



G R O U N D S F O R S C U L P T U R E

**GROUNDS FOR SCULPTURE, INC. AND SUBSIDIARY**

**Consolidated Financial Statements**

**December 31, 2015 and 2014**

**With Independent Auditors' Report**

**Grounds For Sculpture, Inc. and Subsidiary**  
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**December 31, 2015 and 2014**

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## Independent Auditors' Report

To the Board of Directors,  
Grounds For Sculpture, Inc. and Subsidiary:

### **Report on the Financial Statements**

We have audited the accompanying consolidated financial statements of Grounds For Sculpture, Inc. and Subsidiary, ("the Organization") which comprise the consolidated statement of financial position as of December 31, 2015 and the related consolidated statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the consolidated financial statements.

### **Management's Responsibility for the 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.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit 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 financial statements. The procedures selected depend on the auditors' 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 entity'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 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 consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Grounds For Sculpture, Inc. and Subsidiary as of December 31, 2015 and the changes in its net assets, cash flows and functional expenses for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

**Report on Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements referred to above taken as a whole. The 2015 supplemental information as listed in the table of contents is presented for purposes of additional analysis and are not a required part of the basic consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

**Prior Year Financial Statements**

The consolidated financial statements of the Organization for the year ended December 31, 2014, were audited by another auditor whose report dated May 27, 2015 expressed an unmodified opinion on those consolidated financial statements and stated that, in their opinion the accompanying 2014 supplemental information was fairly stated in all material respects to the 2014 consolidated financial statements as a whole.

*Withum Smith + Brown, PC*

May 24, 2016

**Grounds For Sculpture, Inc. and Subsidiary**  
**Consolidated Statements of Financial Position**  
**December 31, 2015 and 2014**

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	<b>2015</b>	<b>2014</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 4,340,325	\$ 931,862
Investments	1,779,499	4,124,337
Contributions and grants receivable	42,964	62,264
Inventory	163,006	191,011
Prepaid expenses and other assets	193,009	93,829
Deferred tax asset	207,200	314,900
Collections	--	--
Property and equipment, net	<u>22,202,908</u>	<u>22,656,985</u>
	<u>\$ 28,928,911</u>	<u>\$ 28,375,188</u>
 <b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable	\$ 1,020,231	\$ 828,560
Accrued expenses	317,953	288,696
Deferred revenue	<u>514,183</u>	<u>455,060</u>
Total liabilities	1,852,367	1,572,316
 <b>Net assets</b>		
Unrestricted	27,044,344	26,570,783
Temporarily restricted	<u>32,200</u>	<u>232,089</u>
Total net assets	<u>27,076,544</u>	<u>26,802,872</u>
	<u>\$ 28,928,911</u>	<u>\$ 28,375,188</u>

The Notes to Consolidated Financial Statements are an integral part of this statement.

**Grounds For Sculpture, Inc. and Subsidiary**  
**Consolidated Statements of Activities and Changes in Net Assets**  
**Year Ended December 31, 2015**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Operating activities			
Operating support and revenue			
Support			
Contributions and grants	\$ 2,937,255	\$ 32,200	\$ 2,969,455
In-kind contributions	17,841	--	17,841
Fundraising	<u>111,526</u>	<u>--</u>	<u>111,526</u>
	3,066,622	32,200	3,098,822
Revenue			
Admission fees	2,251,649	--	2,251,649
Membership fees	454,986	--	454,986
Education and event program fees	158,718	--	158,718
Food services	6,544,625	--	6,544,625
Museum shop sales	352,990	--	352,990
Event rentals	193,120	--	193,120
Royalty income	3,314	--	3,314
Dividend and interest income	53,407	--	53,407
Unrealized loss on investments	<u>(20,254)</u>	<u>--</u>	<u>(20,254)</u>
	9,992,555	--	9,992,555
Net assets released from restrictions	<u>232,089</u>	<u>(232,089)</u>	<u>--</u>
	13,291,266	(199,889)	13,091,377
Operating expenses			
Programs	4,213,505	--	4,213,505
Management and general	1,095,830	--	1,095,830
Fundraising	869,907	--	869,907
Auxiliary operations	<u>6,530,763</u>	<u>--</u>	<u>6,530,763</u>
	<u>12,710,005</u>	<u>--</u>	<u>12,710,005</u>
Change in net assets before income taxes	581,261	(199,889)	381,372
Provision for income taxes	<u>(107,700)</u>	<u>--</u>	<u>(107,700)</u>
Change in net assets	473,561	(199,889)	273,672
Net assets - beginning of year	<u>26,570,783</u>	<u>232,089</u>	<u>26,802,872</u>
Net assets - end of year	<u>\$ 27,044,344</u>	<u>\$ 32,200</u>	<u>\$ 27,076,544</u>

The Notes to Consolidated Financial Statements are an integral part of this statement.

**Grounds For Sculpture, Inc. and Subsidiary**  
**Consolidated Statements of Activities and Changes in Net Assets**  
**Year Ended December 31, 2014**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Operating activities			
Operating support and revenue			
Support			
Contributions and grants	\$ 2,111,980	\$ 232,089	\$ 2,344,069
Contribution - property and equipment	22,294,705	--	22,294,705
In-kind contributions	31,988	--	31,988
Fundraising	<u>387,536</u>	<u>--</u>	<u>387,536</u>
	24,826,209	232,089	25,058,298
Revenue			
Admission fees	2,309,831	--	2,309,831
Membership fees	494,423	--	494,423
Education and event program fees	126,842	--	126,842
Food services	6,257,841	--	6,257,841
Museum shop sales	345,878	--	345,878
Event rentals	246,727	--	246,727
Dividend and interest income	35,072	--	35,072
Unrealized gain on investments	<u>149,019</u>	<u>--</u>	<u>149,019</u>
	9,965,633	--	9,965,633
Net assets released from restrictions	<u>2,212,359</u>	<u>(2,212,359)</u>	<u>--</u>
	37,004,201	(1,980,270)	35,023,931
Operating expenses			
Programs	4,021,792	--	4,021,792
Management and general	1,307,840	--	1,307,840
Fundraising	841,571	--	841,571
Auxiliary operations	<u>6,602,872</u>	<u>--</u>	<u>6,602,872</u>
	<u>12,774,075</u>	<u>--</u>	<u>12,774,075</u>
Change in net assets before income taxes	24,230,126	(1,980,270)	22,249,856
Provision for income taxes	<u>(62,790)</u>	<u>--</u>	<u>(62,790)</u>
Change in net assets	24,167,336	(1,980,270)	22,187,066
Net assets - beginning of year	<u>2,403,447</u>	<u>2,212,359</u>	<u>4,615,806</u>
Net assets - end of year	<u>\$ 26,570,783</u>	<u>\$ 232,089</u>	<u>\$ 26,802,872</u>

The Notes to Consolidated Financial Statements are an integral part of this statement.

**Grounds For Sculpture, Inc. and Subsidiary**  
**Consolidated Statements of Cash Flows**  
**Years Ended December 31, 2015 and 2014**

	2015	2014
<b>Cash Flows from Operating Activities</b>		
Changes in net assets	\$ 273,672	\$ 22,187,066
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities		
Depreciation and amortization	615,002	143,139
Deferred income tax expense	107,700	57,600
Noncash occupancy expense	--	2,185,001
Unrealized loss (gain) on investments	20,254	(149,019)
Noncash contribution of property and equipment	--	(22,294,705)
Changes in assets and liabilities		
Contributions and grants receivable	19,300	72,418
Inventory	28,005	(23,500)
Prepaid expenses and other assets	(99,180)	62,038
Accounts payable	191,671	(99,451)
Accrued expenses	29,257	(6,336)
Deferred income	59,123	--
Net cash provided by operating activities	<u>1,244,804</u>	<u>2,134,251</u>
<b>Cash Flows from Investing Activities</b>		
Purchase of investments	(331,730)	(2,907,173)
Sale of investments	2,656,314	--
Purchase of property and equipment	<u>(160,925)</u>	<u>(152,990)</u>
Net cash provided (used) by investing activities	<u>2,163,659</u>	<u>(3,060,163)</u>
Net change in cash and cash equivalents	3,408,463	(925,912)
<b>Cash and Cash Equivalents</b>		
Beginning of year	<u>931,862</u>	<u>1,857,774</u>
End of year	<u>\$ 4,340,325</u>	<u>\$ 931,862</u>
<b>Supplemental Disclosure of non-cash transactions</b>		
Property and equipment transferred	\$ --	\$ 22,294,705
Contribution	--	(22,294,705)
Cash outlay	<u>\$ --</u>	<u>\$ --</u>
Income taxes paid	<u>\$ --</u>	<u>\$ --</u>

There were no amounts paid for interest at December 31, 2015 and 2014

The Notes to Consolidated Financial Statements are an integral part of this statement.



# Grounds For Sculpture, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

### December 31, 2015 and 2014

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#### 1. Organization and Purpose

Grounds For Sculpture, Inc., is a New Jersey not-for-profit corporation incorporated in December 7, 1999 to promote an understanding of and appreciation for contemporary sculpture for all people by maintaining a 42-acre sculpture park composed of works by well-known and emerging American and international artists in Hamilton, NJ; by organizing accessible exhibitions; and interpreting these exhibitions through publications, lectures, workshops and other educational programs. In accordance with its mission, Grounds For Sculpture, Inc. presents visitors with an evolving permanent outdoor collection, seasonal exhibitions, and educational programs designed to facilitate the understanding of and appreciation for contemporary sculpture. Significant sources of revenue are from contributions, grants and contracts, sales of merchandise, special events and income from programs operated to promote Grounds For Sculpture Inc.'s purpose. GFSL, Inc. ("GFSL"), a wholly-owned subsidiary of Grounds For Sculpture, Inc., operates a restaurant, café and catering service for patrons of the park as well as the general public. Significant sources of revenue for GFSL are from sales of food and beverages.

#### 2. Summary of Significant Accounting Policies

##### **Basis of Consolidation**

The assets, liabilities, net assets, revenues and expenses of Grounds For Sculpture, Inc. and its subsidiary GFSL, Inc. have been consolidated as Grounds For Sculpture, Inc. and Subsidiary (the "Organization" or "GFS"). All significant intercompany transactions have been eliminated.

##### **Basis of Presentation**

External financial reporting by not-for-profit organizations requires that resources be classified for accounting and reporting purposes into net asset categories according to externally (donor) imposed restrictions. The unrestricted net asset category represents net assets that are not subject to donor imposed restrictions, the temporarily restricted net asset category represents net assets that are subject to time or purpose donor imposed restrictions and the permanently restricted net asset category represents net assets that are subject to donor imposed restrictions that cannot be satisfied by either time or by actions of GFS. During the years ended December 31, 2015 and 2014 GFS had accounting transactions in the unrestricted and temporarily restricted net asset categories.

##### **Revenue and Support Recognition**

##### **Revenue Recognition**

Revenues are reported as increases in unrestricted net assets unless use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or law. Revenue and costs of sales of goods are reported net of discounts and sales taxes. Corporate and Individual memberships are reflected in support and revenue ratably over the annual membership period. Admission fees and food service are recorded at the time the service is provided.

##### **Contributions**

GFS recognizes contributions as revenue when they are received or unconditionally pledged and records these revenues as unrestricted or restricted support according to donor stipulations that limit the use of these assets due to time or purpose restrictions. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions to be received in future periods are discounted at an appropriate discount rate. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. When a donor restriction expires, temporarily restricted net assets are reclassified and reported in the consolidated statements of activities and changes in net assets as net assets released from restrictions. Contributed property and equipment is recorded at fair value at the date of donation. In the absence of donor stipulations regarding how long the contributed assets must be used, the Organization has adopted a policy of recording the contributions of such assets as unrestricted support.

# **Grounds For Sculpture, Inc. and Subsidiary**

## **Notes to Consolidated Financial Statements**

### **December 31, 2015 and 2014**

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#### **Contributions and Grants Receivable**

Receivables are stated at the amount management expects to collect from balances outstanding. Management closely monitors outstanding balances throughout the year, and writes off to income all balances that are considered uncollectable.

#### **In-kind Donations**

The Organization's policy is to recognize contributed professional services if the services received create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets and materials are recognized at fair market value when received. Total in-kind donations of \$17,841 and \$31,988 were recorded for the years ended December 31, 2015 and 2014, respectively.

#### **Other Revenues**

Unrestricted revenues are obtained from the sale of merchandise, special events, and program fees. These revenues are recorded when the merchandise is sold or the program has occurred and are used to offset program expenses as well as the cost of property and equipment acquisitions and management and general and development expenses. Program revenues received in advance of their usage are classified as deferred revenue in the consolidated statements of financial position.

#### **Investments**

Investments, primarily consisting of equity securities and certificates of deposit, are stated at fair value. Gains and losses, both realized and unrealized, resulting from increases or decreases in the fair value of investments are reflected in the consolidated statements of activities and changes in net assets as increases or decreases in unrestricted net assets unless the use was restricted by explicit donor stipulations or by law.

#### **Merchandise Inventory**

Inventory – GFS maintains an inventory of books, posters, sculpture replicas and other mission related products, purchased for resale, that are sold in its Museum Shops. Additionally, there is an inventory in wine and spirits and other items related to the restaurant. Inventory is valued at the lower of cost or market. Costs are determined on a first-in, first-out basis.

#### **Estimates**

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

#### **Advertising**

Advertising is expensed in the period incurred. Advertising amounted to \$102,179 and \$241,871 for the years ended December 31, 2015 and 2014, respectively.

#### **Property and Equipment**

Property and equipment are recorded at cost, except for donated items which are recorded at fair value at the date of donation. Depreciation is computed using the straight-line method based on the assets' estimated useful lives. When assets are retired or otherwise disposed of, the cost and the accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized. The cost of maintenance and repairs is charged to operations as incurred. Significant renewals and betterments of \$500 or more are capitalized

# Grounds For Sculpture, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

### December 31, 2015 and 2014

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#### **Collections**

Collections consist of sculptures and other contemporary art pieces. The primary focus of the collection is to maintain, exhibit, interpret, and engage visitors with works of contemporary sculptures. Collections acquired either through purchase or donations are not capitalized. Purchases of collection items are recorded as decreases in unrestricted net assets if purchased with unrestricted assets and as decreases in temporarily restricted or permanently restricted net assets if purchased with donor-restricted funds. During 2015, GFS purchased \$104,000 of artwork which is included in program expense in the consolidated statements of activities and changes in net assets. Contributions of collection items are not recognized in the consolidated statement of activities. Proceeds from deaccessions or insurance recoveries are reflected on the consolidated statements of activities and changes in net assets based on the absence or existence and nature of donor-imposed restrictions.

Donations and acquisitions of collections are not required to be recognized since they are added to collections that are held for public exhibition and education in furtherance of public service rather than financial gain; are protected, kept encumbered, cared for and preserved; and are subject to a policy that requires the proceeds from sales of collection items to be used to acquire other items for collections.

#### **Intangible Asset**

The liquor license is carried at cost which was \$125,000 at each of the years ended December 31, 2015 and 2014. Accumulated amortization of \$125,000 was recorded at each of the years ended December 31, 2015 and 2014, and is computed using the straight-line method based on the asset's estimated useful life. When the asset is retired or otherwise disposed of, the cost and related accumulated amortization are removed from the accounts and any resulting gain or loss is recognized.

#### **Expense Classification**

The cost of providing the various programs and activities has been summarized on a functional basis in the consolidated statements of activities and changes in net assets. Those expenses which cannot be specifically identified by function type have been allocated to functions based upon an allocation methodology.

#### **Cash and Cash Equivalents**

Cash and cash equivalents are short term, highly liquid investments with a maturity date of three months or less on the date of acquisition.

#### **Valuation of Long-Lived Assets**

In accordance with the provisions of the accounting pronouncement on accounting for the impairment or disposal of long-lived assets, GFS reviews long-lived assets, including property and equipment, for impairment whenever events or changes in business circumstances indicate that the carrying amount of the assets may not be fully recoverable. Management has determined that no assessment was required for the periods presented in these consolidated financial statements.

#### **Income Taxes**

Grounds For Sculpture, Inc. is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, the consolidated financial statements do not reflect a provision for Federal income taxes related to Grounds for Sculpture, Inc.

GFSL, Inc. is a for-profit New Jersey corporation that is subject to federal and state income taxes. GFSL files tax returns in the U.S. federal and New Jersey jurisdictions. GFSL provides for the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the consolidated financial statements or tax returns. Deferred income tax assets and liabilities are recognized for the differences between financial and income tax reporting basis of assets and liabilities based on enacted tax rates and laws. A valuation allowance is provided if it is more likely than not that some or all of the deferred tax assets will not be realized. The deferred income tax provision or benefit generally reflects the net change in deferred income tax assets and liabilities during the year. The current income tax provision estimates the tax due on the income tax returns for the year reported.

There were no uncertain tax positions at December 31, 2015 and 2014. Additionally, neither entity had any income tax related penalties or interest for the years in question.

**Grounds For Sculpture, Inc. and Subsidiary**  
**Notes to Consolidated Financial Statements**  
**December 31, 2015 and 2014**

**Fair Value of Financial Instruments**

The carrying amounts of financial instruments including cash and cash equivalents, grants and contracts, contribution and other receivables, and accounts payable and accrued expenses approximate their fair values because of the relatively short maturity of these instruments.

**Reclassifications**

Certain items at December 31, 2014 have been reclassified to conform to the presentation at December 31, 2015. There was no effect on the changes in net assets.

**3. Investments**

Investments at market value and cost at December 31 were as follows:

	<b>2015</b>		<b>2014</b>	
	<b>Cost</b>	<b>Fair Value</b>	<b>Cost</b>	<b>Fair Value</b>
Johnson & Johnson stock	\$ 787,689	\$ 1,278,414	\$ 741,855	\$ 1,252,833
Certificates of deposit	<u>501,000</u>	<u>501,085</u>	<u>2,874,644</u>	<u>2,871,504</u>
	<u>\$ 1,288,689</u>	<u>\$ 1,779,499</u>	<u>\$ 3,616,499</u>	<u>\$ 4,124,337</u>

GFS has provided fair value disclosure information for relevant assets and liabilities in these consolidated financial statements. For applicable assets (liabilities) subject to this pronouncement, GFS will value such assets (liabilities) using quoted market prices in active markets for identical assets to the extent possible (Level 1). To the extent that such market prices are not available, GFS will next attempt to value such assets (liabilities) using observable measurement criteria, including quoted market prices of similar assets (liabilities) in active and inactive markets and other corroborated factors (Level 2). In the event that quoted market prices in active markets and other observable measurement criteria are not available, GFS will develop measurement criteria based on the best information available (Level 3). The following table summarizes assets (liabilities) which have been accounted for at fair value on a recurring basis as of December 31, along with the basis for the determination of fair value:

	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Common stock	\$ 1,278,414	\$ 1,278,414	\$ --	\$ --
Certificates of deposit (a)	<u>501,085</u>	<u>--</u>	<u>501,085</u>	<u>--</u>
	<u>\$ 1,779,499</u>	<u>\$ 1,278,414</u>	<u>\$ 501,085</u>	<u>\$ --</u>

(a) Certificates of deposit are stated at cost plus accrued interest, therefore, not at fair value.

Investment income related to these investments is included with investment income earned by cash and cash equivalents on the consolidated statements of activities and changes in net assets at December 31, and was comprised of the following:

	<b>2015</b>	<b>2014</b>
Interest and dividend income	\$ 53,407	\$ 35,072
Unrealized (loss) gain	<u>(20,254)</u>	<u>149,019</u>
	<u>\$ 33,153</u>	<u>\$ 184,091</u>

**Grounds For Sculpture, Inc. and Subsidiary**  
**Notes to Consolidated Financial Statements**  
**December 31, 2015 and 2014**

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**4. Contributed Services**

GFS pays for most services requiring specific expertise. However, many individuals donate their time in performing a variety of tasks to assist GFS operations. The donated hours and value of these contributed services have not been included in these consolidated financial statements, as they do not meet the criteria for recognition and were estimated for the years ended December 31, 2015 and 2014 as follows:

	<b>Hours</b>	<b>Value</b>
2015	7,750	\$ 82,800
2014	6,900	\$ 74,000

**5. Property and Equipment**

Property and equipment at December 31, was comprised of the following:

	<b>Estimated Useful Life (in years)</b>	<b>December 31,</b>	
		<b>2015</b>	<b>2014</b>
Land	--	\$ 5,267,140	\$ 5,267,130
Buildings and site improvements	30	16,844,257	16,844,267
Furniture and equipment	5 - 7	1,434,543	1,408,137
Computer software and hardware	3	325,244	302,746
Vehicles	5	130,615	118,427
		<u>24,001,799</u>	<u>23,940,707</u>
Less accumulated depreciation		<u>(1,798,891)</u>	<u>(1,283,722)</u>
		<u>\$ 22,202,908</u>	<u>22,656,985</u>

Depreciation expense charged to operations amounted to \$615,002 and \$143,139 for the years ended December 31, 2015 and 2014, respectively.

**6. Deferred Revenue**

GFS has deferred revenues of \$514,183 and \$455,060 at December 31, 2015 and 2014, respectively. Deferred revenues have been recorded for event deposits and program fees that are associated with programs and events occurring in the next fiscal year and for the portion of membership fees attributable to the next fiscal year.

**7. Operating Leases**

Equipment lease expense under non-cancelable operating leases for office equipment expiring through March 2018 amounted to \$21,627 and \$16,500 for the years ended December 31, 2015 and 2014, respectively. Future minimum payment for the remaining lease terms are as follows:

<b>Years Ending December 31,</b>	<b>Amount</b>
2016	\$ 21,627
2017	18,483
2018	2,557

**Grounds For Sculpture, Inc. and Subsidiary**  
**Notes to Consolidated Financial Statements**  
**December 31, 2015 and 2014**

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**8. Employee Retirement Plan**

All employees of Grounds For Sculpture, Inc. who have completed minimum service requirements are eligible to participate in the Grounds For Sculpture 403(b) Profit Sharing Plan (the "Plan"). Participants in the Plan are eligible to contribute amounts up to the maximum allowed by law on an annual basis. In addition, Grounds for Sculpture, Inc. may make non-elective contributions as defined by the plan. Discretionary annual employer contributions of 7 percent annually, amounted to \$72,234 and \$64,919 for the years ended December 31, 2015 and 2014, respectively.

**9. Net Assets**

Temporarily restricted net assets were comprised of the following at December 31:

	<b>2015</b>	<b>2014</b>
Capacity Building Grant	\$ --	\$ 212,789
Sustainable Soil Improvement Program	25,000	--
Welness Walks	7,200	--
Volunteer Docent program	--	19,300
	<u>\$ 32,200</u>	<u>\$ 232,089</u>

Net assets were released from donor restrictions by incurring expenses satisfying the purpose or time restrictions specified by donors as follows:

	<b>2015</b>	<b>2014</b>
Future value of lease agreement	\$ --	\$ 2,075,359
Capacity Building Grant	212,789	112,000
Volunteer Docent program	19,300	--
Conservation Initiative	--	25,000
	<u>\$ 232,089</u>	<u>\$ 2,212,359</u>

**10. Income Taxes**

GFSL files separate income tax returns. The provision for income taxes for the years ended December 31, is as follows:

	<b>2015</b>	<b>2014</b>
Current tax expense		
Federal	\$ --	\$ --
State	--	5,190
	<u>--</u>	<u>5,190</u>
Deferred tax expense		
Federal	74,000	39,230
State	33,700	18,370
	<u>107,700</u>	<u>57,600</u>
	<u>\$ 107,700</u>	<u>\$ 62,790</u>

**Grounds For Sculpture, Inc. and Subsidiary  
Notes to Consolidated Financial Statements  
December 31, 2015 and 2014**

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At December 31, 2015 and 2014, deferred income tax assets are attributable to net operating loss carryforwards. At December 31, 2015 and 2014, GFSL had Federal net operating loss carryforwards of approximately \$519,000 and \$829,000, respectively, and state net operating loss carryforwards of approximately \$343,000 and \$672,000, respectively, available to offset future taxable income and expiring at various dates from 2028 through 2034. The deferred tax asset associated with the net operating loss carryforwards amounted to \$207,200 and \$314,900 for the years ended December 31, 2015 and 2014, respectively. Net operating loss carryforwards of approximately \$310,000 and \$242,000 were used for the years ended December 31, 2015 and 2014, respectively. The net operating loss carryforwards are anticipated to be used prior to their expiration therefore, no valuation allowance has been established.

**11. Contributions and Grants**

In January 2012, GFS entered into an amended and restated lease agreement with the Johnson Art and Education Foundation Inc. and The Atlantic Foundation, whereby, GFS would lease from the Johnson Art and Education Foundation, Inc. and The Atlantic Foundation certain premises owned by or managed by the Johnson Art and Education Foundation, Inc. and The Atlantic Foundation. The term of the lease was for 3 years, ending on December 31, 2014, with an aggregate annual base rent of \$1.00. An independent appraisal determined that the fair value of the leased premises (including service and utilities) over the term of the lease was approximately \$6,564,000. This amount was recorded as a contribution in fiscal 2012. The agreement also includes a provision that the Johnson Art and Education Foundation, Inc. and The Atlantic Foundation may transfer title to any or all properties to GFS at any time during the term of this agreement or on December 31, 2014, provided that certain conditions are satisfied.

During 2014, management received information from the Johnson Art and Education Foundation, Inc. indicating that the actual cost of services and utilities for the premises totaled \$1,158,001 for 2014, which was approximately \$110,000 in excess of the amount to be recognized based on the original fair value of these services and utilities recorded in 2012, as described above. This excess was recognized in contributions and grants and occupancy expense in the statement of activities in fiscal 2014. Total occupancy expense of \$2,185,001 was recorded in 2014 in connection with this lease agreement.

On December 31, 2014, GFS entered into an asset transfer agreement with The Atlantic Foundation, Johnson Art and Education Foundation, Inc., The Sculpture Foundation, Inc., and The Seward Johnson Atelier, Inc., whereby, GFS received certain land, building, improvements, vehicles, sculptures and other tangible property. An independent appraisal determined that the fair value of the above property totaled \$55,804,508. The amount of \$22,294,705 was recorded as a contribution in fiscal 2014 and is included in property and equipment in the consolidated statements of financial position (See Note 4). The remaining value represents collections which, as disclosed in Note 2, are not capitalized.

**12. Concentrations**

GFS's financial instruments that are exposed to concentrations of credit risk consist primarily of its cash, cash equivalents, investments, and receivables. At times during the year, cash of GFS deposited in financial institutions exceeds the FDIC limit of \$250,000. The management of GFS deposits cash funds in high quality institutions to lessen the amount of uninsured exposure. GFS has a long standing history of collecting its pledges and contributions receivable which are from various individuals, corporations and foundations. An allowance for uncollectible accounts is normally recorded in the consolidated financial statements for any amounts considered uncollectible. This limits GFS's exposure to credit risk.

GFS has received revenue from one donor which amounted to 13 percent of total revenue for the year ended December 31, 2015. GFS received a donation from one donor which amounted to 68 percent of total revenue for the year ended December 31, 2014.

GFS received contributions totaling \$84,210 and \$83,635 from members of the Board of Trustees for the years ended December 31, 2015 and 2014, respectively.

**Grounds For Sculpture, Inc. and Subsidiary**  
**Notes to Consolidated Financial Statements**  
**December 31, 2015 and 2014**

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**13. Subsequent Events**

GFS has evaluated subsequent events occurring after the statement of financial position date through the date of May 24, 2016, the date the consolidated financial statements were available for release. Based upon this evaluation, GFS has determined the following event requires disclosure in the consolidated financial statements. Effective April 2016, the foodservice operations of GFSL, Inc., including the liquor license have been transferred to an outside management company. Under the terms of the 10 year agreement, there will be an annual rental fee paid as well as commissions based on achievement of certain sales levels and the agreement can be cancelled by either party with notice. Upon termination of the agreement, the liquor license would be transferred back to GFSL, Inc.



**SUPPLEMENTAL INFORMATION**

**Grounds For Sculpture, Inc. and Subsidiary**  
**Consolidating Statements of Financial Position**  
**December 31, 2015**

	<u>Grounds for Sculpture, Inc.</u>	<u>GFSL, Inc.</u>	<u>Eliminations</u>	<u>Total</u>
<b>Assets</b>				
Cash and cash equivalents	\$ 3,153,637	\$ 1,186,688	\$ --	\$ 4,340,325
Investments	1,779,499	--	--	1,779,499
Contributions and grants receivable	42,964	--	--	42,964
Inventory	36,233	126,773	--	163,006
Prepaid expenses and other assets	159,489	49,802	(16,282)	193,009
Deferred tax asset	--	207,200	--	207,200
Collections	--	--	--	--
Property and equipment, net	22,107,050	95,858	--	22,202,908
Intercompany receivable (payable)	152,018	(152,018)	--	--
Investment in subsidiary	520,000	--	(520,000)	--
	<u>\$ 27,950,890</u>	<u>\$ 1,514,303</u>	<u>\$ (536,282)</u>	<u>\$ 28,928,911</u>
<b>Liabilities and net assets</b>				
Liabilities				
Accounts payable	\$ 162,441	\$ 874,072	\$ (16,282)	\$ 1,020,231
Accrued expenses	263,969	53,984	--	317,953
Deferred revenue	143,256	370,927	--	514,183
Total liabilities	569,666	1,298,983	(16,282)	1,852,367
Net assets				
Capital contribution	--	520,000	(520,000)	--
Unrestricted	27,349,024	(304,680)	--	27,044,344
Temporarily restricted	32,200	--	--	32,200
Total net assets	<u>27,381,224</u>	<u>215,320</u>	<u>(520,000)</u>	<u>27,076,544</u>
	<u>\$ 27,950,890</u>	<u>\$ 1,514,303</u>	<u>\$ (536,282)</u>	<u>\$ 28,928,911</u>

See Independent Auditors' Report.

**Grounds For Sculpture, Inc. and Subsidiary**  
**Consolidating Statements of Financial Position**  
**December 31, 2014**

	<u>Grounds for Sculpture, Inc.</u>	<u>GFSL, Inc.</u>	<u>Eliminations</u>	<u>Total</u>
<b>Assets</b>				
Cash and cash equivalents	\$ 328,454	\$ 603,408	\$ --	\$ 931,862
Investments	4,124,337	--	--	4,124,337
Contributions and grants receivable	62,264	--	--	62,264
Inventory	47,807	143,204	--	191,011
Prepaid expenses and other assets	60,217	47,750	(14,138)	93,829
Deferred tax asset	--	314,900	--	314,900
Collections	--	--	--	--
Property and equipment, net	22,538,222	118,763	--	22,656,985
Intercompany receivable (payable)	40,485	(40,485)	--	--
Investment in subsidiary	520,000	--	(520,000)	--
	<u>\$ 27,721,786</u>	<u>\$ 1,187,540</u>	<u>\$ (534,138)</u>	<u>\$ 28,375,188</u>
<b>Liabilities and net assets</b>				
Liabilities				
Accounts payable	\$ 77,789	\$ 764,909	\$ (14,138)	\$ 828,560
Accrued expenses	236,013	52,683	--	288,696
Deferred revenue	82,400	372,660	--	455,060
Total liabilities	396,202	1,190,252	(14,138)	1,572,316
Net assets				
Capital contribution	--	520,000	(520,000)	--
Unrestricted	27,093,495	(522,712)	--	26,570,783
Temporarily restricted	232,089	--	--	232,089
Total net assets	27,325,584	(2,712)	(520,000)	26,802,872
	<u>\$ 27,721,786</u>	<u>\$ 1,187,540</u>	<u>\$ (534,138)</u>	<u>\$ 28,375,188</u>

See Independent Auditors' Report.

**Grounds For Sculpture, Inc. and Subsidiary  
Consolidating Statements of Activities  
Year Ended December 31, 2015**

	Grounds for Sculpture, Inc. GFSL, Inc.		Eliminations	Grounds for Sculpture, Inc. Temporarily Restricted	
	Unrestricted			Unrestricted	Total
Operating activities					
Operating support and revenue					
Support					
Contributions and grants	\$ 2,937,255	\$ --	\$ --	\$ 2,937,255	\$ 2,969,455
In-kind contributions	17,841	--	--	17,841	17,841
Fundraising	111,526	--	--	111,526	111,526
	<u>3,066,622</u>	<u>--</u>	<u>--</u>	<u>3,066,622</u>	<u>3,098,822</u>
Revenue					
Admission fees	2,251,649	--	--	2,251,649	2,251,649
Membership fees	454,986	--	--	454,986	454,986
Education and event program fees	158,718	--	--	158,718	158,718
Food services	--	6,544,625	--	6,544,625	6,544,625
Museum shop sales	352,990	--	--	352,990	352,990
Event rentals	193,120	--	--	193,120	193,120
Management fees	125,000	--	(125,000)	--	--
Rental income	120,000	--	(120,000)	--	--
Royalty income	3,314	--	--	3,314	3,314
Dividend and interest income	52,566	841	--	53,407	53,407
Unrealized loss on investments	(20,254)	--	--	(20,254)	(20,254)
	<u>3,692,089</u>	<u>6,545,466</u>	<u>(245,000)</u>	<u>9,992,555</u>	<u>9,992,555</u>
Net assets released from restrictions	<u>232,089</u>	<u>--</u>	<u>--</u>	<u>232,089</u>	<u>--</u>
	<u>6,990,800</u>	<u>6,545,466</u>	<u>(245,000)</u>	<u>13,291,266</u>	<u>13,091,377</u>
Operating expenses					
Programs	4,213,505	--	--	4,213,505	4,213,505
Management and general	1,095,830	--	--	1,095,830	1,095,830
Fundraising	869,907	--	--	869,907	869,907
Auxiliary operations	556,029	6,219,734	(245,000)	6,530,763	6,530,763
	<u>6,735,271</u>	<u>6,219,734</u>	<u>(245,000)</u>	<u>12,710,005</u>	<u>12,710,005</u>
Change in net assets before income taxes	255,529	325,732	--	581,261	381,372
Income tax expense	<u>--</u>	<u>(107,700)</u>	<u>--</u>	<u>(107,700)</u>	<u>(107,700)</u>
Change in net assets	255,529	218,032	--	473,561	273,672
Net assets - beginning of year	<u>27,093,495</u>	<u>(522,712)</u>	<u>--</u>	<u>26,570,783</u>	<u>26,802,872</u>
Net assets - end of year	<u>\$ 27,349,024</u>	<u>\$ (304,680)</u>	<u>\$ --</u>	<u>\$ 27,044,344</u>	<u>\$ 27,076,544</u>

See Independent Auditors' Report.

**Grounds For Sculpture, Inc. and Subsidiary**  
**Consolidating Statements of Activities**  
**Year Ended December 31, 2014**

	Grounds for Sculpture, Inc.		Eliminations	Total Unrestricted	Grounds for Sculpture, Inc. Temporarily Restricted		Total
	Unrestricted	GFSL, Inc.			Temporarily Restricted	Total	
Operating activities							
Operating support and revenue							
Support							
Contributions and grants	\$ 2,111,980	\$ --	\$ --	\$ 2,111,980	\$ 232,089	\$ 2,344,069	
Contributions - property and equipment	22,294,705	--	--	22,294,705	--	22,294,705	
In-kind contributions	31,988	--	--	31,988	--	31,988	
Fundraising	387,536	--	--	387,536	--	387,536	
	<u>24,826,209</u>	<u>--</u>	<u>--</u>	<u>24,826,209</u>	<u>232,089</u>	<u>25,058,298</u>	
Revenue							
Admission fees	2,309,831	--	--	2,309,831	--	2,309,831	
Membership fees	494,423	--	--	494,423	--	494,423	
Education and event program fees	126,842	--	--	126,842	--	126,842	
Food services	--	6,257,841	--	6,257,841	--	6,257,841	
Museum shop sales	345,878	--	--	345,878	--	345,878	
Event rentals	246,727	--	--	246,727	--	246,727	
Management fees	282,253	--	(282,253)	--	--	--	
Royalty income	2,065	--	(2,065)	--	--	--	
Dividend and interest income	34,788	284	--	35,072	--	35,072	
Unrealized gain on investments	149,019	--	--	149,019	--	149,019	
	<u>3,991,826</u>	<u>6,258,125</u>	<u>(284,318)</u>	<u>9,965,633</u>	<u>--</u>	<u>9,965,633</u>	
Net assets released from restrictions	<u>2,212,359</u>	<u>--</u>	<u>--</u>	<u>2,212,359</u>	<u>(2,212,359)</u>	<u>--</u>	
	<u>31,030,394</u>	<u>6,258,125</u>	<u>(284,318)</u>	<u>37,004,201</u>	<u>(1,980,270)</u>	<u>35,023,931</u>	
Operating expenses							
Programs	4,021,792	--	--	4,021,792	--	4,021,792	
Management and general	1,307,840	--	--	1,307,840	--	1,307,840	
Fundraising	841,571	--	--	841,571	--	841,571	
Auxiliary operations	838,733	6,048,457	(284,318)	6,602,872	--	6,602,872	
	<u>7,009,936</u>	<u>6,048,457</u>	<u>(284,318)</u>	<u>12,774,075</u>	<u>--</u>	<u>12,774,075</u>	
Change in net assets before income taxes	24,020,458	209,668	--	24,230,126	(1,980,270)	22,249,856	
Income tax expense	--	(62,790)	--	(62,790)	--	(62,790)	
Change in net assets	24,020,458	146,878	--	24,167,336	(1,980,270)	22,187,066	
Net assets (deficit) - beginning of year	<u>3,073,037</u>	<u>(669,590)</u>	<u>--</u>	<u>2,403,447</u>	<u>2,212,359</u>	<u>4,615,806</u>	
Net assets (deficit) - end of year	<u>\$ 27,093,495</u>	<u>\$ (522,712)</u>	<u>\$ --</u>	<u>\$ 26,570,783</u>	<u>\$ 232,089</u>	<u>\$ 26,802,872</u>	

See Independent Auditors' Report.

**Grounds For Sculpture, Inc. and Subsidiary**  
**Consolidating Schedules of Functional Expenses**  
**Year Ended December 31, 2015**

	Grounds For Sculpture, Inc.						GFSL, Inc.		
	Program Services			Management and General	Fundraising	Total	Auxiliary Operations	Eliminations	Total
	Art and Education Programs	Auxiliary Operations	Total Program Services						
Salaries	\$ 1,500,680	\$ 165,639	\$ 1,666,319	\$ 462,469	\$ 367,235	\$ 2,496,023	\$ 1,429,762	\$ --	\$ 3,925,785
Payroll taxes and benefits	311,799	33,120	344,919	116,678	84,780	546,377	485,123	--	1,031,500
Cost of goods sold	--	190,659	190,659	--	--	190,659	1,873,984	--	2,064,643
Occupancy	857,880	63,631	921,511	122,325	90,562	1,134,398	376,483	(120,000)	1,390,881
Insurance	114,012	14,678	128,690	33,649	12,006	174,345	65,373	--	239,718
Outside artistic services	418,524	125	418,649	650	10,661	429,960	8,639	--	438,599
Outside fees and services	202,662	--	202,662	116,976	14,125	333,763	1,303,953	(125,000)	1,512,716
Office and administrative	23,206	1,461	24,667	23,580	29,025	77,272	18,743	--	96,015
Travel and meetings	22,649	1,060	23,709	13,889	14,616	52,214	156	--	52,370
Credit card and bank fees	50,277	11,221	61,498	614	21,017	83,129	150,777	--	233,906
Program materials	76,181	8,290	84,471	354	49,484	134,309	441,400	--	575,709
Advertising and marketing	94,692	--	94,692	--	1,094	95,786	6,393	--	102,179
Openings	480	--	480	--	9,906	10,386	--	--	10,386
Printing and publications	64,069	204	64,273	2,421	52,071	118,765	--	--	118,765
Computer support and maintenance	53,173	9,729	62,902	63,054	12,954	138,910	14,599	--	153,509
Supplies and equipment rental	28,564	3,874	32,438	14,285	7,200	53,923	--	--	53,923
Gifts, meals and hospitality	14,597	60	14,657	14,845	12,204	41,706	--	--	41,706
Education and training	20,822	330	21,152	20,675	10,866	52,693	--	--	52,693
Depreciation and amortization	359,238	51,948	411,186	89,366	70,101	570,653	44,349	--	615,002
	<u>\$ 4,213,505</u>	<u>\$ 556,029</u>	<u>\$ 4,769,534</u>	<u>\$ 1,095,830</u>	<u>\$ 869,907</u>	<u>\$ 6,735,271</u>	<u>\$ 6,219,734</u>	<u>\$ (245,000)</u>	<u>\$ 12,710,005</u>

See Independent Auditors' Report.

**Grounds For Sculpture, Inc. and Subsidiary**  
**Consolidating Schedules of Functional Expenses**  
**Year Ended December 31, 2014**

	Grounds For Sculpture, Inc.						GFSL, Inc.		
	Program Services			Management and General	Fundraising	Total	Auxiliary Operations	Eliminations	Total
	Art and Education Programs	Auxiliary Operations	Total Program Services						
Salaries	\$ 1,150,681	\$ 254,575	\$ 1,405,256	\$ 513,670	\$ 268,718	\$ 2,187,644	\$ 1,379,764	\$ --	\$ 3,567,408
Payroll taxes and benefits	251,214	44,840	296,054	113,290	61,883	471,227	482,150	--	953,377
Cost of goods sold	--	181,077	181,077	--	--	181,077	1,872,659	--	2,053,736
Occupancy	1,511,750	300,827	1,812,577	263,266	147,417	2,223,260	472,884	--	2,696,144
Insurance	42,563	10,200	52,763	18,178	--	70,941	72,840	--	143,781
Outside artistic services	301,691	--	301,691	650	14,449	316,790	8,957	--	325,747
Outside fees and services	125,859	414	126,273	238,602	15,950	380,825	1,076,693	(284,318)	1,173,200
Office and administrative	16,071	673	16,744	19,355	23,572	59,671	17,631	--	77,302
Travel and meetins	17,737	975	18,712	9,245	6,264	34,221	600	--	34,821
Credit card and bank fees	48,537	12,590	61,127	216	20,973	82,316	136,248	--	218,564
Program materials	57,101	5,173	62,274	--	152,566	214,840	453,188	--	668,028
Advertising and marketing	220,863	--	220,863	--	11,666	232,529	9,342	--	241,871
Openings	5,240	--	5,240	--	22,234	27,474	--	--	27,474
Printing and publications	122,875	58	122,933	1,898	55,658	180,489	68	--	180,557
Computer support and maintenance	56,299	13,762	70,061	57,360	12,633	140,054	23,771	--	163,825
Supplies and equipment rental	1,250	2,218	3,468	24,239	4,100	31,807	--	--	31,807
Gifts, meals and hospitality	13,760	80	13,840	13,021	7,104	33,965	--	--	33,965
Education and training	12,771	99	12,870	13,503	12,906	39,279	50	--	39,329
Depreciation and amortization	65,530	11,172	76,702	21,347	3,478	101,527	41,612	--	143,139
	<u>\$ 4,021,792</u>	<u>\$ 838,733</u>	<u>\$ 4,860,525</u>	<u>\$ 1,307,840</u>	<u>\$ 841,571</u>	<u>\$ 7,009,936</u>	<u>\$ 6,048,457</u>	<u>\$ (284,318)</u>	<u>\$ 12,774,075</u>

See Independent Auditors' Report.