



Bruce Museum, Inc.

Financial Statements

June 30, 2018 and 2017



INDEPENDENT AUDITORS' REPORT

**To the Board of Trustees
Bruce Museum, Inc.**

We have audited the accompanying financial statements of Bruce Museum, Inc., which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 entity'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 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 financial statements referred to above present fairly, in all material respects, the financial position of Bruce Museum, Inc. as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**To the Board of Trustees
Bruce Museum, Inc.**

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Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental information on pages 20 through 23 are presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

PKF O'Connor Davies, LLP

Stamford, Connecticut
November 21, 2018

Bruce Museum, Inc.

Statements of Financial Position

	June 30,	
	2018	2017
ASSETS		
Cash and cash equivalents	\$ 3,179,116	\$ 1,329,450
Investments, unrestricted	1,291,762	1,179,808
Pledges receivable, net	2,177,178	2,393,534
Inventory	52,219	54,582
Prepaid expenses and other current assets	96,423	122,749
Assets held in endowment	25,009,574	23,724,196
Property and equipment, net	1,082,591	1,292,608
Other assets - museum expansion costs	4,737,525	4,013,239
	\$ 37,626,388	\$ 34,110,166
 LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 781,789	\$ 300,269
Refundable contributions	867,963	867,963
Deferred revenue	51,080	46,500
Total Liabilities	1,700,832	1,214,732
 Net Assets		
Unrestricted		
Operating	(4,620)	45,133
Board designated for capital account	27,919	27,919
Board designated endowment	1,003,634	945,156
Investment in property and equipment	1,082,591	1,292,608
Total Unrestricted	2,109,524	2,310,816
Temporarily restricted	13,589,471	10,939,348
Permanently restricted	20,226,561	19,645,270
Total Net Assets	35,925,556	32,895,434
	\$ 37,626,388	\$ 34,110,166

See notes to financial statements

Bruce Museum, Inc.
Statements of Activities

	Year Ended June 30, 2018				Year Ended June 30, 2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
PUBLIC SUPPORT AND REVENUE								
Contributions	\$ 988,489	\$ 2,525,492	\$ 606,708	\$ 4,120,689	\$ 1,146,045	\$ 995,890	\$ 826,777	\$ 2,968,712
Town of Greenwich appropriations	848,825	-	-	848,825	832,181	-	-	832,181
Endowment spending appropriation	1,104,708	-	-	1,104,708	1,101,620	-	-	1,101,620
Admissions	233,582	-	-	233,582	268,312	-	-	268,312
Membership dues	432,348	-	-	432,348	441,776	-	-	441,776
Museum store revenue	272,510	-	-	272,510	318,580	-	-	318,580
Special events revenue								
Annual events	731,064	-	-	731,064	753,604	-	-	753,604
Other events	10,319	-	-	10,319	8,855	-	-	8,855
Rental and other revenue	20,415	-	-	20,415	23,416	-	-	23,416
Net assets released from restrictions	<u>672,852</u>	<u>(672,852)</u>	-	-	<u>465,988</u>	<u>(465,989)</u>	-	-
Total Public Support and Revenue	<u>5,315,112</u>	<u>1,852,640</u>	<u>606,708</u>	<u>7,774,460</u>	<u>5,360,377</u>	<u>529,902</u>	<u>826,777</u>	<u>6,717,056</u>
EXPENSES								
Program	3,649,282	-	-	3,649,282	4,086,639	-	-	4,086,639
Development	916,879	-	-	916,879	1,035,014	-	-	1,035,014
Administrative and general	317,240	-	-	317,240	326,975	-	-	326,975
Museum store	421,598	-	-	421,598	432,180	-	-	432,180
Special events costs								
Annual events	299,661	-	-	299,661	344,870	-	-	344,870
Other events	-	-	-	-	5,245	-	-	5,245
Total Expenses	<u>5,604,660</u>	-	-	<u>5,604,660</u>	<u>6,230,923</u>	-	-	<u>6,230,923</u>
Excess (Deficiency) of Support and Revenue								
Over Expenses from Operations	(289,548)	1,852,640	606,708	2,169,800	(870,546)	529,902	826,777	486,133
OTHER INCOME								
Investment return, net of endowment spending appropriation	88,256	930,833	-	1,019,089	113,537	1,232,712	-	1,346,249
Loss on uncollectible pledges receivable	-	(133,350)	(25,417)	(158,767)	-	(209,000)	(53,000)	(262,000)
Change in Net Assets	(201,292)	2,650,123	581,291	3,030,122	(757,009)	1,553,614	773,777	1,570,382
NET ASSETS								
Beginning of year	<u>2,310,816</u>	<u>10,939,348</u>	<u>19,645,270</u>	<u>32,895,434</u>	<u>3,067,825</u>	<u>9,385,734</u>	<u>18,871,493</u>	<u>31,325,052</u>
End of year	<u>\$ 2,109,524</u>	<u>\$ 13,589,471</u>	<u>\$ 20,226,561</u>	<u>\$ 35,925,556</u>	<u>\$ 2,310,816</u>	<u>\$ 10,939,348</u>	<u>\$ 19,645,270</u>	<u>\$ 32,895,434</u>

See notes to financial statements

Bruce Museum, Inc.

Statements of Cash Flows

	Year Ended June 30,	
	2018	2017
CASH FLOW FROM OPERATING ACTIVITIES		
Change in net assets	\$ 3,030,122	\$ 1,570,382
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	224,332	227,028
Net realized and unrealized gains on investments	(1,200,041)	(1,602,978)
Cash contributions for capital expenditures	(1,521,182)	(747,989)
Pledged contributions for capital expenditures	(710,000)	(34,460)
Loss on uncollectible pledges receivable	158,767	262,000
Change in discount on pledges receivable	(33,193)	(38,139)
Changes in operating assets and liabilities		
Pledges receivable	100,782	(40,550)
Inventory	2,363	12,007
Prepaid expenses and other assets	26,326	(23,616)
Accounts payable and accrued expenses	171,131	35,530
Deferred revenue	4,580	(161,000)
Net Cash from Operating Activities	253,987	(541,785)
CASH FLOW FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	(14,315)	-
Acquisition of other assets - museum expansion costs	(413,897)	(1,816,571)
Redemption of certificate of deposit	-	1,000,841
Proceeds from sale of investments	5,698,427	11,134,537
Purchase of investments	(5,895,718)	(11,942,357)
Net Cash from Investing Activities	(625,503)	(1,623,550)
CASH FLOW FROM FINANCING ACTIVITIES		
Cash collected from contributions for capital expenditures	2,221,182	1,362,330
Net Change in Cash and Cash Equivalents	1,849,666	(803,005)
CASH AND CASH EQUIVALENTS		
Beginning of year	1,329,450	2,132,455
End of year	\$ 3,179,116	\$ 1,329,450
SUPPLEMENTAL CASH FLOWS INFORMATION		
Other assets - museum expansion costs financed included with accounts payable and accrued expenses	\$ 310,389	\$ -

See notes to financial statements

Bruce Museum, Inc.

Notes to Financial Statements June 30, 2018 and 2017

1. The Organization

Bruce Museum, Inc. (“BMI”) operates a museum of arts and science located in Greenwich, Connecticut.

On January 31, 1992, BMI entered into a management agreement (the “Agreement”) with the Town of Greenwich, Connecticut (the “Town”), whereby the Town appointed BMI, exclusively, to supervise, manage and operate the Bruce Museum (the “Museum”) and administer its affairs subject to certain provisions set forth in the Agreement. The Agreement was originally scheduled to expire in January 2017. On November 2, 2016, BMI and the Town extended the Agreement through January 2042, subject to BMI’s continuing compliance with the contract terms. In addition to the responsibilities assumed by BMI, the Agreement also covers the ownership and use of Museum real property, the ownership of collection objects, the status of Museum employees and certain commitments of the Town to the Museum (see Note 8).

BMI is exempt from federal income taxes under Sections 501(c)(3) of the Internal Revenue Code.

BMI is currently conducting a capital campaign to raise funds to expand the Museum’s facilities and to increase the size of the endowment fund.

2. Summary of Significant Accounting Policies

Basis of Presentation and Use of Estimates

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”), which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly actual results could differ from those estimates.

Cash and Cash Equivalents

BMI considers all highly liquid investments with a maturity of three months or less, at the time of purchase, to be cash equivalents.

Contributions

Contributions are recorded in the statement of activities when an unconditional promise is received. Contributions that are restricted by the donor are reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires or is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets.

Contributions of assets other than cash are recorded at fair value at the date of donation.

Bruce Museum, Inc.

Notes to Financial Statements
June 30, 2018 and 2017

2. Summary of Significant Accounting Policies (continued)

Contributions (continued)

An allowance for uncollectible pledges is provided based on management's evaluation of potential uncollectible contributions receivable at year end. The Museum has considered a number of factors in evaluating this reserve including the economy, the current status of the capital campaign and pledge payment history.

Collections

Contributions and purchases of art and natural science treasures and other similar assets are not capitalized in the accompanying financial statements.

Inventory

Inventory consists of items held for sale in the Museum's store. Inventory is stated at the lower of actual cost (first-in first-out basis) or market (net realizable value).

Fair Value of Financial Instruments

The Museum follows U.S. GAAP guidance on Fair Value Measurements which define fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

Pursuant to U.S. GAAP guidance, alternative investments where fair value is measured using the Net Asset Value ("NAV") per share as a practical expedient is not categorized within the fair value hierarchy.

The value by input level of BMI's investments is included in Note 3 to the financial statements.

Investments Valuation

Investments are carried at fair value.

Certificates of Deposit

Certificates of deposit are carried at cost plus accrued interest.

Bruce Museum, Inc.

Notes to Financial Statements
June 30, 2018 and 2017

2. Summary of Significant Accounting Policies (continued)

Property, Equipment and Depreciation

Property and equipment represent expenditures made by BMI from private funds for the expansion, renovation and improvement of land and buildings made available by the Town. Title to the property and physical building is held by the Town; however, under the Agreement BMI has the exclusive right to the use of the facility (see Note 1).

Property and equipment are recorded at cost, or if received by donation, at estimated fair value at the time of the donation. It is BMI's policy to capitalize expenditures for these items with a cost in excess of \$5,000. Lesser amounts are expensed. Depreciation is provided using the straight-line method over estimated useful lives of the assets which range from 3 to 30 years.

Investment Income Recognition

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis and dividends are recorded on the ex-dividend date. Realized and unrealized gains and losses are included in the determination of the change in net assets.

Advertising

Advertising costs are expensed as incurred. Advertising expense totaled \$101,639 and \$101,396 for the years ended June 30, 2018 and 2017.

Accounting for Uncertainty in Income Taxes

BMI recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Management has determined that BMI had no uncertain tax positions that would require financial statement recognition or disclosure. For information returns, BMI is no longer subject to examinations by the applicable taxing jurisdictions for periods prior to years ending June 30, 2015.

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is November 21, 2018.

Bruce Museum, Inc.

Notes to Financial Statements
June 30, 2018 and 2017

3. Investments and Fair Value of Financial Instruments

The following table presents the composition of investments, unrestricted and the fair value hierarchy of those investments that are measured at fair value as of June 30:

Description	2018	2017
Quoted Prices in Active Markets for Identical Assets (Level 1)		
Investments, unrestricted		
Mutual fund - fixed income	\$ 1,291,762	\$ 1,179,808

The following tables present the composition of assets held in endowment and the fair value hierarchy of those investments that are measured at fair value as of June 30:

Description	2018		Total
	Quoted Prices in Active markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	
Investments, endowment			
Mutual funds			
Money market	\$ 51,780	\$ -	\$ 51,780
Domestic equity	12,792,034	-	12,792,034
International equity	3,489,556	-	3,489,556
Commodities	444,306	-	444,306
Fixed income	578,248	-	578,248
Hedge funds	737,511	-	737,511
Fixed income			
U.S. Corporate bonds	-	900,820	900,820
U.S. Treasury Bonds	595,865	-	595,865
International corporate bonds	-	175,292	175,292
Federal agency bonds	-	655,737	655,737
Mortgage backed securities	-	183,213	183,213
	<u>\$ 18,689,300</u>	<u>\$ 1,915,062</u>	20,604,362
Cash (1)			372,712
Private equity investments (2)			681,659
Hedge funds (2)			<u>3,350,841</u>
 Total Assets Held in Endowment			 <u>\$ 25,009,574</u>

Bruce Museum, Inc.

Notes to Financial Statements
June 30, 2018 and 2017

3. Investments and Fair Value of Financial Instruments (continued)

Description	2017		Total
	Quoted Prices in Active markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	
Investments, endowment			
Mutual funds			
Money market	\$ 56,821	\$ -	\$ 56,821
Domestic equity	11,760,865	-	11,760,865
International equity	3,418,099	-	3,418,099
Commodities	363,051	-	363,051
Fixed income	661,837	-	661,837
Hedge funds	682,279	-	682,279
Fixed income			
U.S. Corporate bonds	-	891,634	891,634
U.S. Treasury Bonds	624,096	-	624,096
International corporate bonds	-	176,800	176,800
Federal agency bonds	-	598,867	598,867
Mortgage backed securities	-	195,931	195,931
	<u>\$ 17,567,048</u>	<u>\$ 1,863,232</u>	19,430,280
Cash (1)			774,696
Private equity investments (2)			738,629
Hedge funds (2)			<u>2,780,591</u>
 Total Assets Held in Endowment			 <u>\$ 23,724,196</u>

(1) Cash and certificates of deposit are not part of the fair value hierarchy.

(2) As discussed in Note 2, investments that are measured at NAV using the practical expedient are not classified within the fair value hierarchy. The fair value amounts presented in the total column of this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the balance sheets.

Level 1 cash equivalents reported in cash and cash equivalents on the statement of financial position as of June 30, 2018 and 2017 were \$0 and \$2,679.

Bruce Museum, Inc.

Notes to Financial Statements
June 30, 2018 and 2017

3. Investments and Fair Value of Financial Instruments (continued)

The following is a reconciliation of the beginning and ending balances for assets measured at NAV during the period ended June 30:

	2018		2017	
	Private Equity Investments	Hedge Funds	Private Equity Investments	Hedge Funds
Beginning balance	\$ 738,629	\$ 2,780,591	\$ 852,454	\$ 765,160
Unrealized gains on investments held at year end	129,298	570,250	98,948	315,431
Realized gain on redemptions	-	-	-	-
Purchases	16,500	-	22,000	1,700,000
Redemptions	<u>(202,768)</u>	<u>-</u>	<u>(234,773)</u>	<u>-</u>
Ending Balance	<u>\$ 681,659</u>	<u>\$ 3,350,841</u>	<u>\$ 738,629</u>	<u>\$ 2,780,591</u>

Information regarding investments measured at NAV using the practical expedient at June 30, 2018 is as follows:

	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Private equity investments (see "a" below)	\$ 681,659	\$ 82,491	N/A	N/A
Equity market neutral hedge fund (see "b" below)	155,669	-	Quarterly	15-30 days
Multi-strategy hedge fund (see "c" below)	790,358	-	Quarterly	30 days
Managed futures hedge fund (see "d" below)	121,993	-	Monthly	15 days
Long/Short hedge fund (see "e" below)	<u>2,282,821</u>	<u>-</u>	Quarterly	60 days
	<u>\$ 4,032,500</u>	<u>\$ 82,491</u>		

- (a) This category includes several private equity funds that invest in private investment companies and managed advisory accounts. These investments can never be redeemed with the funds. Instead, the nature of the investments in this category is that distributions are received through the liquidation of the underlying assets of the funds. There is no estimate as to when the underlying investments will be liquidated by the funds.
- (b) This category includes a hedge fund that pursues equity market neutral strategies. The hedge fund's composite portfolio for this category includes investments in approximately 86% United States equity securities and 14% foreign equity securities.

Bruce Museum, Inc.

Notes to Financial Statements
June 30, 2018 and 2017

3. Investments and Fair Value of Financial Instruments (*continued*)

- (c) This category includes a hedge fund that pursues multiple strategies to diversify risks and reduce volatility. The hedge fund's composite portfolio consists of approximately 11% in private investment companies that invest in distressed assets, 35% in private investment companies that pursue an equity hedge strategy, 28% in private investment companies that pursue a global macro strategy, and 26% in private investment companies that pursue other investment strategies. The hedge fund's investments are subject to various redemption restrictions. 6% of the hedge fund's investments are subject to gate provisions, 2% of the hedge fund's investments are subject to redemptions from liquidations, 14% of the hedge fund's investments are subject to lock-up provisions through December 2020, and less than 1% of the hedge fund's investments have indeterminate redemption periods due to side pocket provisions. The remaining redemption period for the investments held by the hedge fund ranged from monthly to annually at June 30, 2018.
- (d) This category includes a hedge fund that pursues a strategy of managed futures. It has leveraged fully-diversified futures portfolio with positions in currency, global interest rates, equities, energy, precious and industrial metals and agricultural future markets.
- (e) This category includes a hedge fund that pursues a long/short strategy. By employing a discipline investment process which utilizes various research techniques and evaluates fundamental factors, the partnership seeks to earn above market returns and long-term appreciation by investing principally in U.S. and foreign marketable securities. The hedge funds' composite portfolio for this category includes investments in approximately 65% United States equity securities, 32% foreign equity securities, 9% in warrants, and -6% in securities sold short. Redemptions from the fund are subject to a one year lockup period and a 1.25% withdrawal fee if withdrawn prior to the end of the lockup period.

Investment return in excess or less than the spending policy amount is reflected in the statement of activities as non-operating revenue or loss. Components of investment return for the years ended June 30 are as follows:

	2018	2017
Dividends and interest	\$ 923,756	\$ 844,891
Net realized gain (loss) on investments	(13,202)	248,558
Net unrealized gain on investments	<u>1,213,243</u>	<u>1,354,420</u>
Total Investment Return	2,123,797	2,447,869
Endowment spending appropriation	<u>(1,104,708)</u>	<u>(1,101,620)</u>
Investment return, net of endowment spending appropriation	<u>\$ 1,019,089</u>	<u>\$ 1,346,249</u>

Bruce Museum, Inc.

Notes to Financial Statements
June 30, 2018 and 2017

4. Pledges Receivable

Pledges receivable as of June 30 are as follows:

	2018	2017
Pledges receivable due in less than one year	\$ 1,985,579	\$ 1,700,290
Pledges receivable due in one to five years	629,460	1,026,298
	2,615,039	2,726,588
Allowance for uncollectible pledges	(400,000)	(262,000)
Discount on pledges	(37,861)	(71,054)
Pledges Receivable, Net	\$ 2,177,178	\$ 2,393,534

The aforementioned pledges have been included in the following net asset categories at June 30:

	2018	2017
Unrestricted	\$ 34,220	\$ 112,547
Temporarily restricted	1,715,425	1,805,582
Permanently restricted	427,533	475,405
	\$ 2,177,178	\$ 2,393,534

Unrestricted pledges receivable represent promises to give to fund current operations of BMI for which payment was due as of June 30, 2018 and 2017.

Restricted pledges outstanding are receivable as follows as of June 30:

2019	\$ 1,951,359
2020	380,000
2021	125,000
2022	124,460
	2,580,819
Allowance for uncollectible pledges	(400,000)
Discount on pledges	(37,861)
	\$ 2,142,958

For the several years, BMI received indications of support for the endowment fund and for the expansion of its facility. These indications of support do not meet the criteria to be recognized as either an asset or revenue on the accompanying financial statements. In addition to the pledges receivable recorded above, As of June 30, 2018, there are approximately \$2,400,000 of pledges contingent upon milestones related to the expansion of the Museum and approximately \$9,530,000 of outstanding indications of support for its endowment and expansion of its facility that have not been recognized on the financial statements because they do not meet the criteria to be recognized as either an asset or revenue on the financial statements.

Bruce Museum, Inc.

Notes to Financial Statements
June 30, 2018 and 2017

5. Property and Equipment

Property and equipment at June 30 consists of the following:

	<u>2018</u>	<u>2017</u>
Building improvements	\$ 7,086,595	\$ 7,086,595
Furniture and equipment	450,437	436,122
Vehicles	<u>59,386</u>	<u>59,386</u>
	7,596,418	7,582,103
Accumulated depreciation	<u>(6,513,827)</u>	<u>(6,289,495)</u>
	<u>\$ 1,082,591</u>	<u>\$ 1,292,608</u>

6. Other Assets – Museum Expansion Costs

Other assets represents pre-construction costs related to designing, developing and preparing for construction of a new extension and renovations to the existing building and grounds that house the Museum and BMI. BMI will begin to depreciate the property over its estimated useful life when the improvements are placed into service.

7. Refundable Contributions

The Museum received cash for contributions which are conditional upon construction beginning on the expansion of the building. Accordingly, the contributions will not be recognized as revenue until the conditions for recognition have occurred.

8. Transactions with the Town of Greenwich

The Agreement between BMI and the Town (see Note 1) provides that the Town will:

- Give an annual budget appropriation to BMI to assist it in meeting its operating requirements,
- Maintain insurance coverage on Museum premises and collection objects, including items on temporary loan, and
- Provide maintenance and repairs, as defined in the Agreement.

During the years ended June 30, 2018 and 2017, budget appropriations made by the Town on behalf of and paid to BMI amounted to \$848,825 and \$832,181, representing 11% and 12% of BMI's total public support and revenue.

The extension to the Agreement includes a grant to BMI for \$750,000 to renovate the Museum's permanent science gallery. The estimated project cost is \$810,000. Cost above the grant will be BMI's responsibility.

9. Employee Benefits

BMI sponsors a 401(k) plan. This plan is for the benefit of substantially all full-time professional and support staff of BMI. For the years ended June 30, 2018 and 2017, BMI's contribution to the 401(k) plan was \$111,927 and \$116,468.

Bruce Museum, Inc.

Notes to Financial Statements June 30, 2018 and 2017

10. Contributed Services

Numerous unpaid volunteers have contributed their time to develop the Museum's programs, principally in development, curatorial and educational programs. The value of contributions which do not involve specialized skills is not reflected in these financial statements in accordance with generally accepted accounting principles and is not susceptible to objective measurement of valuation. Contributions revenue and expenses for 2018 and 2017 include \$118,257 and \$87,987 for volunteer time which required specialized skills, primarily the conducting of educational tours and seminars in the Museum. Of the contributed services recognized on the statements of activities, \$20,840 and \$13,649 was included in Museum store expenses for the years ended June 30, 2018 and 2017.

As described in Note 1, BMI manages and operates the Museum in a facility that is owned by the Town. The use of the facility by BMI is provided by the Town free of charge. In exchange for the use of the facility and in lieu of paying rent, BMI agreed in 1992 to incur the cost to improve, expand, and operate the facility pursuant to the Agreement. Additionally, BMI has agreed to oversee the renovation of the permanent science exhibit and to incur the costs of the renovation in excess of a \$750,000 grant awarded by the State of Connecticut to the Town which will be passed through to BMI. At the end of the Agreement between BMI and the Town, all improvements to the facility become the Town's property. Since the cost of the improvements, expansion, and operations exceed the fair rental value of the property over the extended term of the Agreement, BMI has not recorded any contribution income in connection with the use of the facility.

11. Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are restricted for the following purposes at June 30:

	<u>2018</u>	<u>2017</u>
Programs	\$ 590,728	\$ 538,124
Collection acquisitions	292,226	292,226
Unappropriated endowment returns	4,171,617	3,240,784
Capital campaign	<u>8,534,900</u>	<u>6,868,214</u>
	<u>\$ 13,589,471</u>	<u>\$ 10,939,348</u>

Net assets released from temporary restrictions during the years ended June 30 by incurring expenses that satisfy the restricted purposes or by the occurrence of other events specified by donors were as follows:

	<u>2018</u>	<u>2017</u>
Programs	\$ 154,513	\$ 152,432
Collection acquisitions	54,000	14,300
Capital campaign	<u>464,339</u>	<u>299,256</u>
	<u>\$ 672,852</u>	<u>\$ 465,988</u>

Bruce Museum, Inc.

Notes to Financial Statements
June 30, 2018 and 2017

11. Temporarily and Permanently Restricted Net Assets (continued)

Permanently restricted net assets are restricted to investment in perpetuity, with investment return to primarily support educational programs, exhibitions, art acquisitions and key staffing, as well as general programming. Permanently restricted net assets as of June 30 are comprised of the following:

	2018	2017
Endowment fund	\$ 19,799,028	\$ 19,169,865
Pledges receivable, net	<u>427,533</u>	<u>475,405</u>
	<u>\$ 20,226,561</u>	<u>\$ 19,645,270</u>

12. Endowment Fund

BMI maintains various donor-restricted and board-designated funds whose purpose is to provide long term support for its charitable programs. In classifying such funds for financial statement purposes as either permanently restricted, temporarily restricted or unrestricted net assets, the Board looks to the explicit directions of the donor where applicable and the provisions of the laws of the State of Connecticut. Absent donor stipulations to the contrary, Connecticut State law suggests a permanent restriction on the portion of the total return of the endowment required to maintain its purchasing power over time. Connecticut State law suggests a temporary (time) restriction on the balance of the total return over such amount until appropriated by the Board for expenditure. For the years ended June 30, 2018 and 2017, the Board utilized a spending rate of five percent (5%) of its endowment to be calculated based upon the average value of such endowment on each of the twelve previous calendar quarters ending on March 31.

The following is a reconciliation of the activity in the endowment funds for the year ended June 30, 2018:

	Unrestricted	Board Designated Endowment	Temporarily Restricted	Permanently Restricted	Total
Balance, July 1, 2017	\$ 368,391	\$ 945,156	\$ 3,240,784	\$ 19,169,865	\$ 23,724,196
Cash contributions received and pledge collections	-	-	-	629,163	629,163
Dividends and interest, net of expenses	-	48,218	845,760	-	893,978
Realized loss	-	(712)	(12,490)	-	(13,202)
Unrealized gain	-	65,439	1,147,804	-	1,213,243
Board authorized transfer	(333,096)	-	-	-	(333,096)
Appropriation for expenditure	<u>-</u>	<u>(54,467)</u>	<u>(1,050,241)</u>	<u>-</u>	<u>(1,104,708)</u>
Balance, June 30, 2018	<u>\$ 35,295</u>	<u>\$ 1,003,634</u>	<u>\$ 4,171,617</u>	<u>\$ 19,799,028</u>	<u>\$ 25,009,574</u>

Bruce Museum, Inc.

Notes to Financial Statements June 30, 2018 and 2017

12. Endowment Fund *(continued)*

The following is a reconciliation of the activity in the endowment funds for the year ended June 30, 2017:

	Unrestricted	Board Designated Endowment	Temporarily Restricted	Permanently Restricted	Total
Balance, July 1, 2016	\$ 82,391	\$ 1,411,512	\$ 2,008,072	\$ 18,384,493	\$ 21,886,468
Cash contributions received and pledge collections	-	-	-	785,372	785,372
Dividends and interest, net of expenses	-	58,894	767,073	-	825,967
Realized gain	-	17,916	233,356	-	251,272
Unrealized gain	-	96,383	1,255,354	-	1,351,737
Board authorized transfer	286,000	(561,000)	-	-	(275,000)
Appropriation for expenditure	-	(78,549)	(1,023,071)	-	(1,101,620)
Balance, June 30, 2017	<u>\$ 368,391</u>	<u>\$ 945,156</u>	<u>\$ 3,240,784</u>	<u>\$ 19,169,865</u>	<u>\$ 23,724,196</u>

BMI maintains an endowment fund comprised of both unrestricted, temporarily and permanently restricted amounts.

The investment objectives for BMI are 1) to provide BMI with a dependable source of income to be applied towards the spending policy; 2) to increase the size of the endowment fund by achieving positive returns on a net basis after expenses and withdrawals; and 3) to maintain required amounts in the endowment funds pursuant to the Board's interpretation of Connecticut state law. BMI seeks to achieve these objectives through the use of broad diversification in order to control the risks of loss and volatility and through the use of an asset allocation policy appropriate to the needs of BMI, designed to maximize risk-adjusted long-term returns. This diversification means that in addition to the traditional investment classes of equity and fixed-income securities, the fund's assets may be allocated to non-traditional investment classes including foreign securities, real estate, commodities, private equity, derivatives and "alternative investments" such as hedge funds. These non-traditional investment classes may have higher risk characteristics than traditional investment classes.

13. Collections

The Museum's collections comprise artwork consisting of fine examples of 19th and 20th century American and European painting, sculpture, and graphics, as well as world-class minerals and exceptional wildlife specimens depicted in their native environments. The Museum's collections of pre-Columbian, Native American, and Asian art enable the Museum to mount exhibits of rich cultural diversity.

In addition to the permanent display of natural history objects, the Museum rotates art objects onto display from the permanent collection, often featuring them in temporary exhibitions. When off view the objects are kept in a secure, climate controlled storage. The Museum maintains policies and procedures addressing the collection's maintenance and upkeep, as well as aspects of its management, including accessioning and de-accessioning. These procedures are in accordance with guidelines from the American Association of Museums, which reaccredited the Bruce Museum in December 2007. The permanent collections are insured by the Town for \$50 million; additional insurance is purchased to cover the value of works loaned to the Museum for temporary exhibitions.

Bruce Museum, Inc.

Notes to Financial Statements June 30, 2018 and 2017

13. Collections (*continued*)

Various collection items were donated to the Museum, which is owned by the Town, during the year ended June 30, 2018 and 2017. Title to all objects in the collections of the Museum, and all additions thereto, is vested exclusively in the Town and is held in public trust. Accordingly, BMI did not recognize income from the donations of objects to the Museum's collection on the statement of changes in net assets.

BMI purchased \$86,275 and \$71,400 collection items during the years ended June 30, 2018 and 2017. During the year ended one item was de-accessed and sold for \$40,000. There were no items de-accessed during the year ended June 30, 2017.

14. Concentration of Credit Risk and Related Party Transactions

Cash and Investments Held at Financial Institutions

BMI maintains cash and investment balances at multiple financial institutions. Accounts at each banking institution are insured by the Federal Deposit Insurance Corporation ("FDIC insured") up to \$250,000 and accounts at each brokerage institution are insured by the Securities Investor Protection Corporation ("SIPC insured") up to \$500,000 (\$250,000 for cash). As of June 30, 2018, cash held in banks in excess of the federally insured limits was approximately \$2,700,000. As of June 30, 2018, investments held in financial institutions in excess of the federally insured limit was approximately \$20,191,000. The Organization believes it is not exposed to any significant credit risk on its cash and investment balances.

Contributions

For the years ended June 30, 2018 and 2017, one donor represented 13% and 12% of total contributions, membership dues, and special event revenues. Three donors represent 52% of pledges receivable as of June 30, 2018. Two donors represent 34% of pledge receivables as of June 30, 2017.

For the years ended June 30, 2018 and 2017, BMI received contributions, membership dues, and special events revenues from trustees totaling approximately \$750,000 and \$1,765,000 representing 14% and 27% of total contributions, membership dues, and special event revenues. As of June 30, 2018 and 2017, 10% and 42% of pledges receivable were due from trustees.

Alternative Investments

Alternative Investments consist of non-traditional, not readily marketable investments, some of which may be structured as offshore limited partnerships, venture capital funds, hedge funds, private equity funds and common trust funds. The underlying investments of such funds, whether invested in stock or other securities, are generally not currently traded in a public market and typically are subject to restrictions on resale. Values determined by investment managers and general partners of underlying securities that are thinly traded or not traded in an active market may be based on historical cost, appraisals, a review of the investees' financial results, financial condition and prospects, together with comparisons to similar companies for which quoted market prices are available or other estimates that require varying degrees of judgments.

Bruce Museum, Inc.

Notes to Financial Statements
June 30, 2018 and 2017

14. Concentration of Credit Risk and Related Party Transactions (*continued*)

Investments

Investments are carried at fair value. Because of the inherent uncertainty of valuations, the estimated fair values may differ significantly from the value that would have been used had a ready market for such investments existed or had such investments been liquidated, and those differences could be material.

Bruce Museum, Inc.

Supplementary Information

June 30, 2018 and 2017

Bruce Museum, Inc.

Statements of Financial Position - Supplemental Schedule
June 30, 2018

	Operating Fund	Property and Equipment Fund	Temporarily Restricted Fund	Capital Campaign Fund	Endowment Fund	Eliminations	Total
ASSETS							
Cash and cash equivalents	\$ 2,487,751	\$ -	\$ -	\$ 768,168	\$ -	\$ (76,803)	\$ 3,179,116
Investments, unrestricted	-	-	1,291,762	-	-	-	1,291,762
Pledges receivable, net	34,220	-	-	1,715,425	427,533	-	2,177,178
Inventory	52,219	-	-	-	-	-	52,219
Prepaid expenses and other current assets	96,423	-	-	-	-	-	96,423
Interfund receivables	518,967	-	-	2,517,311	76,803	(3,113,081)	-
Assets held in endowment	-	-	-	-	24,932,771	76,803	25,009,574
Property and equipment, net	-	1,082,591	-	-	-	-	1,082,591
Other assets - museum expansion costs	-	-	-	4,737,525	-	-	4,737,525
	<u>\$ 3,189,580</u>	<u>\$ 1,082,591</u>	<u>\$ 1,291,762</u>	<u>\$ 9,738,429</u>	<u>\$ 25,437,107</u>	<u>\$ (3,113,081)</u>	<u>\$ 37,626,388</u>
LIABILITIES AND NET ASSETS							
Liabilities							
Accounts payable and accrued expenses	\$ 471,400	\$ -	\$ -	\$ 310,389	\$ -	\$ -	\$ 781,789
Refundable contributions	-	-	-	867,963	-	-	867,963
Deferred revenue	51,080	-	-	-	-	-	51,080
Interfund payables	2,594,114	-	518,967	-	-	(3,113,081)	-
Total Liabilities	<u>3,116,594</u>	<u>-</u>	<u>518,967</u>	<u>1,178,352</u>	<u>-</u>	<u>(3,113,081)</u>	<u>1,700,832</u>
Net Assets							
Unrestricted							
Operating	45,067	-	(110,159)	25,177	35,295	-	(4,620)
Board designated for capital account	27,919	-	-	-	-	-	27,919
Board designated endowment	-	-	-	-	1,003,634	-	1,003,634
Investment in property and equipment	-	1,082,591	-	-	-	-	1,082,591
Total Unrestricted	72,986	1,082,591	(110,159)	25,177	1,038,929	-	2,109,524
Temporarily restricted	-	-	882,954	8,534,900	4,171,617	-	13,589,471
Permanently restricted	-	-	-	-	20,226,561	-	20,226,561
Total Net Assets	<u>72,986</u>	<u>1,082,591</u>	<u>772,795</u>	<u>8,560,077</u>	<u>25,437,107</u>	<u>-</u>	<u>35,925,556</u>
	<u>\$ 3,189,580</u>	<u>\$ 1,082,591</u>	<u>\$ 1,291,762</u>	<u>\$ 9,738,429</u>	<u>\$ 25,437,107</u>	<u>\$ (3,113,081)</u>	<u>\$ 37,626,388</u>

See Independent Auditors' Report

Bruce Museum, Inc.

Statements of Financial Position - Supplemental Schedule
June 30, 2017

	Operating Fund	Property and Equipment Fund	Temporarily Restricted Fund	Capital Campaign Fund	Endowment Fund	Eliminations	Total
ASSETS							
Cash and cash equivalents	\$ 1,042,260	\$ -	\$ 2,679	\$ 759,073	\$ -	\$ (474,562)	\$ 1,329,450
Investments, unrestricted	-	-	1,179,808	-	-	-	1,179,808
Pledges receivable, net	112,547	-	-	1,805,582	475,405	-	2,393,534
Inventory	54,582	-	-	-	-	-	54,582
Prepaid expenses and other current assets	122,749	-	-	-	-	-	122,749
Interfund receivables	421,900	-	-	1,175,047	474,562	(2,071,509)	-
Assets held in endowment	-	-	-	-	23,249,634	474,562	23,724,196
Property and equipment, net	-	1,292,608	-	-	-	-	1,292,608
Other assets - museum expansion costs	-	-	-	4,013,239	-	-	4,013,239
	<u>\$ 1,754,038</u>	<u>\$ 1,292,608</u>	<u>\$ 1,182,487</u>	<u>\$ 7,752,941</u>	<u>\$ 24,199,601</u>	<u>\$ (2,071,509)</u>	<u>\$ 34,110,166</u>
LIABILITIES AND NET ASSETS							
Liabilities							
Accounts payable and accrued expenses	\$ 300,269	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 300,269
Refundable contributions	-	-	-	867,963	-	-	867,963
Deferred revenue	46,500	-	-	-	-	-	46,500
Interfund payables	1,649,609	-	421,900	-	-	(2,071,509)	-
Total Liabilities	<u>1,996,378</u>	<u>-</u>	<u>421,900</u>	<u>867,963</u>	<u>-</u>	<u>(2,071,509)</u>	<u>1,214,732</u>
Net Assets							
Unrestricted							
Operating	(270,259)	-	(69,763)	16,764	368,391	-	45,133
Board designated for capital account	27,919	-	-	-	-	-	27,919
Board designated endowment	-	-	-	-	945,156	-	945,156
Investment in property and equipment	-	1,292,608	-	-	-	-	1,292,608
Total Unrestricted	<u>(242,340)</u>	<u>1,292,608</u>	<u>(69,763)</u>	<u>16,764</u>	<u>1,313,547</u>	<u>-</u>	<u>2,310,816</u>
Temporarily restricted							
Temporarily restricted	-	-	830,350	6,868,214	3,240,784	-	10,939,348
Permanently restricted	-	-	-	-	19,645,270	-	19,645,270
Total Net Assets	<u>(242,340)</u>	<u>1,292,608</u>	<u>760,587</u>	<u>6,884,978</u>	<u>24,199,601</u>	<u>(2,071,509)</u>	<u>\$ 34,110,166</u>

See Independent Auditors' Report

Bruce Museum, Inc.

Statement of Activities - Supplemental Schedule
Year Ended June 30, 2018

	Operating Fund	Property and Equipment Fund	Temporarily Restricted Fund	Capital Campaign Fund	Endowment Fund	Total
PUBLIC SUPPORT AND REVENUE						
Contributions	\$ 988,489	\$ -	\$ 261,117	\$ 2,264,375	\$ 606,708	\$ 4,120,689
Town of Greenwich appropriations	848,825	-	-	-	-	848,825
Endowment spending appropriation	1,104,708	-	-	-	-	1,104,708
Admissions	232,572	-	1,010	-	-	233,582
Membership dues	432,348	-	-	-	-	432,348
Museum store revenue	272,510	-	-	-	-	272,510
Special events revenue						
Annual events	731,064	-	-	-	-	731,064
Other events	10,319	-	-	-	-	10,319
Rental and other revenue	20,415	-	-	-	-	20,415
Total Public Support and Revenue	<u>4,641,250</u>	<u>-</u>	<u>262,127</u>	<u>2,264,375</u>	<u>606,708</u>	<u>7,774,460</u>
EXPENSES						
Program	2,770,462	146,901	267,580	464,339	-	3,649,282
Development	869,237	47,642	-	-	-	916,879
Administrative and general	306,862	10,378	-	-	-	317,240
Museum store	402,187	19,411	-	-	-	421,598
Special events costs						
Annual events	299,661	-	-	-	-	299,661
Total Expenses	<u>4,648,409</u>	<u>224,332</u>	<u>267,580</u>	<u>464,339</u>	<u>-</u>	<u>5,604,660</u>
Excess (Deficiency) of Support and Revenue Over Expenses from Operations	(7,159)	(224,332)	(5,453)	1,800,036	606,708	2,169,800
OTHER CHANGES AND TRANSFERS						
Investment return, net of endowment spending appropriation	3,704	-	17,661	8,413	989,311	1,019,089
Board authorized transfer	333,096	-	-	-	(333,096)	-
Purchase property and equipment	(14,315)	14,315	-	-	-	-
Loss on uncollectible pledges receivable	-	-	-	(133,350)	(25,417)	(158,767)
Change in Net Assets	315,326	(210,017)	12,208	1,675,099	1,237,506	3,030,122
NET ASSETS						
Beginning of year	<u>(242,340)</u>	<u>1,292,608</u>	<u>760,587</u>	<u>6,884,978</u>	<u>24,199,601</u>	<u>32,895,434</u>
End of year	<u>\$ 72,986</u>	<u>\$ 1,082,591</u>	<u>\$ 772,795</u>	<u>\$ 8,560,077</u>	<u>\$ 25,437,107</u>	<u>\$ 35,925,556</u>

See Independent Auditors' Report

Bruce Museum, Inc.

Statement of Activities - Supplemental Schedule
Year Ended June 30, 2017

	Operating Fund	Property and Equipment Fund	Temporarily Restricted Fund	Capital Campaign Fund	Endowment Fund	Total
PUBLIC SUPPORT AND REVENUE						
Contributions	\$ 1,146,045	\$ -	\$ 175,302	\$ 820,588	\$ 826,777	\$ 2,968,712
Town of Greenwich appropriations	832,181	-	-	-	-	832,181
Endowment spending appropriations	1,101,620	-	-	-	-	1,101,620
Admissions	267,482	-	830	-	-	268,312
Membership dues	441,776	-	-	-	-	441,776
Museum store revenue	318,580	-	-	-	-	318,580
Special events revenue						
Annual events	753,604	-	-	-	-	753,604
Other events	8,855	-	-	-	-	8,855
Rental and other revenue	23,416	-	-	-	-	23,416
Total Public Support and Revenue	<u>4,893,559</u>	<u>-</u>	<u>176,132</u>	<u>820,588</u>	<u>826,777</u>	<u>6,717,056</u>
EXPENSES						
Program	3,481,295	148,666	245,478	211,200	-	4,086,639
Development	898,748	48,215	-	88,051	-	1,035,014
Administrative and general	316,472	10,503	-	-	-	326,975
Museum store	412,536	19,644	-	-	-	432,180
Special events costs						
Annual events	344,870	-	-	-	-	344,870
Other events	5,245	-	-	-	-	5,245
Total Expenses	<u>5,459,166</u>	<u>227,028</u>	<u>245,478</u>	<u>299,251</u>	<u>-</u>	<u>6,230,923</u>
Excess (Deficiency) of Support and Revenue Over Expenses from Operations	(565,607)	(227,028)	(69,346)	521,337	826,777	486,133
OTHER CHANGES AND TRANSFERS						
Investment return, net of endowment spending appropriation	2,468	-	8,153	8,272	1,327,356	1,346,249
Board authorized transfer	275,000	-	-	-	(275,000)	-
Loss on uncollectible pledges receivable	-	-	-	(209,000)	(53,000)	(262,000)
Change in Net Assets	(288,139)	(227,028)	(61,193)	320,609	1,826,133	1,570,382
NET ASSETS						
Beginning of year	45,799	1,519,636	821,780	6,564,369	22,373,468	31,325,052
End of year	<u>\$ (242,340)</u>	<u>\$ 1,292,608</u>	<u>\$ 760,587</u>	<u>\$ 6,884,978</u>	<u>\$ 24,199,601</u>	<u>\$ 32,895,434</u>

See Independent Auditors' Report