

Grand Rapids
Public Museum
Foundation
and
Subsidiary

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RAPIDS
PUBLIC
MUSEUM

Years Ended
June 30,
2017 and 2016

Consolidated
Financial
Statements
and
Supplementary
Information

GRAND RAPIDS PUBLIC MUSEUM FOUNDATION AND SUBSIDIARY

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INDEPENDENT AUDITORS' REPORT

November 10, 2017

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, 2017 and 2016, 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, 2017 and 2016, 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 2017 consolidated financial statements. The supplementary information has not been subjected to the auditing procedures applied in the audit of the 2017 consolidated financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Rehmann Lobson LLC

GRAND RAPIDS PUBLIC MUSEUM FOUNDATION AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	ASSETS	
	June 30	
	2017	2016
Current assets		
Cash and cash equivalents	\$ 3,469,447	\$ 5,703,166
Receivables:		
Contributions, current portion	305,461	413,258
Contributions, restricted for long-term purposes	100,000	105,000
Other	128,138	56,153
Inventories	66,543	51,431
Prepaid expenses	356,439	300,227
Total current assets	4,426,028	6,629,235
Investments	32,884,005	27,452,719
Charitable remainder trust	505,000	473,000
Contributions receivable, net of current portion	8,568	16,731
Property and equipment, net	4,152,380	3,309,745
Total assets	\$ 41,975,981	\$ 37,881,430
	LIABILITIES AND NET ASSETS	
Liabilities		
Accounts payable	\$ 875,347	\$ 325,507
Accrued expenses:		
Payroll and related taxes	53,222	37,765
Compensated absences	96,584	95,385
Deferred revenue	237,488	240,051
Short-term borrowings	-	748,638
Total liabilities (all current)	1,262,641	1,447,346
Commitments and contingencies (Notes 9, 10 and 12)		
Net assets (deficit)		
Unrestricted	1,252,240	(3,080,217)
Temporarily restricted	409,623	494,824
Permanently restricted	39,051,477	39,019,477
Total net assets	40,713,340	36,434,084
Total liabilities and net assets	\$ 41,975,981	\$ 37,881,430

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, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support, revenue and gains				
Support				
Contributions:				
Cash and promises to give cash	\$ 331,949	\$ 66,970	\$ -	\$ 398,919
Grants	57,960	436,834	-	494,794
In-kind	1,233,692	-	-	1,233,692
Change in value of split-interest agreement	-	-	32,000	32,000
Millage	4,511,481	-	-	4,511,481
Total support	6,135,082	503,804	32,000	6,670,886
Revenue and gains				
Museum admissions	979,060	-	-	979,060
Food sales	453,231	-	-	453,231
Store sales	175,967	-	-	175,967
Membership	413,061	-	-	413,061
Parking fees	393,455	-	-	393,455
Programs	126,628	-	-	126,628
Other service fees	2,881	-	-	2,881
Rental income	406,422	-	-	406,422
Special events, net	374,486	-	-	374,486
Investment income, net	644	2,341,092	-	2,341,736
Miscellaneous	28,856	-	-	28,856
Total revenue and gains	3,354,691	2,341,092	-	5,695,783
Net assets released from restrictions	2,930,097	(2,930,097)	-	-
Total support, revenue, gains and net assets released from restrictions	12,419,870	(85,201)	32,000	12,366,669
Expenses				
Personnel services	3,053,127	-	-	3,053,127
Utilities	760,879	-	-	760,879
Contractual services	389,346	-	-	389,346
Rental expense	1,662,386	-	-	1,662,386
Professional fees	210,397	-	-	210,397
Merchandise	254,754	-	-	254,754
Supplies	223,058	-	-	223,058
Repairs and maintenance	170,282	-	-	170,282
Printing and postage	112,411	-	-	112,411
Insurance	82,622	-	-	82,622
Advertising	358,441	-	-	358,441
Telephone	27,646	-	-	27,646
Miscellaneous	409,101	-	-	409,101
Dues and subscriptions	19,963	-	-	19,963
Travel	16,747	-	-	16,747
Depreciation	332,253	-	-	332,253
Bad debt	4,000	-	-	4,000
Total expenses	8,087,413	-	-	8,087,413
Change in net assets	4,332,457	(85,201)	32,000	4,279,256
Net assets (deficit), beginning of year	(3,080,217)	494,824	39,019,477	36,434,084
Net assets, end of year	\$ 1,252,240	\$ 409,623	\$39,051,477	\$40,713,340

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
Support, revenue and gains (losses)				
Support				
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)
Total support	3,637,932	310,869	(2,500)	3,946,301
Revenue and gains (losses)				
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 loss, net	304	(721,893)	-	(721,589)
Miscellaneous	37,676	-	-	37,676
Total revenue and gains (losses)	3,430,040	(721,893)	-	2,708,147
Net assets released from restrictions	551,988	(551,988)	-	-
Total support, revenue, gains (losses) and net assets released from restrictions	7,619,960	(963,012)	(2,500)	6,654,448
Expenses				
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
Total expenses	7,768,590	-	-	7,768,590
Change in net assets	(148,630)	(963,012)	(2,500)	(1,114,142)
Net assets (deficit), beginning of year	(2,931,587)	1,457,836	39,021,977	37,548,226
Net assets (deficit), end of year	\$ (3,080,217)	\$ 494,824	\$39,019,477	\$36,434,084

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	
	2017	2016
Cash flows from operating activities		
Change in net assets	\$ 4,279,256	\$ (1,114,142)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	332,253	259,569
Bad debt	4,000	1,960
Realized and unrealized (gains) losses on investments	(2,245,765)	668,468
Change in value of split-interest agreement	(32,000)	2,000
Gifts in kind	(543,574)	(706,426)
Changes in operating assets and liabilities which provided (used) cash:		
Contributions receivable	111,960	326,202
Other receivable	(71,985)	36,526
Inventories	(15,112)	(8,547)
Prepaid expenses	(56,212)	46,865
Accounts payable	549,840	(80,426)
Accrued expenses	16,656	(77,889)
Deferred revenue	(2,563)	42,626
Net cash provided by (used in) operating activities	2,326,754	(603,214)
Cash flows from investing activities		
Proceeds from sales and maturities of investments	3,739,119	1,289,402
Purchases of property and equipment	(631,314)	(59,810)
Proceeds from sale of certificates of deposit, net	-	3,452,365
Purchase of investments	(6,924,640)	(1,782,216)
Net cash (used in) provided by investing activities	(3,816,835)	2,899,741
Cash flows from financing activities		
Cash receipts for contributions restricted for investment in permanent endowment	5,000	25,500
Net short-term borrowings	(748,638)	7,982
Net cash (used in) provided by financing activities	(743,638)	33,482
Net (decrease) increase in cash and cash equivalents	(2,233,719)	2,330,009
Cash and cash equivalents, beginning of year	5,703,166	3,373,157
Cash and cash equivalents, end of year	\$ 3,469,447	\$ 5,703,166

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 accounting principles generally accepted in the United States of America (“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 fair value of investments and the value of in-kind contributions.

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

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, 2017 or 2016.

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, 2017 and 2016. Vacation time vests when earned. Amounts for unvested sick pay were not accrued because the amount of the potential liability is not reasonably estimable.

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.

GRAND RAPIDS PUBLIC MUSEUM FOUNDATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

On November 8, 2016, a voter-approved millage was passed that provides funding for the Public Museum over the next 10 years. The Public Museum will annually receive half of the approved .44 property tax levy, approximately \$4.4 million, to be spent on care of artifacts, repair and improvement of exhibits and providing enhanced educational programs. The millage funds commenced in January 2017. Millage revenue is recognized as earned.

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 year ended June 30, 2017, no admissions were reduced by required payments. During the fiscal year ended June 30, 2016, admissions were reduced by required payments of \$147,803.

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 expenses.

The Foundation and the Public Museum have evaluated their income tax filing positions for fiscal years 2013 through 2017, the years which remain subject to examination as of June 30, 2017. 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, 2017 or 2016, 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, 2017, the most recent consolidated statement of financial position presented herein, through November 10, 2017, the date these consolidated financial statements were available to be issued. No 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 the financial institution and are classified as Level 3. The NAV is based on the fair value of the underlying assets owned 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 \$975,000, living beneficiaries’ life expectancies of 13.5 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.

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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:

2017	Assets at Fair Value			
	Level 1	Level 2	Level 3	Total
Investment securities:				
Mutual funds:				
Fixed income:				
Total Return bond fund	\$ 3,626,728	\$ -	\$ -	\$ 3,626,728
Equity:				
Global REITs	619,899	-	-	619,899
International growth	932,381	-	-	932,381
International value	1,264,341	-	-	1,264,341
Large growth	891,940	-	-	891,940
Large value	2,550,380	-	-	2,550,380
Mid growth	831,926	-	-	831,926
Pooled investment funds:				
Cash	1,097,290	-	-	1,097,290
Absolute return	-	-	10,369,881	10,369,881
Equity short-term and long-term	-	-	6,092,187	6,092,187
Private equity	-	-	1,827,948	1,827,948
International growth	-	-	1,241,733	1,241,733
Real assets	-	-	753,186	753,186
Fixed income	-	-	208,106	208,106
Money market mutual funds	576,079	-	-	576,079
Total investment securities	\$ 12,390,964	\$ -	\$ 20,493,041	\$ 32,884,005
Charitable remainder trust	\$ -	\$ -	\$ 505,000	\$ 505,000

**GRAND RAPIDS PUBLIC MUSEUM FOUNDATION
AND SUBSIDIARY**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2016	Assets at Fair Value			
	Level 1	Level 2	Level 3	Total
Investment securities:				
Mutual funds:				
Fixed income:				
Total Return bond fund	\$ 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
Total investment securities	<u>\$ 10,073,875</u>	<u>\$ -</u>	<u>\$ 17,378,844</u>	<u>\$ 27,452,719</u>
Charitable remainder trust	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 473,000</u>	<u>\$ 473,000</u>

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:

2017	Pooled Investment Funds	Charitable Remainder Trust
Balance, beginning of year	\$ 17,378,844	\$ 473,000
Total gains included in investment income, net	1,409,214	-
Purchases	3,398,072	-
Sales	(1,693,089)	-
Change in value	-	32,000
Balance, end of year	<u>\$ 20,493,041</u>	<u>\$ 505,000</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2016	Pooled Investment Funds	Charitable Remainder Trust
Balance, beginning of year	\$ 18,830,211	\$ 475,000
Total losses included in investment income, net	(683,430)	-
Purchases	554,116	-
Sales	(1,322,053)	-
Change in value	-	(2,000)
Balance, end of year	<u>\$ 17,378,844</u>	<u>\$ 473,000</u>

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

	2017	2016
Interest and dividends	\$ 255,039	\$ 282,048
Realized gains	224,035	40,035
Unrealized gains (losses)	2,021,730	(708,503)
Investment expenses	(159,068)	(335,169)
Net investment income (loss)	<u>\$ 2,341,736</u>	<u>\$ (721,589)</u>

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	2017			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Pooled investment funds:				
Absolute return	\$ 10,369,881	\$ 1,126,015	Monthly, Quarterly and Annually	Ranging from 45-185 days
Equity short-term and long-term	6,092,187	-	Monthly, Quarterly and Annually	Ranging from 15-185 days
Private equity	1,827,948	-	Annually	185 days
International growth	1,241,733	-	Monthly	15 days
Real assets	753,186	-	Annually	185 days
Fixed income	208,106	-	Annually	185 days

GRAND RAPIDS PUBLIC MUSEUM FOUNDATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Investment Type	2016			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Pooled investment funds:				
Absolute return	\$ 10,607,636	\$ 814,822	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

The following is a description of the investment strategies for pooled investment funds at June 30, 2017 and 2016:

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.

Private equity: The goal of these funds is to provide superior long-term returns relative to many other asset classes.

Fixed income: The objective of these funds is to reduce volatility and hedge against deflation.

Real assets: The goal of these funds is to help diversify the portfolio investments, mitigate risk, and protect against inflation.

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 \$505,000 and \$473,000 at June 30, 2017 and 2016, 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:

2017	Restricted for Long-Term Purposes	Other
Contributions receivable, not discounted to present value:		
Receivable in less than one year	\$ 100,000	\$ 305,461
Contributions receivable discounted to present value:		
Receivable in one to five years	-	9,000
Less present value discount (at 5%)	-	(432)
Contributions receivable discounted to present value, net	-	8,568
Total contributions receivable	<u>\$ 100,000</u>	<u>\$ 314,029</u>
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
Total contributions receivable	<u>\$ 105,000</u>	<u>\$ 429,989</u>

GRAND RAPIDS PUBLIC MUSEUM FOUNDATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

5. PROPERTY AND EQUIPMENT

Net property and equipment is summarized as follows at June 30:

	2017	2016
Equipment and software	\$ 378,879	\$ 330,369
Leasehold improvements	4,871,834	3,254,044
Construction in progress	<u>221,964</u>	<u>713,376</u>
Total	5,472,677	4,297,789
Less accumulated depreciation and amortization	<u>1,320,297</u>	<u>988,044</u>
Property and equipment, net	<u><u>\$ 4,152,380</u></u>	<u><u>\$ 3,309,745</u></u>

6. RESTRICTED NET ASSETS

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

	2017	2016
Temporarily restricted net assets		
Contributions receivable - time restricted	\$ -	\$ 257,821
Various program restrictions	<u>409,623</u>	<u>237,003</u>
	<u><u>\$ 409,623</u></u>	<u><u>\$ 494,824</u></u>
Permanently restricted net assets		
Endowment pledges receivable	\$ 100,000	\$ 105,000
Foundation endowment	38,446,477	38,441,477
Beneficial interest in split-interest agreement	<u>505,000</u>	<u>473,000</u>
	<u><u>\$ 39,051,477</u></u>	<u><u>\$ 39,019,477</u></u>

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, 2017 and 2016.

GRAND RAPIDS PUBLIC MUSEUM FOUNDATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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.

Endowment Net Asset Composition and Changes in Endowment Net Assets

2017	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net (deficit) assets, July 1, 2016	\$ (5,294,506)	\$ -	\$ 38,441,477	\$ 33,146,971
Investment income:				
Investment income	-	254,396	-	254,396
Net appreciation:				
Realized	-	224,035	-	224,035
Unrealized	-	2,021,729	-	2,021,729
Investment expense	-	(159,068)	-	(159,068)
Total investment income, net	-	2,341,092	-	2,341,092
Pledge receipts	-	-	5,000	5,000
Released from restriction	2,341,092	(2,341,092)	-	-
Designated for expenditure	(1,014,000)	-	-	(1,014,000)
Endowment net (deficit) assets, June 30, 2017	\$ (3,967,414)	\$ -	\$ 38,446,477	\$ 34,479,063

GRAND RAPIDS PUBLIC MUSEUM FOUNDATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 (loss):				
Investment income	-	281,744	-	281,744
Net appreciation (depreciation):				
Realized	-	40,035	-	40,035
Unrealized	-	(708,503)	-	(708,503)
Investment expense	-	(335,169)	-	(335,169)
Total investment loss, 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)
Endowment net (deficit) assets, June 30, 2016	\$ (5,294,506)	\$ -	\$ 38,441,477	\$ 33,146,971

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 (\$3,967,414) and (\$5,294,506) as of June 30, 2017 and 2016, 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.

GRAND RAPIDS PUBLIC MUSEUM FOUNDATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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, 2017 and 2016, \$1,014,000 and \$1,613,182, respectively, was appropriated for spending on operations.

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, 2017 or 2016.

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.

GRAND RAPIDS PUBLIC MUSEUM FOUNDATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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, 2017 and 2016.

In accordance with the lease agreement, the City also retains a reversionary interest in the Public Museum's inventory, valued at \$66,543 and \$51,430 at June 30, 2017 and 2016, respectively, and petty cash valued at \$15,500 at June 30, 2017 and 2016. 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.

10. OTHER COMMITMENT

As of June 30, 2017, the Museum had outstanding commitments of \$432,000 for temporary exhibits to be displayed in future fiscal years.

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 \$3,249,454 and \$2,293,505 at June 30, 2017 and 2016, 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, 2017, was 1.97%. 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 \$0 as of June 30, 2017.

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.

GRAND RAPIDS PUBLIC MUSEUM FOUNDATION AND SUBSIDIARY

■ NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

■ 13. FUNCTIONAL ALLOCATION OF EXPENSES

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

	2017	2016
Program	\$ 6,099,856	\$ 5,874,425
Administrative	1,242,597	1,243,487
Fundraising	<u>744,960</u>	<u>650,678</u>
Total expense	<u>\$ 8,087,413</u>	<u>\$ 7,768,590</u>

■ 14. RELATED PARTY

In fall of 2015, the Museum School opened. The Museum School is the product of an ongoing educational collaboration between Grand Rapids Public Schools (“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 Van Andel Museum Center (“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 Museum staff. As of June 30, 2017, total project costs are \$4,382,750, of which the Museum’s share is \$1,695,197. Per the joint fundraising agreement between GRPS and the Public Museum, funds raised for the project will be first allocated to the Museum’s share. Contributions and grants pledged to this project as of June 30, 2017 total \$1,250,000, recorded as gifts in kind of \$543,574 and \$706,426, for 2017 and 2016. The remainder of the Museum’s share, \$445,197, is recorded as a liability in accounts payable. The project is expected to be completed in fiscal 2018.

On August 1, 2016, the Museum entered into a lease agreement with GRPS detailing the terms of leasing classroom space (base rent) as well as the use of public spaces and professional staff time. The Public Museum recognized base rent of \$67,500 and \$12,500 for 2017 and 2016, respectively. The use of the Public Museum’s public space and professional staff services is recorded as \$28,000 and \$10,500 for 2017 and 2016, respectively. The lease expires in 2115.



SUPPLEMENTARY INFORMATION

GRAND RAPIDS PUBLIC MUSEUM FOUNDATION AND SUBSIDIARY

CONSOLIDATING STATEMENT OF FINANCIAL POSITION JUNE 30, 2017

ASSETS	Grand Rapids Public Museum Foundation	Grand Rapids Public Museum	Eliminations	Consolidated Total
Current assets				
Cash and cash equivalents	\$ 1,517,965	\$ 1,951,482	\$ -	\$ 3,469,447
Receivables:				
Contributions, current portion	200,311	105,150	-	305,461
Contributions, restricted for long-term purposes, current portion	100,000	-	-	100,000
Other	-	128,138	-	128,138
Inventories	-	66,543	-	66,543
Prepaid expenses	-	356,439	-	356,439
Total current assets	1,818,276	2,607,752	-	4,426,028
Investments	32,884,005	-	-	32,884,005
Charitable remainder trust	505,000	-	-	505,000
Contributions receivable, net of current portion	8,568	-	-	8,568
Property and equipment, net	-	4,152,380	-	4,152,380
Total assets	\$ 35,215,849	\$ 6,760,132	\$ -	\$ 41,975,981
LIABILITIES AND NET ASSETS				
Liabilities				
Accounts payable	\$ 21,686	\$ 853,661	\$ -	\$ 875,347
Accrued expenses:				
Payroll and related taxes	-	53,222	-	53,222
Compensated absences	-	96,584	-	96,584
Deferred revenue	-	237,488	-	237,488
Total liabilities (all current)	21,686	1,240,955	-	1,262,641
Net assets (deficit)				
Unrestricted	(4,110,556)	5,362,796	-	1,252,240
Temporarily restricted	253,242	156,381	-	409,623
Permanently restricted	39,051,477	-	-	39,051,477
Total net assets	35,194,163	5,519,177	-	40,713,340
Total liabilities and net assets	\$ 35,215,849	\$ 6,760,132	\$ -	\$ 41,975,981

See independent auditors' report.

**GRAND RAPIDS PUBLIC MUSEUM FOUNDATION
AND SUBSIDIARY**

**CONSOLIDATING STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017**

	Grand Rapids Public Museum Foundation			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support, revenue and gains				
Support				
Contributions:				
Cash and promises to give cash	\$ 331,949	\$ 66,970	\$ -	\$ 398,919
Grants	57,960	301,119	-	359,079
In-kind	690,118	-	-	690,118
Change in value of split-interest agreement	-	-	32,000	32,000
Millage	-	-	-	-
Intercompany transfers in	-	-	-	-
Total support	1,080,027	368,089	32,000	1,480,116
Revenue and gains				
Museum admissions	-	-	-	-
Food sales	-	-	-	-
Store sales	-	-	-	-
Membership	-	-	-	-
Parking fees	-	-	-	-
Programs	-	-	-	-
Other service fees	-	-	-	-
Rental income	-	-	-	-
Special events, net	374,486	-	-	374,486
Investment income, net	644	2,341,092	-	2,341,736
Miscellaneous	-	-	-	-
Total revenue and gains	375,130	2,341,092	-	2,716,222
Net assets released from restrictions	2,886,120	(2,886,120)	-	-
Total support, revenue, gains and net assets released from restrictions	4,341,277	(176,939)	32,000	4,196,338
Expenses				
Personnel services	-	-	-	-
Utilities	-	-	-	-
Contractual services	49,403	-	-	49,403
Rental expense	593,415	-	-	593,415
Professional fees	108,672	-	-	108,672
Merchandise	-	-	-	-
Supplies	33,973	-	-	33,973
Repairs and maintenance	-	-	-	-
Printing and postage	29,071	-	-	29,071
Insurance	-	-	-	-
Advertising	71,151	-	-	71,151
Telephone	-	-	-	-
Miscellaneous	32,163	-	-	32,163
Dues and subscriptions	250	-	-	250
Travel	210	-	-	210
Depreciation	-	-	-	-
Bad debt	4,000	-	-	4,000
Intercompany transfers out	1,722,878	-	-	1,722,878
Total expenses	2,645,186	-	-	2,645,186
Change in net assets	1,696,091	(176,939)	32,000	1,551,152
Net assets (deficit), beginning of year	(5,806,647)	430,181	39,019,477	33,643,011
Net assets (deficit), end of year	\$ (4,110,556)	\$ 253,242	\$ 39,051,477	\$ 35,194,163

See independent auditors' report.

Grand Rapids Public Museum			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ -	\$ -	\$ -	\$ -
-	135,715	-	135,715
543,574	-	-	543,574
-	-	-	-
4,511,481	-	-	4,511,481
1,722,878	-	-	1,722,878
6,777,933	135,715	-	6,913,648
979,060	-	-	979,060
453,231	-	-	453,231
175,967	-	-	175,967
413,061	-	-	413,061
393,455	-	-	393,455
126,628	-	-	126,628
2,881	-	-	2,881
406,422	-	-	406,422
-	-	-	-
-	-	-	-
28,856	-	-	28,856
2,979,561	-	-	2,979,561
43,977	(43,977)	-	-
9,801,471	91,738	-	9,893,209
3,053,127	-	-	3,053,127
760,879	-	-	760,879
339,943	-	-	339,943
1,068,971	-	-	1,068,971
101,725	-	-	101,725
254,754	-	-	254,754
189,085	-	-	189,085
170,282	-	-	170,282
83,340	-	-	83,340
82,622	-	-	82,622
287,290	-	-	287,290
27,646	-	-	27,646
376,938	-	-	376,938
19,713	-	-	19,713
16,537	-	-	16,537
332,253	-	-	332,253
-	-	-	-
-	-	-	-
7,165,105	-	-	7,165,105
2,636,366	91,738	-	2,728,104
2,726,430	64,643	-	2,791,073
\$ 5,362,796	\$ 156,381	\$ -	\$ 5,519,177

Continued...

**GRAND RAPIDS PUBLIC MUSEUM FOUNDATION
AND SUBSIDIARY**

**CONSOLIDATING STATEMENT OF ACTIVITIES (CONCLUDED)
YEAR ENDED JUNE 30, 2017**

	Eliminations			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Support, revenue and gains				
Support				
Contributions:				
Cash	\$ -	\$ -	\$ -	\$ -
Grants	-	-	-	-
In-kind	-	-	-	-
Change in value of split-interest agreement	-	-	-	-
Millage	-	-	-	-
Intercompany transfers in	(1,722,878)	-	-	(1,722,878)
Total support	(1,722,878)	-	-	(1,722,878)
Revenue and gains				
Museum admissions	-	-	-	-
Food sales	-	-	-	-
Store sales	-	-	-	-
Membership	-	-	-	-
Parking fees	-	-	-	-
Programs	-	-	-	-
Other service fees	-	-	-	-
Rental income	-	-	-	-
Special events, net	-	-	-	-
Investment income, net	-	-	-	-
Miscellaneous	-	-	-	-
Total revenue and gains	-	-	-	-
Net assets released from restrictions	-	-	-	-
Total support, revenue, gains and net assets released from restriction	(1,722,878)	-	-	(1,722,878)
Expenses				
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	(1,722,878)	-	-	(1,722,878)
Total expenses	(1,722,878)	-	-	(1,722,878)
Change in net assets	-	-	-	-
Net assets (deficit), beginning of year	-	-	-	-
Net assets (deficit), end of year	\$ -	\$ -	\$ -	\$ -

See independent auditors' report.

Consolidated Totals			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 331,949	\$ 66,970	\$ -	\$ 398,919
57,960	436,834	-	494,794
1,233,692	-	-	1,233,692
-	-	32,000	32,000
4,511,481	-	-	4,511,481
-	-	-	-
6,135,082	503,804	32,000	6,670,886
979,060	-	-	979,060
453,231	-	-	453,231
175,967	-	-	175,967
413,061	-	-	413,061
393,455	-	-	393,455
126,628	-	-	126,628
2,881	-	-	2,881
406,422	-	-	406,422
374,486	-	-	374,486
644	2,341,092	-	2,341,736
28,856	-	-	28,856
3,354,691	2,341,092	-	5,695,783
2,930,097	(2,930,097)	-	-
12,419,870	(85,201)	32,000	12,366,669
3,053,127	-	-	3,053,127
760,879	-	-	760,879
389,346	-	-	389,346
1,662,386	-	-	1,662,386
210,397	-	-	210,397
254,754	-	-	254,754
223,058	-	-	223,058
170,282	-	-	170,282
112,411	-	-	112,411
82,622	-	-	82,622
358,441	-	-	358,441
27,646	-	-	27,646
409,101	-	-	409,101
19,963	-	-	19,963
16,747	-	-	16,747
332,253	-	-	332,253
4,000	-	-	4,000
-	-	-	-
8,087,413	-	-	8,087,413
4,332,457	(85,201)	32,000	4,279,256
(3,080,217)	494,824	39,019,477	36,434,084
\$ 1,252,240	\$ 409,623	\$ 39,051,477	\$ 40,713,340

GRAND RAPIDS PUBLIC MUSEUM FOUNDATION AND SUBSIDIARY

CONSOLIDATING STATEMENT OF CASH FLOWS YEAR ENDED JUNE 30, 2017

	Grand Rapids Public Museum Foundation	Grand Rapids Public Museum	Consolidated Total
Cash flows from operating activities			
Change in net assets	\$ 1,551,152	\$ 2,728,104	\$ 4,279,256
Adjustments to reconcile change in net assets to net cash provided (used in) by operating activities:			
Depreciation	-	332,253	332,253
Bad debt	4,000	-	4,000
Realized and unrealized gains on investments	(2,245,765)	-	(2,245,765)
Change in value of split-interest agreement	(32,000)	-	(32,000)
Gifts in kind	-	(543,574)	(543,574)
Changes in operating assets and liabilities which provided (used) cash:			
Contributions receivable	205,035	(93,075)	111,960
Other receivable	-	(71,985)	(71,985)
Inventories	-	(15,112)	(15,112)
Prepaid expenses	-	(56,212)	(56,212)
Accounts payable	(8,253)	558,093	549,840
Accrued expenses	-	16,656	16,656
Deferred revenue	-	(2,563)	(2,563)
Due from Museum/due to Foundation	685,150	(685,150)	-
Net cash provided by operating activities	159,319	2,167,435	2,326,754
Cash flows from investing activities			
Purchases of property and equipment	-	(631,314)	(631,314)
Purchase of investments	(6,924,640)	-	(6,924,640)
Proceeds from sales and maturities of investments	3,739,119	-	3,739,119
Net cash used in investing activities	(3,185,521)	(631,314)	(3,816,835)
Cash flows from financing activities			
Cash receipts for contributions restricted for investment in permanent endowment	5,000	-	5,000
Net short-term borrowings	(748,638)	-	(748,638)
Net cash used in financing activities	(743,638)	-	(743,638)
Net (decrease) increase in cash and cash equivalents	(3,769,840)	1,536,121	(2,233,719)
Cash and cash equivalents, beginning of year	5,287,805	415,361	5,703,166
Cash and cash equivalents, end of year	\$ 1,517,965	\$ 1,951,482	\$ 3,469,447

See independent auditors' report.