

Grand Rapids  
Public Museum  
Foundation  
and  
Subsidiary

*Be curious.* | GRAND  
RAPIDS  
PUBLIC  
MUSEUM

Years Ended  
June 30,  
2016 and 2015

Consolidated  
Financial  
Statements  
and  
Supplementary  
Information

# GRAND RAPIDS PUBLIC MUSEUM FOUNDATION AND SUBSIDIARY

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**INDEPENDENT AUDITORS' REPORT**

October 25, 2016

Board of Trustees  
Grand Rapids Public Museum Foundation  
and Subsidiary  
Grand Rapids, Michigan

We have audited the accompanying consolidated financial statements of the **Grand Rapids Public Museum Foundation and Subsidiary** (Michigan non-profit corporations) (the "Organization"), which comprise the consolidated statements of financial position as of June 30, 2016 and 2015, and the related consolidated statements of activities 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 these 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.

***Independent Auditors' 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 auditor 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 consolidated financial position of ***Grand Rapids Public Museum Foundation and Subsidiary*** as of June 30, 2016 and 2015, and the consolidated changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

***Other Information***

Our audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The supplementary information listed in the accompanying table of contents is presented for purposes of additional analysis and is not a required part of the basic 2016 consolidated financial statements. The supplementary information has not been subjected to the auditing procedures applied in the audit of the 2016 consolidated financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

*Rehmann Johnson LLC*

# GRAND RAPIDS PUBLIC MUSEUM FOUNDATION AND SUBSIDIARY

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	ASSETS	
	June 30	
	2016	2015
<b>Current assets</b>		
Cash and cash equivalents	\$ 5,703,166	\$ 3,373,157
Certificates of deposit	-	3,452,365
Receivables:		
Contributions, current portion	413,258	485,626
Contributions, restricted for long-term purposes	105,000	131,000
Other	56,153	92,679
Inventories	51,431	42,884
Prepaid expenses	300,227	347,092
<b>Total current assets</b>	<b>6,629,235</b>	<b>7,924,803</b>
Investments	27,452,719	27,628,373
Charitable remainder trust	473,000	475,000
Contributions receivable, net of current portion	16,731	272,025
Property and equipment, net	3,309,745	2,803,078
<b>Total assets</b>	<b>\$ 37,881,430</b>	<b>\$ 39,103,279</b>
	LIABILITIES AND NET ASSETS	
<b>Liabilities</b>		
Accounts payable	\$ 325,507	\$ 405,933
Accrued expenses:		
Payroll and related taxes	37,765	134,220
Compensated absences	95,385	76,819
Deferred revenue	240,051	197,425
Short-term borrowings	748,638	740,656
<b>Total liabilities (all current)</b>	<b>1,447,346</b>	<b>1,555,053</b>
Commitments and contingencies (Notes 9, 10 and 12)		
<b>Net assets (deficit)</b>		
Unrestricted	(3,080,217)	(2,931,587)
Temporarily restricted	494,824	1,457,836
Permanently restricted	39,019,477	39,021,977
<b>Total net assets</b>	<b>36,434,084</b>	<b>37,548,226</b>
<b>Total liabilities and net assets</b>	<b>\$ 37,881,430</b>	<b>\$ 39,103,279</b>

The accompanying notes are an integral part of these consolidated financial statements.

**GRAND RAPIDS PUBLIC MUSEUM FOUNDATION  
AND SUBSIDIARY**

**CONSOLIDATED STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2016**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Support, revenue and gains (losses)</b>				
<b>Support</b>				
Contributions:				
Cash and promises to give cash	\$ 194,067	\$ 157,846	\$ (500)	\$ 351,413
Grants	2,038,000	153,023	-	2,191,023
In-kind	1,405,865	-	-	1,405,865
Change in value of split-interest agreement	-	-	(2,000)	(2,000)
<b>Total support</b>	<b>3,637,932</b>	<b>310,869</b>	<b>(2,500)</b>	<b>3,946,301</b>
<b>Revenue and gains (losses)</b>				
Museum admissions	1,409,117	-	-	1,409,117
Food sales	541,118	-	-	541,118
Store sales	171,830	-	-	171,830
Membership	314,906	-	-	314,906
Parking fees	294,184	-	-	294,184
Other service fees	102,316	-	-	102,316
Rental income	331,134	-	-	331,134
Special events, net	227,455	-	-	227,455
Investment income (loss), net	304	(721,893)	-	(721,589)
Miscellaneous	37,676	-	-	37,676
<b>Total revenue and gains (losses)</b>	<b>3,430,040</b>	<b>(721,893)</b>	<b>-</b>	<b>2,708,147</b>
Net assets released from restrictions	551,988	(551,988)	-	-
<b>Total support, revenue, gains (losses) and net assets released from restrictions</b>	<b>7,619,960</b>	<b>(963,012)</b>	<b>(2,500)</b>	<b>6,654,448</b>
<b>Expenses</b>				
Personnel services	2,991,506	-	-	2,991,506
Utilities	697,861	-	-	697,861
Contractual services	473,872	-	-	473,872
Rental expense	1,672,300	-	-	1,672,300
Professional fees	397,046	-	-	397,046
Merchandise	272,227	-	-	272,227
Supplies	140,357	-	-	140,357
Repairs and maintenance	116,823	-	-	116,823
Printing and postage	82,803	-	-	82,803
Insurance	81,987	-	-	81,987
Advertising	348,343	-	-	348,343
Telephone	36,052	-	-	36,052
Miscellaneous	166,240	-	-	166,240
Dues and subscriptions	17,135	-	-	17,135
Travel	12,509	-	-	12,509
Depreciation	259,569	-	-	259,569
Bad debt	1,960	-	-	1,960
<b>Total expenses</b>	<b>7,768,590</b>	<b>-</b>	<b>-</b>	<b>7,768,590</b>
<b>Change in net assets</b>	<b>(148,630)</b>	<b>(963,012)</b>	<b>(2,500)</b>	<b>(1,114,142)</b>
Net assets (deficit), beginning of year	(2,931,587)	1,457,836	39,021,977	37,548,226
<b>Net assets (deficit), end of year</b>	<b>\$ (3,080,217)</b>	<b>\$ 494,824</b>	<b>\$ 39,019,477</b>	<b>\$ 36,434,084</b>

The accompanying notes are an integral part of these consolidated financial statements.

**GRAND RAPIDS PUBLIC MUSEUM FOUNDATION  
AND SUBSIDIARY**

**CONSOLIDATED STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2015**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Support, revenue and gains</b>				
<b>Support</b>				
Contributions:				
Cash and promises to give cash	\$ 250,451	\$ 260,271	\$ 2,010	\$ 512,732
Grants	82,107	359,766	-	441,873
In-kind	1,078,723	-	-	1,078,723
Change in value of split-interest agreement	-	-	7,000	7,000
<b>Total support</b>	<b>1,411,281</b>	<b>620,037</b>	<b>9,010</b>	<b>2,040,328</b>
<b>Revenue and gains</b>				
Museum admissions	1,278,263	-	-	1,278,263
Food sales	501,873	-	-	501,873
Store sales	131,382	-	-	131,382
Membership	394,887	-	-	394,887
Parking fees	244,131	-	-	244,131
Other service fees	67,948	-	-	67,948
Rental income	348,701	-	-	348,701
Special events, net	262,789	-	-	262,789
Investment income, net	69	738,334	-	738,403
Miscellaneous	22,674	-	-	22,674
<b>Total revenue and gains</b>	<b>3,252,717</b>	<b>738,334</b>	<b>-</b>	<b>3,991,051</b>
Net assets released from restrictions	2,644,267	(2,644,267)	-	-
<b>Total support, revenue, gains and net assets released from restrictions</b>	<b>7,308,265</b>	<b>(1,285,896)</b>	<b>9,010</b>	<b>6,031,379</b>
<b>Expenses</b>				
Personnel services	2,869,455	-	-	2,869,455
Utilities	724,384	-	-	724,384
Contractual services	417,550	-	-	417,550
Rental expense	1,665,134	-	-	1,665,134
Professional fees	394,324	-	-	394,324
Merchandise	248,587	-	-	248,587
Supplies	166,158	-	-	166,158
Repairs and maintenance	159,331	-	-	159,331
Printing and postage	126,073	-	-	126,073
Insurance	70,309	-	-	70,309
Advertising	387,484	-	-	387,484
Telephone	36,650	-	-	36,650
Miscellaneous	116,044	-	-	116,044
Dues and subscriptions	20,927	-	-	20,927
Travel	14,641	-	-	14,641
Depreciation	251,240	-	-	251,240
Bad debt	21,730	-	-	21,730
<b>Total expenses</b>	<b>7,690,021</b>	<b>-</b>	<b>-</b>	<b>7,690,021</b>
Transfers	10,000	-	(10,000)	-
<b>Change in net assets</b>	<b>(371,756)</b>	<b>(1,285,896)</b>	<b>(990)</b>	<b>(1,658,642)</b>
Net assets (deficit), beginning of year	(2,559,831)	2,743,732	39,022,967	39,206,868
<b>Net assets (deficit), end of year</b>	<b>\$ (2,931,587)</b>	<b>\$ 1,457,836</b>	<b>\$ 39,021,977</b>	<b>\$ 37,548,226</b>

The accompanying notes are an integral part of these consolidated financial statements.

# GRAND RAPIDS PUBLIC MUSEUM FOUNDATION AND SUBSIDIARY

## CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended June 30	
	2016	2015
<b>Cash flows from operating activities</b>		
Change in net assets	\$ (1,114,142)	\$ (1,658,642)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	259,569	251,240
Bad debt	1,960	21,730
Realized and unrealized losses (gains) on investments	668,468	(429,925)
Change in value of split-interest agreement	2,000	(7,000)
Contributions restricted for long-term purposes	-	(1,000)
Gifts in kind	(706,426)	-
Changes in operating assets and liabilities which provided (used) cash:		
Contributions receivable	326,202	(28,049)
Other receivable	36,526	13,552
Inventories	(8,547)	12,723
Prepaid expenses	46,865	(16,557)
Accounts payable	(80,426)	(268,399)
Accrued expenses	(77,889)	41,811
Deferred revenue	42,626	(110,182)
<b>Net cash used in operating activities</b>	<b>(603,214)</b>	<b>(2,178,698)</b>
<b>Cash flows from investing activities</b>		
Purchases of property and equipment	(59,810)	(371,044)
Proceeds from sale of (purchases of) certificates of deposit, net	3,452,365	(100,571)
Purchase of investments	(1,782,216)	(8,999,145)
Proceeds from sales and maturities of investments	1,289,402	8,770,049
<b>Net cash provided by (used in) investing activities</b>	<b>2,899,741</b>	<b>(700,711)</b>
<b>Cash flows from financing activities</b>		
Cash receipts for contributions restricted for investment in permanent endowment	25,500	7,681
Net short-term borrowings	7,982	636,296
<b>Net cash provided by financing activities</b>	<b>33,482</b>	<b>643,977</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>2,330,009</b>	<b>(2,235,432)</b>
Cash and cash equivalents, beginning of year	3,373,157	5,608,589
<b>Cash and cash equivalents, end of year</b>	<b>\$ 5,703,166</b>	<b>\$ 3,373,157</b>

The accompanying notes are an integral part of these consolidated financial statements.

# GRAND RAPIDS PUBLIC MUSEUM FOUNDATION AND SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Nature of Organization and Consolidation

The *Grand Rapids Public Museum* (the “Public Museum”) is a wholly owned subsidiary of the *Grand Rapids Public Museum Foundation* (the “Foundation”). The City of Grand Rapids retains ownership of the Museum’s facilities and all of its collections. The Public Museum is responsible for the operation, management, and maintenance of these assets. The Foundation has a primary focus of fundraising but also has the overall responsibility for the current and long-term viability and success of the Public Museum.

The accompanying consolidated financial statements present the consolidated financial position, changes in net assets and cash flows of the Foundation and the Public Museum (together, the “Organization”) in accordance with generally accepted accounting principles (“GAAP”). Both the Foundation and the Public Museum maintain their accounting records on the accrual basis of accounting. All significant inter-company accounts and transactions have been eliminated in preparation of the consolidated financial statements.

#### Use of Estimates

The preparation of the consolidated financial statements in conformity with GAAP 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 revenue and expenses during the year. Actual results could differ from those estimates. Significant estimates include, but are not limited to, management’s estimate of the value of receivable under the split-interest agreement, the value of level three investments, the value of in-kind contributions, and the allocation of expenses between program and supporting services.

#### Basis of Presentation

The Foundation and the Public Museum have classified information regarding their financial position and activities according to three classes of net assets depending on the existence or absence of donor-imposed restrictions: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted net assets represent expendable funds currently available at the discretion of the Board of Trustees for support of Organization operations.

Temporarily restricted net assets result from donor-imposed restrictions that expire with the passage of time or can be released from restriction by meeting certain purpose requirements.

Permanently restricted net assets result from donor-imposed restrictions that require the related assets to be maintained permanently. Earnings, gains and losses on restricted net assets are classified as unrestricted unless specifically restricted by donor or law.

# GRAND RAPIDS PUBLIC MUSEUM FOUNDATION AND SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### Fair Value Measurement

Fair value refers to the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants in the market in which the reporting entity transacts such sales or transfers based on the assumptions market participants would use when pricing an asset or liability. Assumptions are developed based on prioritizing information within a fair value hierarchy that gives the highest priority to quoted prices in active markets (Level 1) and the lowest priority to unobservable data (Level 3).

A description of each category in the fair value hierarchy is as follows:

Level 1: Valuation is based upon quoted prices for identical instruments traded in active markets.

Level 2: Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all-significant assumptions are observable in the market.

Level 3: Valuation is generated from model-based techniques that use at least one significant assumption not observable in the market. These unobservable assumptions reflect the estimates of assumptions that market participants would use in pricing the asset or liability.

For assets and liabilities recorded at fair value, it is the Organization's policy to maximize the use of observable inputs and minimize the use of unobservable inputs when developing fair value measurements for those financial instruments for which there is an active market. In cases where the market for a financial asset or liability is not active, the Organization includes appropriate risk adjustments that market participants would make for nonperformance and liquidity risks when developing fair value measurements. Fair value measurements for assets and liabilities for which limited or no observable market data exists are accordingly based primarily upon estimates, are often calculated based on the economic and competitive environment, the characteristics of the asset or liability and other factors. Therefore, the results cannot be determined with precision and may not be realized in an actual sale or immediate settlement of the asset or liability. Additionally, there may be inherent weaknesses in any calculation technique, and changes in the underlying assumptions used, including discount rates and estimates of future cash flows, could significantly affect the results of current or future values. For a further discussion of fair value measurements, refer to Note 2.

### Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposits in banks, cash on hand and money market accounts. The Organization considers all highly liquid investments purchased with original maturities of three months or less to be cash equivalents. The Organization maintains demand deposits in banks that are insured by the Federal Deposit Insurance Corporation up to \$250,000. At times throughout the year the bank balances on these accounts exceeded the insured limit. Management believes that neither the Foundation nor the Public Museum is exposed to any significant interest rate or other risk on these deposits.

# GRAND RAPIDS PUBLIC MUSEUM FOUNDATION AND SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### Certificates of Deposit

Certificates of deposit at June 30, 2015 consisted of amounts on deposit at a bank, with interest rates of 2.96%, with maturities in September 2015 at which point they were sold. Certificates of deposit are recorded at cost. These deposits included approximately \$3,000,000 which were in excess of federally insured limits at June 30, 2015.

### Investments

Investments consist of mutual funds, pooled investment funds and money market mutual funds which are reported at fair value based on quoted market prices. Donated assets are recorded at fair value at the date of the donation, or, if sold immediately after receipt, at the amount of sales proceeds received. Purchases and sales of securities are recorded on a trade date basis. Realized gains and losses on the sale of investment securities are determined based on the first-in, first-out method. Investment income or loss and realized and unrealized gains or losses are included in the consolidated statement of activities as increases or decreases in unrestricted net assets unless the income or loss is restricted by donor or law.

### Contributions Receivable

The Foundation receives pledges from various donors to contribute monies in the future for various purposes. Pledges receivable are recorded at the net present value of the expected future cash flows using a discount rate of 5%. An allowance for uncollectible contributions receivable is provided based on management's judgment, including such factors as prior collection history, type of contribution, creditworthiness of donors and other relevant information. No allowance for uncollectible pledges was considered necessary as of June 30, 2016 or 2015.

### Prepaid Expenses

Payments to vendors for services that will benefit periods beyond the Organization's fiscal year end are recorded as prepaid expenses.

### Inventories

Inventories consisting of food and gift shop merchandise are stated at lower of cost or market. Cost is determined by the average cost method.

### Property and Equipment and Depreciation

Property and equipment are stated at cost or, in the case of donations, estimated fair value at the date of the gift. Major improvements are capitalized, while ordinary maintenance and repairs are expensed. Management annually reviews these assets to determine whether carrying values have been impaired. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets, which range from 2 to 40 years.

### Compensated Absences

A compensated absences liability is recorded for unused vacation as of June 30, 2016 and 2015. Vacation time vests when earned. Amounts for unvested sick pay were not accrued because the amount of the potential liability is not reasonably estimable.

# GRAND RAPIDS PUBLIC MUSEUM FOUNDATION AND SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### Revenue Recognition

Grant revenue is recognized as earned when actual expenditures are incurred which meet the specific terms of each grant. Membership fees are received in advance and recognized as revenue over the applicable membership period. In exchange for these fees, members receive admission into the Public Museum, discounts on admission to special exhibits and a monthly newsletter.

Hospitality rental deposits that are eligible to be refunded upon event cancellation are also reported as deferred revenue until no longer eligible for refund.

### Promises to Give and Public Support

Contributions received are recorded as unrestricted, temporarily or permanently restricted support depending on the existence and/or nature of any donor imposed restrictions. Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the year in which the contributions are received. All other donor-restricted contributions are reported as increases in temporarily restricted net assets or permanently restricted net assets depending on the nature of the restrictions. When a restriction has been satisfied or expires, temporarily restricted net assets are classified to unrestricted net assets. In-kind contributions, consisting of donated goods, donated services, and the use of facility (see Note 9), are recorded based on their estimated fair value at the time received.

### Temporary Exhibits Fees

Revenue sharing amounts from temporary exhibits due to the owner of the exhibits are netted with Museum admissions. During the fiscal years ended June 30, 2016 and 2015, admissions were reduced by required payments of \$147,803 and \$135,322, respectively.

### Income Taxes

The Foundation and the Public Museum are not-for-profit organizations exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and are exempt from similar state and local taxes. Although the Foundation and the Public Museum were granted income tax exemption by the Internal Revenue Service, such exemption does not apply to “unrelated business taxable income.” The Foundation and the Public Museum have been classified as not private foundations.

The Foundation and the Public Museum analyze their income tax filing positions in the federal and state jurisdictions where they are required to file income tax returns, as well as all open tax years in these jurisdictions, to identify potential uncertain tax positions. The Foundation and the Public Museum treat interest and penalties attributable to income taxes, and reflects any charges for such, to the extent they arise, as a component of its administration expenses.

The Foundation and the Public Museum have evaluated their income tax filing positions for fiscal years 2012 through 2016, the years which remain subject to examination as of June 30, 2016. The Foundation and the Public Museum concluded that there are no significant uncertain tax positions requiring recognition in these consolidated financial statements. The Foundation and the Public Museum do not expect the total amount of unrecognized tax benefits (“UTB”) (e.g. tax deductions, exclusions, or credits claimed or expected to be claimed) to significantly change in the next twelve months. The Foundation and the Public

# GRAND RAPIDS PUBLIC MUSEUM FOUNDATION AND SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Museum do not have any amounts accrued for interest and penalties related to UTBs at June 30, 2016 or 2015, and are not aware of any claims for such amounts by federal or state income tax authorities.

### Subsequent Events

In preparing these consolidated financial statements, management has evaluated, for potential recognition or disclosure, significant events or transactions that occurred during the period subsequent to June 30, 2016, the most recent consolidated statement of financial position presented herein, through October 25, 2016, the date these consolidated financial statements were available to be issued. Except for the matter noted in Note 15, significant such events or transactions were identified.

## 2. FAIR VALUE MEASUREMENTS

The Organization utilizes fair value measurements to record fair value adjustments to their investment securities and receivable under charitable remainder trust and to determine fair value disclosures. These assets are recorded at fair value on a recurring basis.

Following is a description of the valuation methodologies and key inputs used to measure financial assets recorded at fair value, as well as an indication of the level of the fair value hierarchy in which the assets are classified.

### Investment Securities

Investment securities are recorded at fair value on a recurring basis. Fair value measurement is based upon quoted prices, if available. Level 1 securities include those traded on an active exchange, such as the New York Stock Exchange or mutual funds. Pooled investment funds are public investment securities valued using the net asset value (“NAV”) provided by Stamos Capital and are classified as Level 3. The NAV is based on the fair value of the underlying assets owned by the account net of investment management fees. These values are based on the information provided by the administrators of each underlying fund; management relies on advice from its investment consultant and takes into consideration audited financial information to determine overall reasonableness of the recorded value.

### Charitable Remainder Trust

Fair value measurements of this asset are based upon the fair value of the underlying investments in the trust held by Chittenden Investment Services totaling \$941,000, living beneficiaries’ life expectancies of 14 years, and an assumed discount rate of 5%. This asset is classified as Level 3.

The preceding methods described may produce a fair value calculation that may not be reflective of future fair values. Furthermore, although the Organization believes their valuation methods are appropriate and consistent with industry standards, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

# GRAND RAPIDS PUBLIC MUSEUM FOUNDATION AND SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### Assets Recorded at Fair Value on a Recurring Basis

The tables below set forth by level, within the fair value hierarchy, the recorded amount of assets measured at fair value on a recurring basis as of June 30:

2016	Assets at Fair Value			
	Level 1	Level 2	Level 3	Total
Investment securities:				
Mutual funds:				
Fixed income:				
Global REITs	\$ 3,577,422	\$ -	\$ -	\$ 3,577,422
Equity:				
Global REITs	618,185	-	-	618,185
International growth	831,498	-	-	831,498
International value	1,089,807	-	-	1,089,807
Large growth	787,430	-	-	787,430
Large value	2,101,456	-	-	2,101,456
Mid growth	693,527	-	-	693,527
Pooled investment funds:				
Absolute return	-	-	10,607,636	10,607,636
Equity short-term and long-term	-	-	5,734,231	5,734,231
International growth	-	-	1,036,977	1,036,977
Money market mutual funds	374,550	-	-	374,550
<b>Total investment securities</b>	<b><u>\$ 10,073,875</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 17,378,844</u></b>	<b><u>\$ 27,452,719</u></b>
Charitable remainder trust	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 473,000</u>	<u>\$ 473,000</u>

# GRAND RAPIDS PUBLIC MUSEUM FOUNDATION AND SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2015	Assets at Fair Value			
	Level 1	Level 2	Level 3	Total
Investment securities:				
Mutual funds:				
Fixed income:				
Global REITs	\$ 3,425,567	\$ -	\$ -	\$ 3,425,567
Equity:				
Global REITs	580,432	-	-	580,432
International growth	909,338	-	-	909,338
International value	1,032,295	-	-	1,032,295
Large growth	829,217	-	-	829,217
Large value	1,029,994	-	-	1,029,994
Mid growth	714,157	-	-	714,157
Pooled investment funds:				
Absolute return	-	-	11,170,784	11,170,784
Equity short-term and long-term	-	-	6,165,878	6,165,878
International growth	-	-	1,082,431	1,082,431
Natural resources	-	-	411,118	411,118
Money market mutual funds	277,162	-	-	277,162
<b>Total investment securities</b>	<b>\$ 8,798,162</b>	<b>\$ -</b>	<b>\$ 18,830,211</b>	<b>\$ 27,628,373</b>
<b>Charitable remainder trust</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 475,000</b>	<b>\$ 475,000</b>

The following tables set forth a summary of changes in the fair value of the Organization's Level 3 assets for the years ended June 30:

2016	Pooled Investment Funds	Charitable Remainder Trust
Balance, beginning of year	\$ 18,830,211	\$ 475,000
Total losses included in investment income	(3,833,879)	-
Purchases	2,711,896	-
Fees	(329,384)	-
Change in value	-	(2,000)
<b>Balance, end of year</b>	<b>\$ 17,378,844</b>	<b>\$ 473,000</b>

# GRAND RAPIDS PUBLIC MUSEUM FOUNDATION AND SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2015	Pooled Investment Funds	Charitable Remainder Trust
Balance, beginning of year	\$ 15,013,448	\$ 468,000
Total gains included in investment income	572,677	-
Purchases	3,268,439	-
Fees	(24,353)	-
Change in value	-	7,000
<b>Balance, end of year</b>	<b><u>\$ 18,830,211</u></b>	<b><u>\$ 475,000</u></b>

The components of investment income (loss) for the years ended June 30, were as follows:

	2016	2015
Interest and dividends	\$ 282,048	\$ 400,046
Realized gains	40,035	295,884
Unrealized (losses) gains	(708,503)	134,041
Investment expenses	(335,169)	(91,568)
<b>Net investment (loss) income</b>	<b><u>\$ (721,589)</u></b>	<b><u>\$ 738,403</u></b>

The following tables set forth additional disclosures for the fair value measurement of investments in certain entities that calculate net asset value per share (or its equivalent) as of June 30:

Investment Type	2016			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Pooled investment funds:				
Absolute return	\$ 10,607,636	\$ -	Monthly and Quarterly	Ranging from 45-90 days
Equity short-term and long-term	5,734,231	-	Quarterly	65 days
International growth	1,036,977	-	Monthly	15 days

Investment Type	2015			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Pooled investment funds:				
Absolute return	\$ 11,170,784	\$ -	Monthly and Quarterly	Ranging from 45-90 days
Equity short-term and long-term	6,165,878	-	Quarterly	65 days
International growth	1,082,431	-	Monthly	15 days
Natural resources	411,118	-	Quarterly	90 days

# GRAND RAPIDS PUBLIC MUSEUM FOUNDATION AND SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The following is a description of the investment strategies for pooled investment funds at June 30, 2016 and 2015:

*Absolute return:* These funds seek to provide consistent risk-adjusted returns relatively independent of market movements. The investments are intended to have low expected volatility compared to public equity, private equity and real estate investments.

*Equity short-term and long-term:* The goal of these funds is to participate in the equity value of publicly-traded companies through both long-only and long/short equity managers.

*International growth:* The objective of these funds is to produce an annual compound rate of return of 15%. Funds are invested in a selected number of listed businesses, which have a significant portion of their activities in Asia Pacific Region which meet strict valuation criteria. The funds are invested in equities, convertibles, bonds and cash.

*Natural resources:* These funds seek to diversify the exposures and risk/return profile of the portfolio, provide a hedge against cost-push inflation, and take advantage of tactical opportunities based on macroeconomic factors.

### 3. SPLIT INTEREST AGREEMENT

The Foundation is the remainder beneficiary in a charitable remainder unified trust (CRUT) that is maintained by a third party trustee. The terms of the CRUT provide for the distribution of all earnings to a lifetime beneficiary. At the end of the trust term, one half of the remaining assets will be distributed to the Foundation. Based on the beneficiaries average life expectancy and the use of a discount rate of 5%, the present value of the future benefits expected to be received by the Foundation were estimated to be \$473,000 and \$475,000 at June 30, 2016 and 2015, respectively. The change in value of the split-interest agreement is reported in the consolidated statements of activities. The proceeds of the CRUT, when received, will be permanently restricted as to use.

# GRAND RAPIDS PUBLIC MUSEUM FOUNDATION AND SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### 4. CONTRIBUTIONS RECEIVABLE

Contributions receivable are summarized as follows at June 30:

2016	Restricted for Long-Term Purposes	Other
Contributions receivable, not discounted to present value:		
Receivable in less than one year	\$ 105,000	\$ 413,258
Contributions receivable discounted to present value:		
Receivable in one to five years	-	18,000
Less present value discount (at 5%)	-	(1,269)
Contributions receivable discounted to present value, net	-	16,731
<b>Total contributions receivable</b>	<b><u>\$ 105,000</u></b>	<b><u>\$ 429,989</u></b>

2015	Restricted for Long-Term Purposes	Other
Contributions receivable, not discounted to present value:		
Receivable in less than one year	\$ 131,000	\$ 485,626
Contributions receivable discounted to present value:		
Receivable in one to five years	-	286,998
Less present value discount (at 5%)	-	(14,973)
Contributions receivable discounted to present value, net	-	272,025
<b>Total contributions receivable</b>	<b><u>\$ 131,000</u></b>	<b><u>\$ 757,651</u></b>

# GRAND RAPIDS PUBLIC MUSEUM FOUNDATION AND SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### 5. PROPERTY AND EQUIPMENT

Property and equipment is summarized as follows at June 30:

	2016	2015
Equipment and software	\$ 330,369	\$ 327,070
Leasehold improvements	3,254,044	3,181,375
Construction in progress	<u>713,376</u>	<u>23,108</u>
Total	4,297,789	3,531,553
Less accumulated depreciation and amortization	<u>988,044</u>	<u>728,475</u>
Property and equipment, net	<u><b>\$ 3,309,745</b></u>	<u><b>\$ 2,803,078</b></u>

### 6. RESTRICTED NET ASSETS

The components of restricted net assets are as follows at June 30:

	2016	2015
<b>Temporarily restricted net assets</b>		
Contributions receivable - time restricted	\$ 257,821	\$ 433,462
Foundation endowment (loss) earnings	-	547,415
Various program restrictions	<u>237,003</u>	<u>476,959</u>
	<u><b>\$ 494,824</b></u>	<u><b>\$ 1,457,836</b></u>
	2016	2015
<b>Permanently restricted net assets</b>		
Endowment pledges receivable	\$ 105,000	\$ 131,000
Foundation endowment	38,441,477	38,415,977
Beneficial interest in split-interest agreement	<u>473,000</u>	<u>475,000</u>
	<u><b>\$ 39,019,477</b></u>	<u><b>\$ 39,021,977</b></u>

# GRAND RAPIDS PUBLIC MUSEUM FOUNDATION AND SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### 7. ENDOWMENT FUNDS

The Foundation's endowment was established to support the operation of the Public Museum. These funds are donor-restricted and term endowment funds. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The Foundation has no board-designated endowment funds as of June 30, 2016 and 2015.

#### Interpretation of Relevant Law

The Board of Directors of the Foundation has interpreted the State of Michigan Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the historic dollar value of the contribution as of the gift date for donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the historical dollar value of gifts donated to the permanent endowment, (b) the historical dollar value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Any donor-restricted endowment fund that would not be classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts would be appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund;
- The purposes of the Foundation and the donor-restricted endowment fund;
- General economic conditions;
- The possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments;
- Other resources of the Foundation; and
- The investment policies of the Foundation.

# GRAND RAPIDS PUBLIC MUSEUM FOUNDATION AND SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### Endowment Net Asset Composition and Changes in Endowment Net Assets

2016	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net (deficit) assets, July 1, 2015	\$ (3,506,846)	\$ 547,415	\$ 38,415,977	\$ 35,456,546
Investment income:				
Investment income	-	281,744	-	281,744
Net appreciation:				
Realized	-	40,035	-	40,035
Unrealized	-	(708,503)	-	(708,503)
Investment expense	-	(335,169)	-	(335,169)
Total investment income, net	-	(721,893)	-	(721,893)
Pledge receipts	-	-	25,500	25,500
Released from restriction	(174,478)	174,478	-	-
Designated for expenditure	(1,613,182)	-	-	(1,613,182)
<b>Endowment net (deficit) assets, June 30, 2016</b>	<b>\$ (5,294,506)</b>	<b>\$ -</b>	<b>\$ 38,441,477</b>	<b>\$ 33,146,971</b>
2015	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net (deficit) assets, July 1, 2014	\$ (3,437,435)	\$ 1,836,837	\$ 38,408,296	\$ 36,807,698
Investment income:				
Investment income	-	399,980	-	399,980
Net appreciation:				
Realized	-	295,884	-	295,884
Unrealized	-	134,038	-	134,038
Investment expense	-	(91,568)	-	(91,568)
Total investment income, net	-	738,334	-	738,334
Pledge receipts	-	-	6,681	6,681
Cash contributions	-	-	1,000	1,000
Released from restriction	2,027,756	(2,027,756)	-	-
Designated for expenditure	(2,097,167)	-	-	(2,097,167)
<b>Endowment net (deficit) assets, June 30, 2015</b>	<b>\$ (3,506,846)</b>	<b>\$ 547,415</b>	<b>\$ 38,415,977</b>	<b>\$ 35,456,546</b>

# GRAND RAPIDS PUBLIC MUSEUM FOUNDATION AND SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or SPMIFA requires the Foundation to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets were (\$5,294,506) and (\$3,506,846) as of June 30, 2016 and 2015, respectively. These deficiencies resulted from unfavorable market fluctuations in previous years and continued appropriation for operations that was deemed prudent by the Foundation's Board of Trustees.

### Return Objectives and Risk Parameters

The mission and focus of the Foundation is long-term in nature; consequently its endowment funds naturally have a long-term focus. The endowment assets shall be invested in accordance with sound investment practices that emphasize long-term investment fundamentals and consistency of performance. The investment objectives for the endowment assets are:

- To earn long-term returns that match or exceed the obligations of the Foundation,
- To provide for asset growth at a rate in excess of the rate of inflation,
- To diversify the endowment assets in order to reduce the risk of wide swings in market value from year-to-year, or of incurring large losses,
- To achieve investment results over the long-term that compare favorably with appropriate market indexes.

It is expected that these objectives can be obtained through a well-diversified portfolio structure in a manner consistent with the Foundation's Investment Policy. The Foundation expects its endowment funds, over time, to provide an average rate of return of at least the rate of inflation plus 5 percent annually. Actual returns in any given year may vary from this amount.

### Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation as described in the Investment Policy.

### Spending Policy and How the Investment Objectives Relate to Spending Policy

It is the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity as well as to provide additional real growth through new gifts and investment returns. The Foundation's spending policy is based on the obligations of the Foundation, which include appropriating for distribution each year the amount necessary to supplement the operating income and receipts of unrestricted fundraising to cover the operating needs of the Museum. The operating needs for the upcoming fiscal year are determined through a budget process. The budget is presented and approved by the Museum's operating board called the Board of Directors and by the Grand Rapids Public Museum Foundation Board of Trustees. Once the budget is approved by both Boards, the annual budgeted amount is appropriated to the Museum as needed. In establishing the annual budget, the investment objectives and the operating needs of the Museum are considered. For the year ended June 30, 2016 and 2015, \$1,613,182 and \$2,097,167, respectively, was appropriated for spending on operations.

# GRAND RAPIDS PUBLIC MUSEUM FOUNDATION AND SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### 8. DEFINED CONTRIBUTION PLAN

The Foundation maintains a defined contribution retirement plan for all covered employees who have one year of service and are age twenty-one or older. Participants may contribute annual compensation as defined in the Plan up to the maximum allowed by the Internal Revenue Service. The Foundation, at its discretion, may make a matching contribution to the Plan, determined annually by the Board of Directors. The participants direct their investments under defined contribution provisions. The Foundation did not contribute to the defined contribution plan for the years ended June 30, 2016 or 2015.

### 9. LEASE COMMITMENT

The Public Museum leases the Public Museum buildings from the City of Grand Rapids (the "City") for \$1 per year for a period of 99 years, with an option to renew for an additional 50 year term to be exercised by the mutual consent of the City and the Foundation. The City retains title to the buildings and all improvements, fixtures or other types of fixed property pertaining to the buildings and property located thereon, as well as the collection on display at the Public Museum. The Foundation is responsible for insurance on the property and buildings, but is not required to pay real estate taxes.

The difference between the estimated fair rental value of the leased property, based on a percentage of the insured value, and the actual lease payments is recorded as in-kind contribution revenue and rental expense in the consolidated statements of activities in the amounts of \$475,000 for the years ended June 30, 2016 and 2015.

In accordance with the lease agreement, the City also retains a reversionary interest in the Public Museum's inventory, valued at \$51,430 and \$42,884 at June 30, 2016 and 2015, respectively, and petty cash valued at \$15,500 at June 30, 2016 and 2015. In the event that the Public Museum operations should ever revert to the City, these items would be returned to the City at their value on the day of reversion.

The Public Museum also directly leases storage space for collections, exhibits, displays and other Museum assets from the City for a term that coincides with the lease of buildings described above. The lease calls for rent to be paid equal to its prorata share of operation, maintenance and utility cost of the storage facility. For the year ended June 30, 2013, the City became a participant in the Museum's transition plan and agreed to pay up to three years of the Museum's usage costs of the storage facility provided the Museum continues to have positive progress against the transition plan. Fiscal year 2015 is the third year of the transition plan. City reimbursements totaled \$372,001 in 2015 and were recorded as in-kind contributions. There were no City reimbursements in 2016.

### 10. OTHER COMMITMENT

As of June 30, 2016, the Museum had outstanding commitments of \$146,150 for temporary exhibits to be displayed in future fiscal years.

# GRAND RAPIDS PUBLIC MUSEUM FOUNDATION AND SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### 11. SHORT-TERM BORROWINGS

The Foundation has a loan management account open with an investment broker, which serves as a revolving line of credit. Available credit of \$2,293,505 and \$2,295,072 at June 30, 2016 and 2015, respectively, is calculated based on a percentage of the value of qualifying investments held at the bank, less any outstanding letters of credit. The effective interest rate at June 30, 2016, was 1.199%. The interest rate applicable to each advance is dependent on the type of advance requested by the Foundation, which has the option of a variable rate, fixed rate or term advance. All rates include an applicable spread, which may be changed annually at the discretion of the broker. The balance due on the line of credit is \$748,638 and \$740,656 as of June 30, 2016 and 2015, respectively.

### 12. RISK MANAGEMENT

The Foundation and the Public Museum are exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation), as well as medical benefits provided to employees. The Foundation has purchased commercial insurance for all claims related to the previously stated risks. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

### 13. OPERATING MATTERS

For the years ended June 30, 2016 and 2015, the consolidated financial statements reported accumulated unrestricted net asset deficits of \$3,080,217 and \$2,931,587, respectively. As an organization, the Museum is following the Board approved five year transitional strategic plan. The Museum continues to broaden community engagement by bringing more people into the Museum with new and exciting temporary exhibits with varying price points and recommended age groups. As part of the transition plan, the second floor has been renovated to offer two concurrent traveling exhibits which welcomes a broader audience and increases visitor attendance. Additional grant funded staff are developing and providing transformative educational programs for students as well as the general public. The volunteer and intern program will supplement these additional experiences and programs and will increase earned revenue without additional labor costs. Opening of the Grand Rapids Public Museum School (the "Museum School") in 2015, which was part of the strategic plan, has added new operational opportunities for the Museum. This collaborative Grand Rapids Public Schools ("GRPS") center of innovation will add a grade per year through twelfth grade. Sixth through eighth grades will meet in the newly renovated fourth floor of the Van Andel Museum Center ("VAMC"). Ninth through twelfth grades will be located in the old Museum building at 54 Jefferson.

# GRAND RAPIDS PUBLIC MUSEUM FOUNDATION AND SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### 14. FUNCTIONAL ALLOCATION OF EXPENSES

The functional allocation of expenses into program, administrative and fundraising components was as follows for the years ended June 30:

	2016	2015
Program	\$ 5,874,425	\$ 5,688,700
Administrative	1,243,487	1,203,705
Fundraising	<u>650,678</u>	<u>797,616</u>
<b>Total expense</b>	<b><u>\$ 7,768,590</u></b>	<b><u>\$ 7,690,021</u></b>

### 15. RELATED PARTY

In fall of 2015, the Museum School opened. The Museum School is the product of an ongoing educational collaboration between GRPS, the Public Museum, Kendall College of Art and Design of Ferris State University, Grand Valley State University, the City of Grand Rapids, and Downtown Grand Rapids, Inc. This GRPS Center of Innovation started with 60 6th graders, meeting in existing classrooms within VAMC. A capital construction project began in February of 2016 to renovate the 4th floor of the Public Museum, which was divided for space for the GRPS middle school and newly designed open office space for Public Museum staff. A joint fundraising agreement between the Public Museum and GRPS was created for this project during fiscal 2016 which indicates that the Public Museum is responsible for 37% of the project costs while GRPS is responsible for 63%. The cost of the total project is estimated at \$4.5 million and is to be completed in fiscal 2017. The Public Museum and GRPS will jointly raise funds for the project and funds raised will be first allocated to the Public Museum's share of the project costs. Contributions and grants have been pledged to this project in fiscal 2016 and subsequent to year end that fully fund the Public Museum's portion of the project.

On August 1, 2016, the Public Museum entered into a lease agreement with GRPS detailing the terms of leasing classroom space as well as the use of the Public Museum's public spaces and professional staff time. Base rent for the 2015-2016 school year is \$12,500 and will increase to \$67,500 for the 2016-2017 year and each year thereafter. The use of the Public Museum's public space and professional staff time will be tracked and billed annually based on rates referenced in the lease agreement. The Public Museum recognized a total of \$23,000 for base rent and use of spaces and services during 2016. A receivable for the same amount was recorded as of June 30, 2016. The lease expires in 2115.



## **SUPPLEMENTARY INFORMATION**

# GRAND RAPIDS PUBLIC MUSEUM FOUNDATION AND SUBSIDIARY

## CONSOLIDATING STATEMENT OF FINANCIAL POSITION JUNE 30, 2016

ASSETS	Grand Rapids Public Museum Foundation	Grand Rapids Public Museum	Eliminations	Consolidated Total
<b>Current assets</b>				
Cash and cash equivalents	\$ 5,287,805	\$ 415,361	\$ -	\$ 5,703,166
Receivables:				
Contributions, current portion	413,258	-	-	413,258
Contributions, restricted for long-term purposes, current portion	92,925	12,075	-	105,000
Other	-	56,153	-	56,153
Inventories	-	51,431	-	51,431
Prepaid expenses	-	300,227	-	300,227
Due from Museum	685,150	-	(685,150)	-
<b>Total current assets</b>	<b>6,479,138</b>	<b>835,247</b>	<b>(685,150)</b>	<b>6,629,235</b>
Investments	27,452,719	-	-	27,452,719
Charitable remainder trust	473,000	-	-	473,000
Contributions receivable, net of current portion	16,731	-	-	16,731
Property and equipment, net	-	3,309,745	-	3,309,745
<b>Total assets</b>	<b>\$ 34,421,588</b>	<b>\$ 4,144,992</b>	<b>\$ (685,150)</b>	<b>\$ 37,881,430</b>
<b>LIABILITIES AND NET ASSETS</b>				
<b>Liabilities</b>				
Accounts payable	\$ 29,939	\$ 295,568	\$ -	\$ 325,507
Accrued expenses:				
Payroll and related taxes	-	37,765	-	37,765
Compensated absences	-	95,385	-	95,385
Deferred revenue	-	240,051	-	240,051
Due to Foundation	-	685,150	(685,150)	-
Short-term borrowings	748,638	-	-	748,638
<b>Total liabilities (all current)</b>	<b>778,577</b>	<b>1,353,919</b>	<b>(685,150)</b>	<b>1,447,346</b>
<b>Net assets (deficit)</b>				
Unrestricted	(5,806,647)	2,726,430	-	(3,080,217)
Temporarily restricted	430,181	64,643	-	494,824
Permanently restricted	39,019,477	-	-	39,019,477
<b>Total net assets</b>	<b>33,643,011</b>	<b>2,791,073</b>	<b>-</b>	<b>36,434,084</b>
<b>Total liabilities and net assets</b>	<b>\$ 34,421,588</b>	<b>\$ 4,144,992</b>	<b>\$ (685,150)</b>	<b>\$ 37,881,430</b>

See independent auditors' report.

**GRAND RAPIDS PUBLIC MUSEUM FOUNDATION  
AND SUBSIDIARY**

**CONSOLIDATING STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2016**

	Grand Rapids Public Museum Foundation			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Support, revenue and gains (losses)</b>				
<b>Support</b>				
Contributions:				
Cash and promises to give cash	\$ 194,067	\$ 157,846	\$ (500)	\$ 351,413
Grants	38,000	121,954	-	159,954
In-kind	699,439	-	-	699,439
Change in value of split-interest agreement	-	-	(2,000)	(2,000)
Intercompany transfers in	-	-	-	-
<b>Total support</b>	<b>931,506</b>	<b>279,800</b>	<b>(2,500)</b>	<b>1,208,806</b>
<b>Revenue and gains (losses)</b>				
Museum admissions	-	-	-	-
Food sales	-	-	-	-
Store sales	-	-	-	-
Membership	-	-	-	-
Parking fees	-	-	-	-
Other service fees	-	-	-	-
Rental income	-	-	-	-
Special events, net	227,455	-	-	227,455
Investment income (loss), net	304	(721,893)	-	(721,589)
Miscellaneous	-	-	-	-
<b>Total revenue and gains (losses)</b>	<b>227,759</b>	<b>(721,893)</b>	<b>-</b>	<b>(494,134)</b>
Net assets released from restrictions	509,804	(509,804)	-	-
<b>Total support, revenue, gains (losses) and net assets released from restrictions</b>	<b>1,669,069</b>	<b>(951,897)</b>	<b>(2,500)</b>	<b>714,672</b>
<b>Expenses</b>				
Personnel services	-	-	-	-
Utilities	-	-	-	-
Contractual services	20,385	-	-	20,385
Rental expense	566,491	-	-	566,491
Professional fees	79,275	-	-	79,275
Merchandise	-	-	-	-
Supplies	15,387	-	-	15,387
Repairs and maintenance	-	-	-	-
Printing and postage	18,876	-	-	18,876
Insurance	-	-	-	-
Advertising	129,982	-	-	129,982
Telephone	-	-	-	-
Miscellaneous	103,830	-	-	103,830
Dues and subscriptions	25	-	-	25
Travel	91	-	-	91
Depreciation	-	-	-	-
Bad debt	1,960	-	-	1,960
Intercompany transfers out	1,813,639	-	-	1,813,639
<b>Total expenses</b>	<b>2,749,941</b>	<b>-</b>	<b>-</b>	<b>2,749,941</b>
<b>Change in net assets</b>	<b>(1,080,872)</b>	<b>(951,897)</b>	<b>(2,500)</b>	<b>(2,035,269)</b>
Net assets (deficit), beginning of year	(4,725,775)	1,382,078	39,021,977	35,678,280
<b>Net assets (deficit), end of year</b>	<b>\$ (5,806,647)</b>	<b>\$ 430,181</b>	<b>\$ 39,019,477</b>	<b>\$ 33,643,011</b>

See independent auditors' report.

Grand Rapids Public Museum			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ -	\$ -	\$ -	\$ -
2,000,000	31,069	-	2,031,069
706,426	-	-	706,426
-	-	-	-
1,813,639	-	-	1,813,639
<b>4,520,065</b>	<b>31,069</b>	<b>-</b>	<b>4,551,134</b>
1,409,117	-	-	1,409,117
541,118	-	-	541,118
171,830	-	-	171,830
314,906	-	-	314,906
294,184	-	-	294,184
102,316	-	-	102,316
331,134	-	-	331,134
-	-	-	-
-	-	-	-
37,676	-	-	37,676
<b>3,202,281</b>	<b>-</b>	<b>-</b>	<b>3,202,281</b>
42,184	(42,184)	-	-
<b>7,764,530</b>	<b>(11,115)</b>	<b>-</b>	<b>7,753,415</b>
2,991,506	-	-	2,991,506
697,861	-	-	697,861
453,487	-	-	453,487
1,105,809	-	-	1,105,809
317,771	-	-	317,771
272,227	-	-	272,227
124,970	-	-	124,970
116,823	-	-	116,823
63,927	-	-	63,927
81,987	-	-	81,987
218,361	-	-	218,361
36,052	-	-	36,052
62,410	-	-	62,410
17,110	-	-	17,110
12,418	-	-	12,418
259,569	-	-	259,569
-	-	-	-
-	-	-	-
<b>6,832,288</b>	<b>-</b>	<b>-</b>	<b>6,832,288</b>
932,242	(11,115)	-	921,127
1,794,188	75,758	-	1,869,946
<b>\$ 2,726,430</b>	<b>\$ 64,643</b>	<b>\$ -</b>	<b>\$ 2,791,073</b>

Continued...

**GRAND RAPIDS PUBLIC MUSEUM FOUNDATION  
AND SUBSIDIARY**

**CONSOLIDATING STATEMENT OF ACTIVITIES (CONCLUDED)  
YEAR ENDED JUNE 30, 2016**

	Eliminations			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
<b>Support, revenue and gains (losses)</b>				
<b>Support</b>				
Contributions:				
Cash	\$ -	\$ -	\$ -	\$ -
Grants	-	-	-	-
In-kind	-	-	-	-
Change in value of split-interest agreement	-	-	-	-
Intercompany transfers in	(1,813,639)	-	-	(1,813,639)
<b>Total support</b>	<b>(1,813,639)</b>	<b>-</b>	<b>-</b>	<b>(1,813,639)</b>
<b>Revenue and gains</b>				
Museum admissions	-	-	-	-
Food sales	-	-	-	-
Store sales	-	-	-	-
Membership	-	-	-	-
Parking fees	-	-	-	-
Other service fees	-	-	-	-
Rental income	-	-	-	-
Special events, net	-	-	-	-
Investment income (losses), net	-	-	-	-
Miscellaneous	-	-	-	-
<b>Total revenue and gains (losses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net assets released from restrictions	-	-	-	-
<b>Total support, revenue, gains (losses) and net assets released from restriction</b>	<b>(1,813,639)</b>	<b>-</b>	<b>-</b>	<b>(1,813,639)</b>
<b>Expenses</b>				
Personnel services	-	-	-	-
Utilities	-	-	-	-
Contractual services	-	-	-	-
Rental expense	-	-	-	-
Professional fees	-	-	-	-
Merchandise	-	-	-	-
Supplies	-	-	-	-
Repairs and maintenance	-	-	-	-
Printing and postage	-	-	-	-
Insurance	-	-	-	-
Advertising	-	-	-	-
Telephone	-	-	-	-
Miscellaneous	-	-	-	-
Dues and subscriptions	-	-	-	-
Travel	-	-	-	-
Depreciation	-	-	-	-
Bad debt	-	-	-	-
Intercompany transfers out	(1,813,639)	-	-	(1,813,639)
<b>Total expenses</b>	<b>(1,813,639)</b>	<b>-</b>	<b>-</b>	<b>(1,813,639)</b>
<b>Change in net assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net assets (deficit), beginning of year	-	-	-	-
<b>Net assets (deficit), end of year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

See independent auditors' report.

Consolidated Totals			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 194,067	\$ 157,846	\$ (500)	\$ 351,413
2,038,000	153,023	-	2,191,023
1,405,865	-	-	1,405,865
-	-	(2,000)	(2,000)
-	-	-	-
<b>3,637,932</b>	<b>310,869</b>	<b>(2,500)</b>	<b>3,946,301</b>
1,409,117	-	-	1,409,117
541,118	-	-	541,118
171,830	-	-	171,830
314,906	-	-	314,906
294,184	-	-	294,184
102,316	-	-	102,316
331,134	-	-	331,134
227,455	-	-	227,455
304	(721,893)	-	(721,589)
37,676	-	-	37,676
<b>3,430,040</b>	<b>(721,893)</b>	<b>-</b>	<b>2,708,147</b>
551,988	(551,988)	-	-
<b>7,619,960</b>	<b>(963,012)</b>	<b>(2,500)</b>	<b>6,654,448</b>
2,991,506	-	-	2,991,506
697,861	-	-	697,861
473,872	-	-	473,872
1,672,300	-	-	1,672,300
397,046	-	-	397,046
272,227	-	-	272,227
140,357	-	-	140,357
116,823	-	-	116,823
82,803	-	-	82,803
81,987	-	-	81,987
348,343	-	-	348,343
36,052	-	-	36,052
166,240	-	-	166,240
17,135	-	-	17,135
12,509	-	-	12,509
259,569	-	-	259,569
1,960	-	-	1,960
-	-	-	-
<b>7,768,590</b>	<b>-</b>	<b>-</b>	<b>7,768,590</b>
(148,630)	(963,012)	(2,500)	(1,114,142)
(2,931,587)	1,457,836	39,021,977	37,548,226
<b>\$ (3,080,217)</b>	<b>\$ 494,824</b>	<b>\$ 39,019,477</b>	<b>\$ 36,434,084</b>

# GRAND RAPIDS PUBLIC MUSEUM FOUNDATION AND SUBSIDIARY

## CONSOLIDATING STATEMENT OF CASH FLOWS YEAR ENDED JUNE 30, 2016

	Grand Rapids Public Museum Foundation	Grand Rapids Public Museum	Consolidated Total
<b>Cash flows from operating activities</b>			
Change in net assets	\$ (2,035,269)	\$ 921,127	\$ (1,114,142)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:			
Depreciation	-	259,569	259,569
Bad debt	1,960	-	1,960
Realized and unrealized losses on investments	668,468	-	668,468
Change in value of split-interest agreement	2,000	-	2,000
Gifts in kind	-	(706,426)	(706,426)
Changes in operating assets and liabilities which provided (used) cash:			
Contributions receivable	278,145	48,057	326,202
Other receivable	-	36,526	36,526
Inventories	-	(8,547)	(8,547)
Prepaid expenses	1,750	45,115	46,865
Accounts payable	23,230	(103,656)	(80,426)
Accrued expenses	-	(77,889)	(77,889)
Deferred revenue	(19,653)	62,279	42,626
Due from Museum/due to Foundation	24,491	(24,491)	-
<b>Net cash (used in) provided by operating activities</b>	<b>(1,054,878)</b>	<b>451,664</b>	<b>(603,214)</b>
<b>Cash flows from investing activities</b>			
Purchases of property and equipment	-	(59,810)	(59,810)
Proceeds from sale of certificates of deposit, net	3,452,365	-	3,452,365
Purchase of investments	(1,782,216)	-	(1,782,216)
Proceeds from sales and maturities of investments	1,289,402	-	1,289,402
<b>Net cash provided by (used in) investing activities</b>	<b>2,959,551</b>	<b>(59,810)</b>	<b>2,899,741</b>
<b>Cash flows from financing activities</b>			
Cash receipts for contributions restricted for investment in permanent endowment	25,500	-	25,500
Net short-term borrowings	7,982	-	7,982
<b>Net cash provided by financing activities</b>	<b>33,482</b>	<b>-</b>	<b>33,482</b>
<b>Net increase in cash and cash equivalents</b>	<b>1,938,155</b>	<b>391,854</b>	<b>2,330,009</b>
Cash and cash equivalents, beginning of year	3,349,650	23,507	3,373,157
<b>Cash and cash equivalents, end of year</b>	<b>\$ 5,287,805</b>	<b>\$ 415,361</b>	<b>\$ 5,703,166</b>

See independent auditors' report.