for an operating reserve which was \$524,862 as of September 30, 2023 and \$300,000 as of September 30, 2022.

NOTE 19 – SUPPLEMENTAL CASH FLOW INFORMATION

Cash paid for interest was \$61,426 in 2023 and \$4,406 in 2022.

NOTE 20 – SUBSEQUENT EVENTS

The consolidated financial statements and related disclosures include evaluation of events up through and including June 4, 2024, which is the date the consolidated financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

GRAND RAPIDS ART MUSEUM AND GRAND RAPIDS ART MUSEUM FOUNDATION
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
Year Ended September 30, 2023

	Grand Rapids Art Museum	Grand Rapids Art Museum Foundation	Eliminations	Combined
ASSETS				
Cash	\$ 1,120,409	\$ -	\$ -	\$ 1,120,409
Receivables:				
Accounts	31,476	-	(26,899)	4,577
Contributions	4,386,403	-	-	4,386,403
Inventories	21,710	-	-	21,710
Prepaid expenses	140,319	-	-	140,319
Prepaid exhibitions	42,167	-	-	42,167
Assets restricted for comprehensive campaign:				
Cash	167,251	-	-	167,251
Contributions receivable	331,421	-	-	331,421
COLLECTIONS (NOTE2)	-	-	-	-
PROPERTY AND EQUIPMENT, net	59,080,697	-	-	59,080,697
BEVERAGE LICENSE	42,444	-	-	42,444
BENEFICIAL INTEREST IN PERPETUAL TRUST	87,547	-	-	87,547
ASSETS RESTRICTED FOR ENDOWMENT				
Cash	-	63,774	-	63,774
Interest receivable	-	2,895	-	2,895
Contributions receivable	-	35,043	-	35,043
Investments	-	22,906,322	-	22,906,322
Total assets restricted for endowment	-	23,008,034	-	23,008,034
Total assets	\$ 65,451,844	\$ 23,008,034	\$ (26,899)	\$ 88,432,979

	Grand Rapids Art Museum	Grand Rapids Art Museum Foundation	Eliminations	Combined
LIABILITIES AND NET ASSETS				
Accounts payable	\$ 477,438	\$ 26,899	\$ (26,899)	\$ 477,438
Other payables	55,376	-	-	55,376
Advance deposits	158,604	-	-	158,604
Line-of-credits	1,000,000	-	-	1,000,000
Total liabilities	<u>1,691,418</u>	<u>26,899</u>	<u>(26,899)</u>	<u>1,691,418</u>
NET ASSETS				
Without donor restrictions	58,768,071	1,441,596	-	60,209,667
With donor restrictions	<u>4,992,355</u>	<u>21,539,539</u>	<u>-</u>	<u>26,531,894</u>
Total net assets	<u>63,760,426</u>	<u>22,981,135</u>	<u>-</u>	<u>86,741,561</u>
Total liabilities and net assets	<u><u>\$ 65,451,844</u></u>	<u><u>\$ 23,008,034</u></u>	<u><u>\$ (26,899)</u></u>	<u><u>\$ 88,432,979</u></u>

GRAND RAPIDS ART MUSEUM AND GRAND RAPIDS ART MUSEUM FOUNDATION
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
Year Ended September 30, 2022

	Grand Rapids Art Museum	Grand Rapids Art Museum Foundation	Eliminations	Combined
ASSETS				
Cash	\$ 839,643	\$ -	\$ -	\$ 839,643
Receivables:				
Accounts	86,588	-	(38,947)	47,641
Contributions	5,857,462	-	-	5,857,462
Employee Retention Credit	847,161	-	-	847,161
Inventories	19,204	-	-	19,204
Prepaid expenses	116,172	-	-	116,172
Prepaid exhibitions	412,453	-	-	412,453
Assets restricted for comprehensive campaign:				
Cash	226,785	-	-	226,785
Contributions receivable	243,928	-	-	243,928
PROPERTY AND EQUIPMENT, net	60,145,984	-	-	60,145,984
BEVERAGE LICENSE	42,444	-	-	42,444
BENEFICIAL INTEREST IN PERPETUAL TRUST	82,292	-	-	82,292
ASSETS RESTRICTED FOR ENDOWMENT				
Cash	-	35,311	-	35,311
Interest receivable	-	2,559	-	2,559
Contributions receivable	-	46,702	-	46,702
Contribution receivable—split-interest agreement	-	961,305	-	961,305
Investments	-	20,211,422	-	20,211,422
Total assets restricted for endowment	-	21,257,299	-	21,257,299
Total assets	\$ 68,920,116	\$ 21,257,299	\$ (38,947)	\$ 90,138,468

	Grand Rapids Art Museum	Grand Rapids Art Museum Foundation	Eliminations	Combined
LIABILITIES AND NET ASSETS				
Accounts payable	\$ 657,531	\$ 38,947	\$ (38,947)	\$ 657,531
Other payables	43,571	-	-	43,571
Advance deposits	110,468	-	-	110,468
Line-of-credit	1,300,000	-	-	1,300,000
Total liabilities	2,111,570	38,947	(38,947)	2,111,570
NET ASSETS				
Without donor restrictions	52,642,886	1,341,886	-	53,984,772
With donor restrictions	14,165,660	19,876,466	-	34,042,126
Total net assets	66,808,546	21,218,352	-	88,026,898
Total liabilities and net assets	\$ 68,920,116	\$ 21,257,299	\$ (38,947)	\$ 90,138,468

GRAND RAPIDS ART MUSEUM AND GRAND RAPIDS ART MUSEUM FOUNDATION
CONSOLIDATING STATEMENT ACTIVITIES
Year Ended September 30, 2023

	Grand Rapids Art Museum	
	Without Donor Restrictions	With Donor Restrictions
SUPPORT AND REVENUE		
Contributions	\$ 1,796,875	\$ 1,057,309
Admissions	405,666	-
Memberships	168,971	-
Program fees	76,251	-
Special events	349,532	-
Museum store	18,106	-
Exhibition touring	180,000	-
Commissions	83,801	-
Grand Rapids Art Museum Foundation Support	982,725	-
Net investment return	30,795	5,255
In-kind donations	15,170	-
Other income	10,876	-
Net assets released from restrictions	<u>10,235,869</u>	<u>(10,235,869)</u>
Total support, revenue and reclassifications	<u>14,354,637</u>	<u>(9,173,305)</u>
OPERATING EXPENSES		
Program services	4,366,682	-
Management and general	2,924,397	-
Fundraising	<u>878,773</u>	<u>-</u>
Total expenses	8,169,852	-
Support, revenue and reclassifications over (under) expenses	<u>6,184,785</u>	<u>(9,173,305)</u>
Collection items purchased	<u>59,600</u>	<u>-</u>
CHANGE IN NET ASSETS	6,125,185	(9,173,305)
NET ASSETS - Beginning of year	<u>52,642,886</u>	<u>14,165,660</u>
NET ASSETS - End of year	<u><u>\$ 58,768,071</u></u>	<u><u>\$ 4,992,355</u></u>

Grand Rapids Art Museum Foundation			
Without Donor Restrictions	With Donor Restrictions	Eliminations	Total
\$ -	\$ 13,419	\$ -	\$ 2,867,603
-	-	-	405,666
-	-	-	168,971
-	-	-	76,251
-	-	-	349,532
-	-	-	18,106
-	-	-	180,000
-	-	-	83,801
-	-	(982,725)	-
104,837	2,649,354	-	2,790,241
-	-	-	15,170
-	-	-	10,876
999,629	(999,629)	-	-
1,104,466	1,663,144	(982,725)	6,966,217
982,725	-	(982,725)	4,366,682
22,031	71	-	2,946,499
-	-	-	878,773
1,004,756	71	(982,725)	8,191,954
99,710	1,663,073	-	(1,225,737)
-	-	-	59,600
99,710	1,663,073	-	(1,285,337)
1,341,886	19,876,466	-	88,026,898
\$ 1,441,596	\$ 21,539,539	\$ -	\$ 86,741,561

GRAND RAPIDS ART MUSEUM AND GRAND RAPIDS ART MUSEUM FOUNDATION
CONSOLIDATING STATEMENT ACTIVITIES
Year Ended September 30, 2022

	Grand Rapids Art Museum	
	Without Donor Restrictions	With Donor Restrictions
SUPPORT AND REVENUE		
Contributions	\$ 1,509,277	\$ 6,465,761
Admissions	113,746	-
Memberships	143,427	-
Program fees	61,994	-
Special events	420,797	-
Museum store	20,828	-
Exhibition touring	90,000	-
Grand Rapids Art Museum Foundation Support	879,000	-
Gain on extinguishment of debt	457,300	-
Government grant	847,161	-
Net investment return	(463)	-
Change in value of split-interest agreement	-	-
Depreciation in beneficial interest in perpetual trust	-	(16,226)
In-kind donations	456,421	-
Other income	25,213	-
Net assets released from restrictions	1,422,481	(1,422,481)
	<u>6,447,182</u>	<u>5,027,054</u>
Total support, revenue and reclassifications		
OPERATING EXPENSES		
Program services	3,892,481	-
Management and general	2,973,264	-
Fundraising	882,865	-
	<u>7,748,610</u>	<u>-</u>
Total expenses		
Support, revenue and reclassifications over (under) expenses	(1,301,428)	5,027,054
	<u>-</u>	<u>(56,000)</u>
Collection items purchased		
CHANGE IN NET ASSETS	(1,301,428)	4,971,054
NET ASSETS - Beginning of year	53,944,314	9,194,606
NET ASSETS - End of year	<u>\$ 52,642,886</u>	<u>\$ 14,165,660</u>

Grand Rapids Art Museum Foundation			
Without Donor Restrictions	With Donor Restrictions	Eliminations	Total
\$ -	\$ 53,627	\$ -	\$ 8,028,665
-	-	-	113,746
-	-	-	143,427
-	-	-	61,994
-	-	-	420,797
-	-	-	20,828
-	-	-	90,000
-	-	(879,000)	-
-	-	-	457,300
-	-	-	847,161
(324,006)	(3,936,032)	-	(4,260,501)
-	124,305	-	124,305
-	-	-	(16,226)
-	-	-	456,421
-	-	-	25,213
873,099	(873,099)	-	-
549,093	(4,631,199)	(879,000)	6,513,130
879,000	-	(879,000)	3,892,481
24,617	-	-	2,997,881
-	-	-	882,865
903,617	-	(879,000)	7,773,227
(354,524)	(4,631,199)	-	(1,260,097)
-	-	-	(56,000)
(354,524)	(4,631,199)	-	(1,316,097)
1,696,410	24,507,665	-	89,342,995
\$ 1,341,886	\$ 19,876,466	\$ -	\$ 88,026,898

GRAND RAPIDS ART MUSEUM AND GRAND RAPIDS ART MUSEUM FOUNDATION
CONSOLIDATING STATEMENT OF CASH FLOWS
Year Ended September 30, 2023

	Grand Rapids Art Museum	Grand Rapids Art Museum Foundation	Eliminations	Total
OPERATING ACTIVITIES				
Change in net assets	\$ (3,048,120)	\$ 1,762,783	\$ -	\$ (1,285,337)
Adjustments to reconcile change in net assets to net cash provided by operating activities:				
Depreciation	1,655,872	-	-	1,655,872
Collection items purchased	59,600	-	-	59,600
Donated stock	(4,950)	-	-	(4,950)
Change in discount of contribution receivable	(255,370)	1,660	-	(253,710)
Realized/unrealized net (gain)/loss on investments	-	(2,184,776)	-	(2,184,776)
Unrealized (gain)/loss on beneficial interest	(5,255)	-	-	(5,255)
Changes in operating assets and liabilities:				
Receivables	1,771,215	9,664	65,846	1,846,725
Employee retention credit	847,161	-	-	847,161
Inventories	(2,506)	-	-	(2,506)
Prepaid expenses	346,139	-	-	346,139
Payables	(168,288)	(12,048)	(65,846)	(246,182)
Advance deposits	48,136	-	-	48,136
Total adjustments	4,291,754	(2,185,500)	-	2,106,254
Net cash provided by operating activities	1,243,634	(422,717)	-	820,917
INVESTING ACTIVITIES				
Purchases of investments	-	(2,279,006)	-	(2,279,006)
Proceeds from sales of investments	-	1,768,881	-	1,768,881
Property/equipment expenditures	(590,585)	-	-	(590,585)
Divestiture of split-interest agreement	-	961,305	-	961,305
Collection items purchased	(59,600)	-	-	(59,600)
Net cash used in investing activities	(650,185)	451,180	-	(199,005)
FINANCING ACTIVITIES				
Changes in restricted contributions:				
Cash received - comprehensive campaign	128,450	-	-	128,450
Additional pledges - comprehensive campaign	(200,667)	-	-	(200,667)
Payments from borrowings, net	(300,000)	-	-	(300,000)
Net cash used in financing activities	(372,217)	-	-	(372,217)
NET CHANGE IN CASH	221,232	28,463	-	249,695
CASH, beginning of year	1,066,428	35,311	-	1,101,739
CASH, end of year	<u>\$ 1,287,660</u>	<u>\$ 63,774</u>	<u>\$ -</u>	<u>\$ 1,351,434</u>

GRAND RAPIDS ART MUSEUM AND GRAND RAPIDS ART MUSEUM FOUNDATION
CONSOLIDATING STATEMENT OF CASH FLOWS
Year Ended September 30, 2022

	Grand Rapids Art Museum	Grand Rapids Art Museum Foundation	Eliminations	Total
OPERATING ACTIVITIES				
Change in net assets	\$ 3,669,626	\$ (4,985,723)	\$ -	\$ (1,316,097)
Adjustments to reconcile change in net assets to net cash provided by operating activities:				
Depreciation	2,130,294	-	-	2,130,294
Collection items purchased	56,000	-	-	56,000
Donated stock	(172,275)	-	-	(172,275)
Change in discount of contribution receivable	836,635	3,298	-	839,933
Realized/unrealized net gain on investments	-	5,082,790	-	5,082,790
Change in value of split-interest agreement	-	(124,305)	-	(124,305)
Unrealized (gain)/loss on beneficial interest	16,226	-	-	16,226
Paycheck Protection Program loan debt extinguishment	(457,300)	-	-	(457,300)
Changes in operating assets and liabilities:				
Receivables	(5,096,009)	(17,047)	47,642	(5,065,414)
Employee retention credit	(847,161)	-	-	(847,161)
Inventories	(6,427)	-	-	(6,427)
Prepaid expenses	(97,119)	-	-	(97,119)
Payables	451,804	38,947	(47,642)	443,109
Advance deposits	23,190	-	-	23,190
Total adjustments	(3,162,142)	4,983,683	-	1,821,541
Net cash provided by operating activities	507,484	(2,040)	-	505,444
INVESTING ACTIVITIES				
Distributions from perpetual trust	5,100	-	-	5,100
Purchases of investments	-	(2,180,431)	-	(2,180,431)
Proceeds from sales of investments	-	2,164,172	-	2,164,172
Property/equipment expenditures	(3,916,303)	-	-	(3,916,303)
Collection items purchased	(56,000)	-	-	(56,000)
Net cash used in investing activities	(3,967,203)	(16,259)	-	(3,983,462)
FINANCING ACTIVITIES				
Changes in restricted contributions:				
Cash received - comprehensive campaign	1,552,500	-	-	1,552,500
Additional pledges - comprehensive campaign	(286,914)	-	-	(286,914)
Proceeds from borrowings, net	1,300,000	-	-	1,300,000
Net cash provided by financing activities	2,565,586	-	-	2,565,586
NET CHANGE IN CASH	(894,133)	(18,299)	-	(912,432)
CASH, beginning of year	1,960,561	53,610	-	2,014,171
CASH, end of year	\$ 1,066,428	\$ 35,311	\$ -	\$ 1,101,739