



Combined Financial Statements and Supplementary Information

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

*Years ended September 30, 2021 and 2020*



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

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

Years ended September 30, 2021 and 2020

## **Contents**

|                                    |   |
|------------------------------------|---|
| Independent Auditor's Report ..... | 1 |
|------------------------------------|---|

### **Financial Statements**

|                                                         |    |
|---------------------------------------------------------|----|
| Consolidated Statements of Financial Position .....     | 3  |
| Consolidated Statement of Activities—2021.....          | 4  |
| Consolidated Statement of Activities—2020.....          | 5  |
| Consolidated Statement of Functional Expenses—2021..... | 6  |
| Consolidated Statement of Functional Expenses—2020..... | 8  |
| Consolidated Statements of Cash Flows.....              | 10 |
| Notes to Consolidated Financial Statements.....         | 12 |

### **Supplementary Information**

|                                                          |    |
|----------------------------------------------------------|----|
| Consolidating Statement of Financial Position—2021 ..... | 37 |
| Consolidating Statement of Financial Position—2020 ..... | 38 |
| Consolidating Statement of Activities—2021.....          | 39 |
| Consolidating Statement of Activities—2020.....          | 41 |
| Consolidating Statement of Cash Flows—2021.....          | 43 |
| Consolidating Statement of Cash Flows—2020.....          | 45 |

**Kalamazoo Office**  
7171 Stadium Drive  
Kalamazoo, MI 49009

main (269) 381-7600

## 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, 2021 and 2020, 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, 2021 and 2020, 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 (FASB) Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which establishes a new standard on revenue recognition. The Organization also adopted the provisions of ASU No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement*. This ASU modifies certain disclosure requirements of fair value measurements. The Organization also adopted ASU No. 2019-03, *Not-for-Profit Entities (Topic 958), Updating the Definition of Collections*. This standard aligns the definition of collections for accounting principles generally accepted in the United States of America with the definition used in the Code of Ethics for Museums of the American Alliance of Museums. 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 37 through 46 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.



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

Consolidated Statements of Financial Position

|                                                       | September 30         |                      |
|-------------------------------------------------------|----------------------|----------------------|
|                                                       | 2021                 | 2020                 |
| <b>Assets</b>                                         |                      |                      |
| Cash                                                  | \$ 1,317,793         | \$ 1,476,120         |
| Accounts receivable                                   | 29,619               | 147,841              |
| Contributions receivable                              | 1,432,980            | 3,084,315            |
| Inventories                                           | 12,777               | 123,541              |
| Prepaid expenses                                      | 142,786              | 157,450              |
| Prepaid exhibitions                                   | 288,720              | 137,270              |
| Collections (Note F)                                  | -                    | -                    |
| Assets restricted for comprehensive campaign:         |                      |                      |
| Cash                                                  | 642,768              | 1,382,742            |
| Contributions receivable                              | 1,559,316            | 2,061,081            |
| Property and equipment, less accumulated depreciation | 58,359,975           | 58,903,409           |
| Beverage license                                      | 42,444               | 42,444               |
| Beneficial interest in perpetual trust                | 103,618              | 91,037               |
| Assets restricted for endowment:                      |                      |                      |
| Cash                                                  | 53,610               | 33,154               |
| Interest receivable                                   | 1,817                | 1,705                |
| Contributions receivable                              | 25,000               | 25,000               |
| Contribution receivable—split-interest agreement      | 837,000              | 806,000              |
| Investments                                           | 25,277,953           | 20,545,879           |
| Total assets                                          | <u>\$ 90,128,176</u> | <u>\$ 89,018,988</u> |
| <b>Liabilities</b>                                    |                      |                      |
| Accounts payable                                      | \$ 212,171           | \$ 233,764           |
| Other payables                                        | 28,432               | 261,933              |
| Advance deposits                                      | 87,278               | 56,205               |
| Long-term debt:                                       |                      |                      |
| Paycheck Protection Program loan                      | 457,300              | 457,300              |
| Bonds payable                                         | -                    | 9,420,000            |
| Total liabilities                                     | <u>785,181</u>       | <u>10,429,202</u>    |
| <b>Net Assets</b>                                     |                      |                      |
| Without donor restrictions:                           |                      |                      |
| Board-designated                                      | 1,996,410            | 1,706,797            |
| Undesignated                                          | 53,644,314           | 46,154,709           |
| Total without donor restrictions                      | <u>55,640,724</u>    | <u>47,861,506</u>    |
| With donor restrictions                               | <u>33,702,271</u>    | <u>30,728,280</u>    |
| Total net assets                                      | <u>89,342,995</u>    | <u>78,589,786</u>    |
| Total liabilities and net assets                      | <u>\$ 90,128,176</u> | <u>\$ 89,018,988</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, 2021

|                                                           | Without<br>Donor<br>Restrictions | With Donor<br>Restrictions | Total         |
|-----------------------------------------------------------|----------------------------------|----------------------------|---------------|
| <b>Support and revenue:</b>                               |                                  |                            |               |
| Contributions                                             | \$ 1,367,139                     | \$ 1,102,295               | \$ 2,469,434  |
| Admissions                                                | 81,497                           | -                          | 81,497        |
| Memberships                                               | 131,307                          | -                          | 131,307       |
| Program fees                                              | 49,676                           | -                          | 49,676        |
| Special events                                            | 145,899                          | -                          | 145,899       |
| Museum store                                              | 38,926                           | -                          | 38,926        |
| Grant                                                     | 9,698,070                        | -                          | 9,698,070     |
| Government grant                                          | 457,300                          | -                          | 457,300       |
| Net investment return                                     | 286,663                          | 3,852,212                  | 4,138,875     |
| Change in value of split-interest agreement               | -                                | 31,000                     | 31,000        |
| Appreciation in beneficial interest<br>in perpetual trust | -                                | 17,856                     | 17,856        |
| In-kind donations                                         | 17,880                           | -                          | 17,880        |
| Other income                                              | 19,953                           | -                          | 19,953        |
| Total support and revenue                                 | 12,294,310                       | 5,003,363                  | 17,297,673    |
| Net assets released from restrictions                     | 1,995,372                        | (1,995,372)                | -             |
| Total support, revenue and reclassifications              | 14,289,682                       | 3,007,991                  | 17,297,673    |
| <b>Expenses:</b>                                          |                                  |                            |               |
| Program                                                   | 3,409,878                        | -                          | 3,409,878     |
| Management and general                                    | 2,468,948                        | -                          | 2,468,948     |
| Fundraising                                               | 631,638                          | -                          | 631,638       |
| Total expenses                                            | 6,510,464                        | -                          | 6,510,464     |
| Support, revenue and reclassifications<br>over expenses   | 7,779,218                        | 3,007,991                  | 10,787,209    |
| Collection items purchased                                | -                                | (34,000)                   | (34,000)      |
| Change in net assets                                      | 7,779,218                        | 2,973,991                  | 10,753,209    |
| Net assets, beginning of year                             | 47,861,506                       | 30,728,280                 | 78,589,786    |
| Net assets, end of year                                   | \$ 55,640,724                    | \$ 33,702,271              | \$ 89,342,995 |

*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<br>Donor<br>Restrictions | With Donor<br>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<br>in perpetual 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<br>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                                   | <u>\$ 47,861,506</u>             | <u>\$ 30,728,280</u>       | <u>\$ 78,589,786</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, 2021

|                                    | Program Services |            |              | Total<br>Program |
|------------------------------------|------------------|------------|--------------|------------------|
|                                    | Curatorial       | Education  | Other        |                  |
| Salaries and wages                 | \$ 245,902       | \$ 374,429 | \$ 30,520    | \$ 650,851       |
| Employee benefits                  | 28,606           | 31,419     | 2,791        | 62,816           |
| Payroll taxes                      | 16,754           | 26,552     | 2,098        | 45,404           |
| Advertising and promotions         | -                | 1,417      | 6,114        | 7,531            |
| Bank fees                          | -                | -          | -            | -                |
| Conferences and meetings           | 926              | 274        | -            | 1,200            |
| Cost of sales                      | -                | -          | 37,536       | 37,536           |
| Depreciation                       | -                | -          | 1,455,023    | 1,455,023        |
| Dues and subscriptions             | 1,460            | 803        | 985          | 3,248            |
| Exhibition                         | 182,387          | -          | -            | 182,387          |
| In-kind services                   | -                | -          | 12,940       | 12,940           |
| Insurance                          | -                | -          | 76,697       | 76,697           |
| Interest                           | -                | -          | -            | -                |
| Meals and entertainment            | 171              | 2,923      | 1,019        | 4,113            |
| Member benefits                    | -                | 420        | 49           | 469              |
| Miscellaneous                      | 338              | 2,396      | 87,478       | 90,212           |
| Occupancy                          | 564              | 1,272      | 432,814      | 434,650          |
| Parking                            | -                | 1,785      | 261          | 2,046            |
| Printing, publications and postage | 775              | 534        | 10,975       | 12,284           |
| Professional services              | 2,775            | 10,895     | 229,186      | 242,856          |
| Supplies                           | 1,955            | 35,703     | 48,662       | 86,320           |
| Travel                             | 1,118            | 177        | -            | 1,295            |
| Total expenses                     | \$ 483,731       | \$ 490,999 | \$ 2,435,148 | \$ 3,409,878     |

---

| Supporting Services |                   |                     |                     |       |
|---------------------|-------------------|---------------------|---------------------|-------|
| Management          |                   | Total               |                     | Total |
| and General         | Fundraising       | Supporting          |                     |       |
| \$ 608,039          | \$ 316,148        | \$ 924,187          | \$ 1,575,038        |       |
| 79,610              | 38,277            | 117,887             | 180,703             |       |
| 39,079              | 21,312            | 60,391              | 105,795             |       |
| 83,858              | 100               | 83,958              | 91,489              |       |
| 22,887              | -                 | 22,887              | 22,887              |       |
| 713                 | -                 | 713                 | 1,913               |       |
| 18,141              | -                 | 18,141              | 55,677              |       |
| 562,192             | 25,783            | 587,975             | 2,042,998           |       |
| 9,979               | 330               | 10,309              | 13,557              |       |
| 27,831              | 10,380            | 38,211              | 220,598             |       |
| -                   | -                 | -                   | 12,940              |       |
| 36,540              | 1,734             | 38,274              | 114,971             |       |
| 49,070              | -                 | 49,070              | 49,070              |       |
| 2,800               | 2,028             | 4,828               | 8,941               |       |
| 1,200               | 46,977            | 48,177              | 48,646              |       |
| 34,613              | 18,973            | 53,586              | 143,798             |       |
| 168,129             | 6,833             | 174,962             | 609,612             |       |
| 8,404               | 3,532             | 11,936              | 13,982              |       |
| 6,119               | 24,165            | 30,284              | 42,568              |       |
| 640,733             | 42,515            | 683,248             | 926,104             |       |
| 64,164              | 72,477            | 136,641             | 222,961             |       |
| 4,847               | 74                | 4,921               | 6,216               |       |
| <u>\$ 2,468,948</u> | <u>\$ 631,638</u> | <u>\$ 3,100,586</u> | <u>\$ 6,510,464</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, 2020

|                                    | Program Services |            |              | Total<br>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     |

---

| 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 Statements of Cash Flows

|                                                                                                       | Year ended September 30 |                |
|-------------------------------------------------------------------------------------------------------|-------------------------|----------------|
|                                                                                                       | 2021                    | 2020           |
| <b>Operating activities</b>                                                                           |                         |                |
| Change in net assets                                                                                  | \$ 10,753,209           | \$ (2,649,068) |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities: |                         |                |
| Depreciation                                                                                          | 2,042,998               | 2,013,494      |
| Collection items purchased                                                                            | 34,000                  | 24,000         |
| Donated stock                                                                                         | (390,708)               | (48,651)       |
| Contributions restricted for comprehensive campaign                                                   | -                       | (12,500)       |
| Amortization of discount—contributions receivable                                                     | (114,904)               | (167,282)      |
| Loss on disposition of inventory                                                                      | 86,387                  | -              |
| Realized and unrealized gain on investments                                                           | (3,791,438)             | (529,484)      |
| Change in value of split-interest agreement                                                           | (31,000)                | 11,000         |
| Appreciation in beneficial interest                                                                   | (17,856)                | (2,031)        |
| Bond debt extinguishment                                                                              | (9,698,070)             | -              |
| Paycheck Protection Program loan debt extinguishment                                                  | (457,300)               | -              |
| Changes in operating assets and liabilities:                                                          |                         |                |
| Receivables                                                                                           | 2,224,322               | 1,232,806      |
| Inventories                                                                                           | 24,377                  | (13,422)       |
| Prepaid expenses                                                                                      | (136,786)               | 63,506         |
| Payables                                                                                              | 22,976                  | 19,634         |
| Advance deposits                                                                                      | 31,073                  | (111,552)      |
| Total adjustments                                                                                     | (10,171,929)            | 2,479,518      |
| Net cash provided by (used in) operating activities                                                   | 581,280                 | (169,550)      |
| <b>Investing activities</b>                                                                           |                         |                |
| Distributions from perpetual trust                                                                    | 5,275                   | -              |
| Purchases of investments                                                                              | (3,377,005)             | (5,091,363)    |
| Proceeds from sales of investments                                                                    | 2,436,369               | 4,408,921      |
| Property and equipment expenditures                                                                   | (1,499,564)             | (2,379,842)    |
| Collection items purchased                                                                            | (34,000)                | (24,000)       |
| Net cash used in investing activities                                                                 | (2,468,925)             | (3,086,284)    |

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

Consolidated Statements of Cash Flows (continued)

|                                             | Year ended September 30 |                     |
|---------------------------------------------|-------------------------|---------------------|
|                                             | 2021                    | 2020                |
| <b>Financing activities</b>                 |                         |                     |
| Proceeds from contributions restricted for: |                         |                     |
| Comprehensive campaign                      | 552,500                 | 1,050,000           |
| Endowment                                   | -                       | 25,000              |
| Proceeds from Paycheck Protection           |                         |                     |
| Program loan                                | 457,300                 | 457,300             |
| Net cash provided by financing activities   | 1,009,800               | 1,532,300           |
| Net decrease in cash                        | (877,845)               | (1,723,534)         |
| Cash, beginning of year                     | 2,892,016               | 4,615,550           |
| Cash, end of year                           | <u>\$ 2,014,171</u>     | <u>\$ 2,892,016</u> |

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

|                                        |                     |                     |
|----------------------------------------|---------------------|---------------------|
| Cash                                   | \$ 1,317,793        | \$ 1,476,120        |
| Restricted cash—comprehensive campaign | 642,768             | 1,382,742           |
| Restricted cash—endowment              | 53,610              | 33,154              |
| Total cash                             | <u>\$ 2,014,171</u> | <u>\$ 2,892,016</u> |

*See accompanying notes to financial statements.*

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

## **Notes to Consolidated Financial Statements**

---

### **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. The Museum had a concentration of credit risk with respect to contributions receivable from four foundations of approximately \$2,675,000 and five foundations of approximately \$4,962,000 at September 30, 2021 and 2020, 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 (U.S. GAAP).

#### **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)**

---

### **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 E 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)**

---

### **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.

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

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

---

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

#### **Revenue Recognition**

##### ***Contribution Revenue***

Contributions are recognized when the donor makes a promise to give to the Organization that is unconditional. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Unconditional promises to give are stated at their net realizable value. Contributions that are restricted by the donor are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires (that is, when a stipulated time restriction ends, or purpose restriction is accomplished), 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 the sale of merchandise from the Museum store. These revenues are recognized when the service is provided, or the merchandise is sold. 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. Museum store sales are recorded as revenue upon transfer of the goods to the purchaser. Special event revenues are recorded as revenue on the date the event occurs. 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.

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

Notes to Consolidated Financial Statements (continued)

---

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

**Revenue Recognition (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 2021 and 2020 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 \$18,000 in 2021 and \$187,000 in 2020.

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.

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

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

---

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

#### **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).

#### **Newly Adopted Accounting Pronouncements**

The Organization adopted the provisions of the Financial Accounting Standards Board (FASB) Accounting Standards Update (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 replaced most existing revenue recognition guidance in U.S. GAAP. The ASU also required expanded disclosures related to the nature, amount, timing and uncertainty of revenue from cash flows arising from contracts with customers. The Organization adopted this standard effective October 1, 2020 using the full retrospective method. The adoption of this standard did not have a material impact on the amount and timing of revenue recognition for admissions, program fees, special events and sale of merchandise. Other remaining revenue streams including contributions, net investment return, appreciation (depreciation) in beneficial interest and other revenue are not within the scope of Topic 606, *Revenue Recognition*.

The Organization also adopted the provisions of FASB ASU No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement*. This ASU modifies certain disclosure requirements of fair value measurements. The adoption of this ASU resulted in changes to certain fair value measurement disclosures and did not have a material impact on the consolidated financial statements. This ASU was adopted beginning October 1, 2020.

In March 2019, the FASB issued ASU No. 2019-03, *Not-for-Profit Entities (Topic 958), Updating the Definition of Collections*. This ASU aligns the U.S. GAAP definition of collections with the American Alliance of Museum's current policy regarding the management of collections. Under the amendments, the definition of collections is expanded to allow the proceeds from sales of collection items to be used in the direct care of existing collection items. Entities can allow proceeds to be used for both direct care and acquisitions, or they can retain the narrower definition and continue to restrict the use of proceeds to the acquisition of new collection items consistent with the current U.S. GAAP definition. The Organization adopted and implemented this pronouncement on October 1, 2020 using the prospective method of application. The adoption of ASU 2019-03 resulted in no material changes to the recognition of collections.

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

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

---

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

#### **Newly Adopted Accounting Pronouncements (continued)**

The 2020 consolidated financial statements have been reclassified to conform to the 2021 presentation and disclosure requirements of ASU Nos. 2014-09 and 2018-13.

#### **Upcoming New Accounting Pronouncements**

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. 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 date of ASU No. 2016-02 by one year to fiscal years beginning after December 15, 2021.

In September 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958), Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which increases the transparency of contributed nonfinancial assets for not-for-profit entities through enhancements to presentation and disclosure. This standard is effective for annual reporting periods beginning after June 15, 2021.

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

#### **Subsequent Events**

Subsequent events were evaluated through January 25, 2022, 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 one financial institution. 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>2021</b>         | <b>2020</b>         |
|--------------------------------------|---------------------|---------------------|
| Receivable in less than one year     | \$ 2,990,490        | \$ 1,836,494        |
| Receivable in one year to five years | 28,000              | 3,450,000           |
| Total contributions receivable       | 3,018,490           | 5,286,494           |
| Less discount to net present value   | 1,194               | 116,098             |
| Net contributions receivable         | <u>\$ 3,017,296</u> | <u>\$ 5,170,396</u> |

Contributions receivable in more than one year were discounted at 3.25% per annum for 2021 and 2.50% in 2020.

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

|                                                 | <b>2021</b>         | <b>2020</b>         |
|-------------------------------------------------|---------------------|---------------------|
| Contributions receivable                        | \$ 1,432,980        | \$ 3,084,315        |
| Contributions receivable—comprehensive campaign | 1,559,316           | 2,061,081           |
| Contributions receivable—endowment              | 25,000              | 25,000              |
| Total contributions receivable                  | <u>\$ 3,017,296</u> | <u>\$ 5,170,396</u> |

**Note D—Inventory**

In March 2020, the Museum closed its store to the general public. At that time, it was not possible to estimate the extent of any potential losses due to the uncertainty surrounding the coronavirus pandemic. In 2021, the Museum liquidated store inventory which resulted in a loss of approximately \$86,000.

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

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

---

### **Note E—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.

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 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.

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

Notes to Consolidated Financial Statements (continued)

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

*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 is estimated by calculating the present value of future distributions expected to be received, using published life expectancy tables and a discount rate of 3.0% for 2021 and 2.5% for 2020.

Assets measured at fair value on a recurring basis at September 30, 2021 are as follows:

|                                                       | Level 1              | Level 2     | Level 3     | Investments<br>Valued<br>Using the<br>Practical<br>Expedient | Total                |
|-------------------------------------------------------|----------------------|-------------|-------------|--------------------------------------------------------------|----------------------|
| <b>Beneficial Interest<br/>in Perpetual<br/>Trust</b> | \$ —                 | \$ —        | \$ 103,618  | \$ —                                                         | \$ 103,618           |
| <b>Split-Interest<br/>Agreement</b>                   | \$ —                 | \$ —        | \$ 837,000  | \$ —                                                         | \$ 837,000           |
| <b>Endowment<br/>Investments:</b>                     |                      |             |             |                                                              |                      |
| Exchange traded<br>funds                              | \$ 990,956           | \$ —        | \$ —        | \$ —                                                         | \$ 990,956           |
| Hedge funds                                           | —                    | —           | —           | 2,421,572                                                    | 2,421,572            |
| Mutual funds                                          | 21,865,425           | —           | —           | —                                                            | 21,865,425           |
| <b>Total endowment<br/>investments</b>                | <b>\$ 22,856,381</b> | <b>\$ —</b> | <b>\$ —</b> | <b>\$ 2,421,572</b>                                          | <b>\$ 25,277,953</b> |

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

Notes to Consolidated Financial Statements (continued)

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

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

|                                                       | Level 1       | Level 2 | Level 3    | Investments<br>Valued<br>Using the<br>Practical<br>Expedient | Total         |
|-------------------------------------------------------|---------------|---------|------------|--------------------------------------------------------------|---------------|
| <b>Beneficial Interest<br/>in Perpetual<br/>Trust</b> | \$ —          | \$ —    | \$ 91,037  | \$ —                                                         | \$ 91,037     |
| <b>Split-Interest<br/>Agreement</b>                   | \$ —          | \$ —    | \$ 806,000 | \$ —                                                         | \$ 806,000    |
| <b>Endowment<br/>Investments:</b>                     |               |         |            |                                                              |               |
| Hedge funds                                           | \$ —          | \$ —    | \$ —       | \$ 1,952,344                                                 | \$ 1,952,344  |
| Mutual funds                                          | 18,593,535    | —       | —          | —                                                            | 18,593,535    |
| Total endowment<br>investments                        | \$ 18,593,535 | \$ —    | \$ —       | \$ 1,952,344                                                 | \$ 20,545,879 |

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

|                                                             | Split-Interest<br>Agreement | Beneficial<br>Interest in<br>Perpetual<br>Trust | Total        |
|-------------------------------------------------------------|-----------------------------|-------------------------------------------------|--------------|
| <b>Year ended September 30, 2021</b>                        |                             |                                                 |              |
| Beginning balance                                           | \$ 806,000                  | \$ 91,037                                       | \$ 2,849,381 |
| Unrealized appreciation included<br>in change in net assets | 31,000                      | 17,856                                          | 518,084      |
| Distributions received                                      | —                           | (5,275)                                         | (5,275)      |
| Ending balance                                              | \$ 837,000                  | \$ 103,618                                      | \$ 3,362,190 |

# Grand Rapids Art Museum and Grand Rapids Art Museum Foundation

## Notes to Consolidated Financial Statements (continued)

### Note E—Fair Value Measurements (continued)

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

### Note F—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.

# Grand Rapids Art Museum and Grand Rapids Art Museum Foundation

## Notes to Consolidated Financial Statements (continued)

### Note G—Property and Equipment

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

|                               | <b>2021</b>          | <b>2020</b>          |
|-------------------------------|----------------------|----------------------|
| Land                          | \$ 7,575,615         | \$ 7,575,615         |
| Building                      | 76,588,560           | 75,391,284           |
| Leasehold improvements        | 3,800                | 3,800                |
| Furniture and equipment       | 2,971,742            | 2,669,454            |
| Vehicles                      | 36,919               | 36,919               |
| Total property and equipment  | 87,176,636           | 85,677,072           |
| Less accumulated depreciation | 28,816,661           | 26,773,663           |
| Net property and equipment    | <u>\$ 58,359,975</u> | <u>\$ 58,903,409</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.

### Note H—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 \$837,000 and \$806,000 at September 30, 2021 and 2020, 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 discount rates of 3.0% and 2.5% for 2021 and 2020, respectively.

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

Notes to Consolidated Financial Statements (continued)

---

**Note I—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:

|                  | 2021      | 2020      | 2019       |
|------------------|-----------|-----------|------------|
| Advance deposits | \$ 87,278 | \$ 56,205 | \$ 167,757 |

**Note J—Debt**

**Line of Credit**

The Organization has a \$750,000 revolving line of credit agreement with a bank (\$750,000 available at September 30, 2021), under which borrowings bear interest at the Bank's Prime Rate less 0.50% (2.75% at September 30, 2021). The line of credit is guaranteed by the assets of the Foundation and matures May 31, 2022.

**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 elected to account for the PPP loan as debt pursuant to the guidance in FASB Accounting Standards Codification (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. PPP loans helped businesses keep their workforce employed during the Coronavirus crisis.

The Organization submitted an application for forgiveness of the PPP loan to the SBA. In March 2021, the Organization received legal release from the SBA for the entire loan plus accrued interest thereon. As a result, the PPP loan has been reflected as a government grant on the consolidated statement of activities.

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

Notes to Consolidated Financial Statements (continued)

---

**Note J—Debt (continued)**

**Paycheck Protection Program Loan (continued)**

In March 2021, the Organization received a second PPP loan from a financial institution through the SBA in the amount of \$457,300. Subject to potential forgiveness as described below, the PPP loan matures in March 2026 and bears interest at a rate of 1.00% per year. 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 and was notified by the SBA in November 2021 that the second PPP loan in the amount of \$457,300 and the related accrued interest were forgiven.

**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 totaled \$9,420,000 and were set to mature in a lump sum on May 1, 2041. Effective June 2018, interest payments on the bonds were suspended. The Museum was notified in May 2021 that the bonds and all related accrued interest were forgiven. As a result, the bonds and related accrued interest have been reflected as a grant on the consolidated statement of activities. See footnote M for more information.

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

Notes to Consolidated Financial Statements (continued)

**Note K—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:

|                   | <b>2021</b>         | <b>2020</b>         |
|-------------------|---------------------|---------------------|
| Board designated: |                     |                     |
| Operating reserve | \$ 300,000          | \$ 300,000          |
| Endowment         | 1,696,410           | 1,406,797           |
| Total             | <u>\$ 1,996,410</u> | <u>\$ 1,706,797</u> |

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

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

|                                                     | <b>2021</b>         | <b>2020</b>         |
|-----------------------------------------------------|---------------------|---------------------|
| <b>Subject to expenditure for specific purpose:</b> |                     |                     |
| Collections                                         | \$ 456,157          | \$ 457,517          |
| Comprehensive campaign                              | 5,552,650           | 4,900,000           |
| Education programs                                  | 3,000               | —                   |
| Exhibitions                                         | 233,128             | 282,133             |
| General operations                                  | 4,500               | —                   |
| Property and equipment                              | 14,566              | 10,877              |
| Public outreach                                     | 2,360               | 3,345               |
| Promises to give with donor restrictions:           |                     |                     |
| Comprehensive campaign                              | 1,559,316           | 2,061,081           |
| Exhibitions                                         | 21,651              | 19,167              |
| Property and equipment                              | 25,000              | 49,984              |
| Total purpose restrictions                          | <u>\$ 7,872,328</u> | <u>\$ 7,784,104</u> |
| <b>Subject to the passage of time:</b>              |                     |                     |
| Promises to give with donor restrictions:           |                     |                     |
| Programs                                            | \$ 1,218,660        | \$ 2,905,500        |
| Total time restrictions                             | <u>\$ 1,218,660</u> | <u>\$ 2,905,500</u> |

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

Notes to Consolidated Financial Statements (continued)

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

|                                                                            | <b>2021</b>                 | <b>2020</b>                 |
|----------------------------------------------------------------------------|-----------------------------|-----------------------------|
| <b>Endowment:</b>                                                          |                             |                             |
| Subject to appropriation and expenditure<br>when a specified event occurs: |                             |                             |
| American Art acquisitions                                                  | \$ 1,076,418                | \$ 790,278                  |
| Education programs                                                         | 169,330                     | 83,765                      |
| Exhibitions                                                                | 25,910                      | 11,754                      |
| Furniture restoration and maintenance                                      | 20,163                      | 16,720                      |
| General operations                                                         | 4,784,915                   | 1,630,429                   |
| Library                                                                    | 1,835                       | —                           |
| Underprivileged and disabled patrons                                       | 514,292                     | 262,190                     |
| Subtotal                                                                   | <u>6,592,863</u>            | <u>2,795,136</u>            |
| Subject to the Organization's spending<br>policy and appropriation:        |                             |                             |
| American Arts acquisitions                                                 | 1,069,436                   | 1,058,936                   |
| Education programs                                                         | 547,256                     | 546,256                     |
| Exhibitions                                                                | 57,011                      | 57,011                      |
| General operations                                                         | 15,357,331                  | 14,633,186                  |
| Library acquisitions                                                       | 37,981                      | 37,981                      |
| Underprivileged and disabled patrons                                       | 962,395                     | 962,395                     |
| Underwater endowment                                                       | (12,990)                    | (52,225)                    |
| Subtotal                                                                   | <u>18,018,420</u>           | <u>17,243,540</u>           |
| Total endowment                                                            | <u>24,611,283</u>           | <u>20,038,676</u>           |
| Total net assets with donor restrictions                                   | <u><u>\$ 33,702,271</u></u> | <u><u>\$ 30,728,280</u></u> |

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

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

---

### **Note M—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, 2021, the Museum had received approximately \$7,112,500 in contribution revenue and had expended approximately \$3,945,043 for these projects.

In April 2018, the Museum received a challenge grant whereby the donor that holds the Series B bonds would forgive the \$9,420,000 Series B bonds and all related accrued interest if the Museum could raise \$9,420,000 for the comprehensive campaign. The Museum fulfilled the challenge grant during the year and was notified in May 2021 that the \$9,420,000 Series B bonds and accrued interest totaling \$278,070 were forgiven.

### **Note N—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.

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

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

---

### **Note N—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 M.

During 2021, the Foundation's Board of Trustees voted to begin drawing from the endowment effective with the fiscal year ended September 30, 2022. Additionally, the spending policy increased to 5.0% of the endowment fund's average fair value for the prior 12 quarters.

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

Notes to Consolidated Financial Statements (continued)

**Note N—Endowment (continued)**

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

|                                                                                                           | Without<br>Donor<br>Restrictions | With Donor<br>Restrictions | Total                |
|-----------------------------------------------------------------------------------------------------------|----------------------------------|----------------------------|----------------------|
| <b>September 30, 2021</b>                                                                                 |                                  |                            |                      |
| Board-designated endowment funds                                                                          | \$ 1,696,410                     | \$ —                       | \$ 1,696,410         |
| Donor-restricted endowment funds:                                                                         |                                  |                            |                      |
| Original donor-restricted gift amount<br>and amounts required to be<br>maintained in perpetuity by donors | —                                | 17,927,792                 | 17,927,792           |
| Accumulated investment gains                                                                              | —                                | 6,579,873                  | 6,579,873            |
| Perpetual trust                                                                                           | —                                | 103,618                    | 103,618              |
| Total funds                                                                                               | <u>\$ 1,696,410</u>              | <u>\$ 24,611,283</u>       | <u>\$ 26,307,693</u> |
| <b>September 30, 2020</b>                                                                                 |                                  |                            |                      |
| Board-designated endowment funds                                                                          | \$ 1,406,797                     | \$ —                       | \$ 1,406,797         |
| Donor-restricted endowment funds:                                                                         |                                  |                            |                      |
| Original donor-restricted gift amount<br>and amounts required to be<br>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> |

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

Notes to Consolidated Financial Statements (continued)

**Note N—Endowment (continued)**

Changes in endowment net assets for the year ended September 30, 2021 are as follows:

|                                                           | Without<br>Donor<br>Restrictions | With Donor<br>Restrictions | Total                |
|-----------------------------------------------------------|----------------------------------|----------------------------|----------------------|
| Endowment net assets, beginning of year                   | \$ 1,406,797                     | \$ 20,038,676              | \$ 21,445,473        |
| Investment return:                                        |                                  |                            |                      |
| Investment income, net of fees                            | 24,138                           | 319,776                    | 343,914              |
| Net appreciation                                          | 265,475                          | 3,532,436                  | 3,797,911            |
| Total investment return                                   | 289,613                          | 3,852,212                  | 4,141,825            |
| Contributions                                             | —                                | 692,066                    | 692,066              |
| Appreciation in beneficial interest in<br>perpetual trust | —                                | 17,856                     | 17,856               |
| Change in value of split-interest<br>agreement            | —                                | 31,000                     | 31,000               |
| Amounts appropriated for expenditure                      | —                                | (20,527)                   | (20,527)             |
| Endowment net assets, end of year                         | <u>\$ 1,696,410</u>              | <u>\$ 24,611,283</u>       | <u>\$ 26,307,693</u> |

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

|                                                           | Without<br>Donor<br>Restrictions | With Donor<br>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<br>perpetual trust | —                                | 2,031                      | 2,031                |
| Change in value of split-interest<br>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> |

# Grand Rapids Art Museum and Grand Rapids Art Museum Foundation

## Notes to Consolidated Financial Statements (continued)

### Note O—Net Investment Return

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

|                                                 | <u>2021</u>         | <u>2020</u>         |
|-------------------------------------------------|---------------------|---------------------|
| Interest and dividends                          | \$ 428,253          | \$ 565,046          |
| Realized and unrealized net gain on investments | 3,788,492           | 528,170             |
| Investment management fees                      | (77,870)            | (76,789)            |
| Total                                           | <u>\$ 4,138,875</u> | <u>\$ 1,016,427</u> |

### Note P—Commitments

#### Lease Commitments

The Museum leases certain office equipment under noncancelable operating leases. One lease expired in August 2020. The other lease expires in February 2024. Lease expense for this office equipment was \$2,331 in 2021 and \$26,289 in 2020.

The Museum leases a secondary office facility under a noncancelable operating lease that expires in March 2023. Rent expense for the lease totaled \$31,493 in 2021 and \$30,992 in 2020.

Future minimum lease commitments at September 30, 2021 under noncancelable operating leases with remaining terms in excess of one year are as follows:

| <u>Year ending September 30</u> | <u>Amount</u>    |
|---------------------------------|------------------|
| 2022                            | \$ 34,232        |
| 2023                            | 18,281           |
| 2024                            | 777              |
| Total lease commitments         | <u>\$ 53,290</u> |

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

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

---

### **Note P—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 expires in 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 Q—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 \$8,428 in 2021 and \$46,681 in 2020. Matching contributions were suspended effective October 2020.

### **Note R—Advertising Costs**

Advertising and promotion costs are expensed at the time the advertising takes place. Advertising costs incurred were \$83,958 in 2021 and \$91,489 in 2020.

### **Note S—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. The full impact of the COVID-19 outbreak continues to evolve. Since the values of the Organization's investments have and will fluctuate in response to changing market conditions, the amount of losses that will be recognized in subsequent periods, if any, and related impact on the Organization's liquidity cannot be determined at this time.

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

Notes to Consolidated Financial Statements (continued)

**Note T—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>2021</b>         | <b>2020</b>  |
|----------------------------------------------------------------------------------------|---------------------|--------------|
| Cash                                                                                   | <b>\$ 2,014,171</b> | \$ 2,892,016 |
| Receivables                                                                            | <b>3,046,915</b>    | 5,318,237    |
| Investments                                                                            | <b>25,277,953</b>   | 20,545,879   |
| Total financial assets                                                                 | <b>30,339,039</b>   | 28,756,132   |
| Less those unavailable for general expenditure within one year due to:                 |                     |              |
| Restricted by donor with purpose restrictions                                          | <b>2,311,333</b>    | 3,558,634    |
| Restricted by donor with time restrictions                                             | —                   | 1,070,791    |
| Donor-restricted endowment                                                             | <b>17,927,792</b>   | 17,204,728   |
| Board-designated endowment                                                             | <b>1,696,410</b>    | 1,406,797    |
| Financial assets available to meet cash needs for general expenditures within one year | <b>\$ 8,403,504</b> | \$ 5,515,182 |

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 \$1,696,410 is subject to an annual spending policy rate up to 5% as described in Footnote N. 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)

---

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

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 \$300,000 as of September 30, 2021 and 2020.

**Note U—Supplemental Cash Flow Information**

Cash paid for interest was \$0 in 2021 and in 2020.

**Note V—Coronavirus Pandemic**

As a result of the global coronavirus (COVID-19) pandemic of 2020, the Organization was required to make operational adjustments and remain flexible. The Museum reduced the number of days it is open to the general public which directly impacted revenue from admissions and programming. Other changes included the cancellation of special events, delaying the opening of exhibitions, reducing personnel hours and pay rates, and permanently closing the store in 2021.

The extent of the impact of the COVID-19 outbreak on the operational and financial performance of the Organization will depend on continued future developments, including the duration and spread of the outbreak, related travel advisories and restrictions and the impact of COVID-19 on overall demand for the Museum's program services, all of which are highly uncertain and cannot be predicted. If demand for the Museum's services, and the ability of the Museum to complete grant-funded services are impacted for an extended period, results of operations may be materially adversely affected.

**Note W—Subsequent Event**

In November 2021, the Museum entered into a construction agreement with an unrelated party to serve as the Museum's general contractor and perform renovation of the Museum's Learning Center. The contract amount is approximately \$3,500,000 with the project expected to be completed in August 2022.

## Supplementary Information

# Grand Rapids Art Museum and Grand Rapids Art Museum Foundation

## Consolidating Statement of Financial Position September 30, 2021

|                                                       | Grand Rapids<br>Art Museum | Grand Rapids<br>Art Museum<br>Foundation | Eliminations      | Consolidated         |
|-------------------------------------------------------|----------------------------|------------------------------------------|-------------------|----------------------|
| <b>Assets</b>                                         |                            |                                          |                   |                      |
| Cash                                                  | \$ 1,317,793               | \$ -                                     | \$ -              | \$ 1,317,793         |
| Accounts receivable                                   | 29,619                     | 8,695                                    | (8,695)           | 29,619               |
| Contributions receivable                              | 1,432,980                  | -                                        | -                 | 1,432,980            |
| Inventories                                           | 12,777                     | -                                        | -                 | 12,777               |
| Prepaid expenses                                      | 142,786                    | -                                        | -                 | 142,786              |
| Prepaid exhibitions                                   | 288,720                    | -                                        | -                 | 288,720              |
| Assets restricted for comprehensive campaign:         |                            |                                          |                   |                      |
| Cash                                                  | 642,768                    | -                                        | -                 | 642,768              |
| Contributions receivable                              | 1,559,316                  | -                                        | -                 | 1,559,316            |
| Property and equipment, less accumulated depreciation | 58,359,975                 | -                                        | -                 | 58,359,975           |
| Beverage license                                      | 42,444                     | -                                        | -                 | 42,444               |
| Beneficial interest in perpetual trust                | 103,618                    | -                                        | -                 | 103,618              |
| Assets restricted for endowment:                      |                            |                                          |                   |                      |
| Cash                                                  | -                          | 53,610                                   | -                 | 53,610               |
| Interest receivable                                   | -                          | 1,817                                    | -                 | 1,817                |
| Contributions receivable                              | -                          | 25,000                                   | -                 | 25,000               |
| Contribution receivable—split-interest agreement      | -                          | 837,000                                  | -                 | 837,000              |
| Investments                                           | -                          | 25,277,953                               | -                 | 25,277,953           |
| Total assets                                          | <u>\$ 63,932,796</u>       | <u>\$ 26,204,075</u>                     | <u>\$ (8,695)</u> | <u>\$ 90,128,176</u> |
| <b>Liabilities</b>                                    |                            |                                          |                   |                      |
| Accounts payable                                      | \$ 220,866                 | \$ -                                     | \$ (8,695)        | \$ 212,171           |
| Other payables                                        | 28,432                     | -                                        | -                 | 28,432               |
| Advance deposits                                      | 87,278                     | -                                        | -                 | 87,278               |
| Long-term debt—Paycheck Protection Program loan       | 457,300                    | -                                        | -                 | 457,300              |
| Total liabilities                                     | <u>793,876</u>             | <u>-</u>                                 | <u>(8,695)</u>    | <u>785,181</u>       |
| <b>Net Assets</b>                                     |                            |                                          |                   |                      |
| Without donor restrictions                            | 53,944,314                 | 1,696,410                                | -                 | 55,640,724           |
| With donor restrictions                               | 9,194,606                  | 24,507,665                               | -                 | 33,702,271           |
| Total net assets                                      | <u>63,138,920</u>          | <u>26,204,075</u>                        | <u>-</u>          | <u>89,342,995</u>    |
| Total liabilities and net assets                      | <u>\$ 63,932,796</u>       | <u>\$ 26,204,075</u>                     | <u>\$ (8,695)</u> | <u>\$ 90,128,176</u> |

# Grand Rapids Art Museum and Grand Rapids Art Museum Foundation

## Consolidating Statement of Financial Position September 30, 2020

|                                                       | Grand Rapids<br>Art Museum | Grand Rapids<br>Art Museum<br>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           |
| <b>Total assets</b>                                   | <b>\$ 67,664,552</b>       | <b>\$ 21,411,738</b>                     | <b>\$ (57,302)</b> | <b>\$ 89,018,988</b> |
| <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            |
| <b>Total liabilities</b>                              | <b>10,429,202</b>          | <b>57,302</b>                            | <b>(57,302)</b>    | <b>10,429,202</b>    |
| <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           |
| <b>Total net assets</b>                               | <b>57,235,350</b>          | <b>21,354,436</b>                        | <b>-</b>           | <b>78,589,786</b>    |
| <b>Total liabilities and net assets</b>               | <b>\$ 67,664,552</b>       | <b>\$ 21,411,738</b>                     | <b>\$ (57,302)</b> | <b>\$ 89,018,988</b> |

# Grand Rapids Art Museum and Grand Rapids Art Museum Foundation

## Consolidating Statement of Activities

Year ended September 30, 2021

|                                                              | <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                                                | \$ 1,367,139                   | \$ 410,229          |
| Admissions                                                   | 81,497                         | -                   |
| Memberships                                                  | 131,307                        | -                   |
| Program fees                                                 | 49,676                         | -                   |
| Special events                                               | 145,899                        | -                   |
| Museum store                                                 | 38,926                         | -                   |
| Grant                                                        | 9,698,070                      | -                   |
| Government grant                                             | 457,300                        | -                   |
| Net investment return                                        | (2,950)                        | -                   |
| Change in value of split-interest agreement                  | -                              | -                   |
| Appreciation in beneficial interest in perpetual trust       | -                              | 17,856              |
| In-kind donations                                            | 17,880                         | -                   |
| Other income                                                 | 19,953                         | -                   |
| Total support and revenue                                    | 12,004,697                     | 428,085             |
| Net assets released from restrictions                        | 1,980,120                      | (1,980,120)         |
| Total support, revenue and reclassifications                 | 13,984,817                     | (1,552,035)         |
| <b>Expenses:</b>                                             |                                |                     |
| Program                                                      | 3,409,878                      | -                   |
| Management and general                                       | 2,453,696                      | -                   |
| Fundraising                                                  | 631,638                        | -                   |
| Total expenses                                               | 6,495,212                      | -                   |
| Support, revenue and reclassifications over (under) expenses | 7,489,605                      | (1,552,035)         |
| Collection items purchased                                   | -                              | (34,000)            |
| Change in net assets                                         | 7,489,605                      | (1,586,035)         |
| Net assets, beginning of year                                | 46,454,709                     | 10,780,641          |
| Net assets, end of year                                      | \$ 53,944,314                  | \$ 9,194,606        |

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

Consolidating Statement of Activities (continued)  
Year ended September 30, 2021

| <b>Grand Rapids Art Museum<br/>Foundation</b> |                                    |                     |               |  |
|-----------------------------------------------|------------------------------------|---------------------|---------------|--|
| <b>Without<br/>Donor<br/>Restrictions</b>     | <b>With Donor<br/>Restrictions</b> | <b>Eliminations</b> | <b>Total</b>  |  |
| \$ -                                          | \$ 692,066                         | \$ -                | \$ 2,469,434  |  |
| -                                             | -                                  | -                   | 81,497        |  |
| -                                             | -                                  | -                   | 131,307       |  |
| -                                             | -                                  | -                   | 49,676        |  |
| -                                             | -                                  | -                   | 145,899       |  |
| -                                             | -                                  | -                   | 38,926        |  |
| -                                             | -                                  | -                   | 9,698,070     |  |
| -                                             | -                                  | -                   | 457,300       |  |
| 289,613                                       | 3,852,212                          | -                   | 4,138,875     |  |
| -                                             | 31,000                             | -                   | 31,000        |  |
| -                                             | -                                  | -                   | 17,856        |  |
| -                                             | -                                  | -                   | 17,880        |  |
| -                                             | -                                  | -                   | 19,953        |  |
| 289,613                                       | 4,575,278                          | -                   | 17,297,673    |  |
| 15,252                                        | (15,252)                           | -                   | -             |  |
| 304,865                                       | 4,560,026                          | -                   | 17,297,673    |  |
| -                                             | -                                  | -                   | 3,409,878     |  |
| 15,252                                        | -                                  | -                   | 2,468,948     |  |
| -                                             | -                                  | -                   | 631,638       |  |
| 15,252                                        | -                                  | -                   | 6,510,464     |  |
| 289,613                                       | 4,560,026                          | -                   | 10,787,209    |  |
| -                                             | -                                  | -                   | (34,000)      |  |
| 289,613                                       | 4,560,026                          | -                   | 10,753,209    |  |
| 1,406,797                                     | 19,947,639                         | -                   | 78,589,786    |  |
| \$ 1,696,410                                  | \$ 24,507,665                      | \$ -                | \$ 89,342,995 |  |

**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 perpetual 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<br>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                                         | <u>\$ 46,454,709</u>           | <u>\$ 10,780,641</u> |

**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<br/>Foundation</b> |                                    |                     |               |  |
|-----------------------------------------------|------------------------------------|---------------------|---------------|--|
| <b>Without<br/>Donor<br/>Restrictions</b>     | <b>With Donor<br/>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 Cash Flows  
Year ended September 30, 2021

|                                                                                                             | <u>Grand Rapids<br/>Art Museum</u> | <u>Grand Rapids<br/>Art Museum<br/>Foundation</u> | <u>Eliminations</u> | <u>Consolidated</u> |
|-------------------------------------------------------------------------------------------------------------|------------------------------------|---------------------------------------------------|---------------------|---------------------|
| <b>Operating activities</b>                                                                                 |                                    |                                                   |                     |                     |
| Change in net assets                                                                                        | \$ 5,903,570                       | \$ 4,849,639                                      | \$ -                | \$ 10,753,209       |
| Adjustments to reconcile change in<br>net assets to net cash provided by<br>(used in) operating activities: |                                    |                                                   |                     |                     |
| Depreciation                                                                                                | 2,042,998                          | -                                                 | -                   | 2,042,998           |
| Collection items purchased                                                                                  | 34,000                             | -                                                 | -                   | 34,000              |
| Donated stock                                                                                               | (390,708)                          | -                                                 | -                   | (390,708)           |
| Amortization of discount                                                                                    | (114,904)                          | -                                                 | -                   | (114,904)           |
| Loss on disposition of inventory                                                                            | 86,387                             | -                                                 | -                   | 86,387              |
| Realized/unrealized net<br>gain on investments                                                              | -                                  | (3,791,438)                                       | -                   | (3,791,438)         |
| Change in value of split-interest<br>agreement                                                              | -                                  | (31,000)                                          | -                   | (31,000)            |
| Appreciation in beneficial interest                                                                         | (17,856)                           | -                                                 | -                   | (17,856)            |
| Bond debt extinguishment                                                                                    | (9,698,070)                        | -                                                 | -                   | (9,698,070)         |
| Paycheck Protection Program<br>loan debt extinguishment                                                     | (457,300)                          | -                                                 | -                   | (457,300)           |
| Changes in operating assets and<br>liabilities:                                                             |                                    |                                                   |                     |                     |
| Receivables                                                                                                 | 2,281,736                          | (8,807)                                           | (48,607)            | 2,224,322           |
| Inventories                                                                                                 | 24,377                             | -                                                 | -                   | 24,377              |
| Prepaid expenses                                                                                            | (136,786)                          | -                                                 | -                   | (136,786)           |
| Payables                                                                                                    | 31,671                             | (57,302)                                          | 48,607              | 22,976              |
| Advance deposits                                                                                            | 31,073                             | -                                                 | -                   | 31,073              |
| Total adjustments                                                                                           | <u>(6,283,382)</u>                 | <u>(3,888,547)</u>                                | <u>-</u>            | <u>(10,171,929)</u> |
| Net cash provided by (used in)<br>operating activities                                                      | (379,812)                          | 961,092                                           | -                   | 581,280             |

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

Consolidating Statement of Cash Flows (continued)  
Year ended September 30, 2021

|                                                | <b>Grand Rapids<br/>Art Museum</b> | <b>Grand Rapids<br/>Art Museum<br/>Foundation</b> | <b>Eliminations</b> | <b>Consolidated</b> |
|------------------------------------------------|------------------------------------|---------------------------------------------------|---------------------|---------------------|
| <b>Investing activities</b>                    |                                    |                                                   |                     |                     |
| Distributions from perpetual trust             | 5,275                              | -                                                 | -                   | 5,275               |
| Purchases of investments                       | -                                  | (3,377,005)                                       | -                   | (3,377,005)         |
| Proceeds from sales of investments             | -                                  | 2,436,369                                         | -                   | 2,436,369           |
| Property/equipment expenditures                | (1,499,564)                        | -                                                 | -                   | (1,499,564)         |
| Collection items purchased                     | (34,000)                           | -                                                 | -                   | (34,000)            |
| Net cash used in investing activities          | (1,528,289)                        | (940,636)                                         | -                   | (2,468,925)         |
| <b>Financing activities</b>                    |                                    |                                                   |                     |                     |
| Proceeds from restricted contributions:        |                                    |                                                   |                     |                     |
| Comprehensive campaign                         | 552,500                            | -                                                 | -                   | 552,500             |
| Proceeds from Paycheck Protection Program loan | 457,300                            | -                                                 | -                   | 457,300             |
| Net cash provided by financing activities      | 1,009,800                          | -                                                 | -                   | 1,009,800           |
| Net increase (decrease) in cash                | (898,301)                          | 20,456                                            | -                   | (877,845)           |
| Cash, beginning of year                        | 2,858,862                          | 33,154                                            | -                   | 2,892,016           |
| Cash, end of year                              | <u>\$ 1,960,561</u>                | <u>\$ 53,610</u>                                  | <u>\$ -</u>         | <u>\$ 2,014,171</u> |

# Grand Rapids Art Museum and Grand Rapids Art Museum Foundation

## Consolidating Statement of Cash Flows Year ended September 30, 2020

|                                                                                                             | <b>Grand Rapids<br/>Art Museum</b> | <b>Grand Rapids<br/>Art Museum<br/>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<br>net assets to net cash provided by<br>(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<br>gain on investments                                                              | -                                  | (529,484)                                         | -                   | (529,484)           |
| Change in value of split-interest<br>agreement                                                              | -                                  | 11,000                                            | -                   | 11,000              |
| Appreciation in beneficial interest                                                                         | (2,031)                            | -                                                 | -                   | (2,031)             |
| Changes in operating assets and<br>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)<br>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<br/>Art Museum</u> | <u>Grand Rapids<br/>Art Museum<br/>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> |