

Audited Financial Statements

**THE MUSEUM OF CONTEMPORARY ART
DETROIT**

December 31, 2021 and 2020

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INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors
of Museum of Contemporary Art Detroit**

Opinion

We have audited the accompanying financial statements of the Museum of Contemporary Art Detroit (a Michigan nonprofit organization), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Museum of Contemporary Art Detroit as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Museum of Contemporary Art Detroit and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Museum of Contemporary Art Detroit's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Museum of Contemporary Art Detroit's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Museum of Contemporary Art Detroit's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



Croskey Lanni, PC

December 21, 2022
Rochester, Michigan

THE MUSEUM OF CONTEMPORARY ART DETROIT

STATEMENTS OF FINANCIAL POSITION

ASSETS

	December 31,	
Current Assets	2021	2020
Cash and cash equivalents	\$ 1,428,861	\$ 1,656,737
Contributions and grants receivable, net of allowance of \$50,000 in 2021 and \$50,000 in 2020	384,930	697,701
Merchandise inventory	120,474	123,957
Prepaid expenses	-	25,065
Total current assets	1,934,265	2,503,460
Property and equipment, net	1,085,695	901,796
Long-term contributions and grants receivable, net of discount of \$142,313 in 2021 and \$188,464 in 2020	1,367,687	1,121,536
Total assets	\$ 4,387,647	\$ 4,526,792

LIABILITIES AND NET ASSETS

Current Liabilities		
Accounts payable and accrued expenses	\$ 59,192	\$ 98,783
Deferred revenue	75,000	-
Total current liabilities	134,192	98,783
Net Assets		
Without donor restrictions	1,368,026	1,210,071
With donor restrictions	2,885,429	3,217,938
Total net assets	4,253,455	4,428,009
Total liabilities and net assets	\$ 4,387,647	\$ 4,526,792

See accompanying notes to financial statements

THE MUSEUM OF CONTEMPORARY ART DETROIT

STATEMENTS OF ACTIVITIES

	For the Year Ended December 31,					
	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Other Support						
Contributions	\$ 393,221	\$ -	\$ 393,221	\$ 548,361	\$ -	\$ 548,361
Grants	360,436	451,351	811,787	276,345	447,079	723,424
Special events, net of direct costs of \$16,250 in 2021 and \$24,904 in 2020	102,366	-	102,366	130,609	-	130,609
Store and Café sales, net of direct costs of \$60,478 in 2021 and \$79,779 in 2020	48,856	-	48,856	1,371	-	1,371
Facility rentals	268,169	-	268,169	197,535	-	197,535
Interest income	551	-	551	645	-	645
Other income	-	-	-	4,000	-	4,000
	1,173,599	451,351	1,624,950	1,158,866	447,079	1,605,945
Total revenue and support						
	1,173,599	451,351	1,624,950	1,158,866	447,079	1,605,945
Net Assets Released from Restrictions	783,860	(783,860)	-	271,500	(271,500)	-
Total	1,957,459	(332,509)	1,624,950	1,430,366	175,579	1,605,945
Expenses						
Program expenses	1,399,816	-	1,399,816	1,113,274	-	1,113,274
Administrative expenses	284,082	-	284,082	296,953	-	296,953
Fundraising expenses	115,606	-	115,606	93,280	-	93,280
	1,799,504	-	1,799,504	1,503,507	-	1,503,507
Total expenses						
	1,799,504	-	1,799,504	1,503,507	-	1,503,507
Change in Net Assets	157,955	(332,509)	(174,554)	(73,141)	175,579	102,438
Net Assets - Beginning	1,210,071	3,217,938	4,428,009	1,283,212	3,042,359	4,325,571
Net Assets - Ending	\$ 1,368,026	\$ 2,885,429	\$ 4,253,455	\$ 1,210,071	\$ 3,217,938	\$ 4,428,009

See accompanying notes to financial statements

THE MUSEUM OF CONTEMPORARY ART DETROIT

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>Program Expenses</u>	<u>Administrative Expenses</u>	<u>Fundraising Expenses</u>	<u>Total</u>
Salaries	\$ 721,250	\$ 123,890	\$ 87,181	\$ 932,321
Payroll taxes	56,848	9,765	6,871	73,484
Employee benefits	64,658	17,267	1,655	83,580
Bank fees	-	5,491	-	5,491
Exhibition expenses:				
Artist and curator	56,367	-	-	56,367
Installation	51,065	-	-	51,065
Shipping and freight	23,137	-	-	23,137
General	9,677	-	-	9,677
Travel and related costs	14,528	-	-	14,528
Print publication	2,232	-	-	2,232
Public relations	60	-	-	60
Mobile homestead	22,633	-	-	22,633
Depreciation	52,954	15,129	7,565	75,648
Insurance	51,279	1,046	-	52,325
Office expense	12,334	24,669	12,334	49,337
Conferences and meetings	-	6,569	-	6,569
Outside services	81,731	35,027	-	116,758
Professional fees	-	27,674	-	27,674
Programming and education	45,719	-	-	45,719
Public relations	25,200	10,800	-	36,000
Repair and maintenance	56,672	1,157	-	57,829
Travel and entertainment	4,643	4,642	-	9,285
Utilities	46,829	956	-	47,785
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total expenses	<u>\$ 1,399,816</u>	<u>\$ 284,082</u>	<u>\$ 115,606</u>	<u>\$ 1,799,504</u>

See accompanying notes to financial statements

THE MUSEUM OF CONTEMPORARY ART DETROIT

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2020

	Program Expenses	Administrative Expenses	Fundraising Expenses	Total
Salaries	\$ 614,946	\$ 109,310	\$ 69,334	\$ 793,590
Payroll taxes	49,688	8,832	5,602	64,122
Employee benefits	64,852	17,183	1,657	83,692
Bank fees	-	9,928	-	9,928
Exhibition expenses:				
Artist and curator	38,960	-	-	38,960
Installation	30,175	-	-	30,175
Shipping and freight	7,489	-	-	7,489
General	1,212	-	-	1,212
Travel and related costs	8,508	-	-	8,508
Print publication	2,853	-	-	2,853
Mobile homestead	34,178	-	-	34,178
Depreciation	52,683	15,053	7,526	75,262
Amortization	438	124	63	625
Insurance	46,383	947	-	47,330
Office expense	9,098	18,197	9,098	36,393
Conferences and meetings	-	662	-	662
Outside services	31,059	13,311	-	44,370
Professional fees	-	94,215	-	94,215
Programming and education	21,812	-	-	21,812
Public relations	13,160	5,640	-	18,800
Repair and maintenance	44,109	900	-	45,009
Security	80	-	-	80
Travel and entertainment	1,840	1,840	-	3,680
Utilities	39,751	811	-	40,562
	<u>\$ 1,113,274</u>	<u>\$ 296,953</u>	<u>\$ 93,280</u>	<u>\$ 1,503,507</u>
Total expenses	<u>\$ 1,113,274</u>	<u>\$ 296,953</u>	<u>\$ 93,280</u>	<u>\$ 1,503,507</u>

See accompanying notes to financial statements

THE MUSEUM OF CONTEMPORARY ART DETROIT

STATEMENTS OF CASH FLOWS

	For the Year Ended December 31,	
	2021	2020
Cash Flows From Operating Activities		
Change in net assets	\$ (174,554)	\$ 102,438
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	75,648	75,262
Amortization	-	625
(Increase) decrease in operating assets		
Contributions and grants receivables	66,620	84,073
Inventory	3,483	14,219
Prepaid expenses	25,065	(22,584)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(39,591)	(43,802)
Deferred revenue	75,000	(50,000)
	31,671	160,231
Cash Flows Used in Investing Activities		
Purchases of property and equipment	(259,547)	(94,283)
Net (Decrease) Increase in Cash and Cash Equivalents	(227,876)	65,948
Cash and Cash Equivalents - Beginning	1,656,737	1,590,789
Cash and Cash Equivalents - Ending	\$ 1,428,861	\$ 1,656,737

See accompanying notes to financial statements

THE MUSEUM OF CONTEMPORARY ART DETROIT

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of The Museum of Contemporary Art Detroit (Museum or Organization) is presented to assist in understanding the Museum's financial statements. The financial statements and notes are representations of the Museum's management, which is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

Nature of Operations

The mission of The Museum of Contemporary Art Detroit is to present art at the forefront of contemporary culture. As a non-collecting institution, the Museum is responsive to the cultural content of our time, fueling crucial dialogue, collaboration, and public engagement.

The Museum prides itself on being an institution that promotes critical dialogue within the Detroit community and the surrounding region. In doing so the Museum seeks to be a place where contemporary thought and expanding ideas are shared in a public forum. It is with this crucial aspect of the Museum's mission in mind that all the Museum's exhibitions and programming are conceived.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Financial Statement Presentation and Contributions

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Net assets with donor restrictions: Net assets subject to imposed stipulations that they be maintained permanently by the Museum. These assets permit the Museum to use all the income earned on related investments for general or specific purposes. Net assets with restrictions also include net assets subject to imposed stipulations that may or will be met by actions of the Museum and/or the passage of time.

Net assets without donor restrictions: Net assets not subject to imposed stipulations. Revenue that is restricted is reported as an increase in net assets without restrictions if the restriction expires in the reporting period in which the support is recognized. All other restricted support is reported as an increase in net assets with restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Contributions and fund-raising activities are generally available for unrestricted use in the year received. Unconditional promises to give are recorded as contributions in the year received. Unconditional promises to give in subsequent years are reflected at their present value using risk-free interest rates applicable to the year in which the promises are received to discount the amounts. Contributions of noncash assets are recorded at their fair market value in the period received.

THE MUSEUM OF CONTEMPORARY ART DETROIT

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents are defined as cash on hand and demand deposits in banks plus short-term investments that are readily convertible to cash as well as investments with original maturities of three months or less.

Contributions and Grants Receivables

Receivables are stated at net realizable value. An allowance for doubtful accounts is established based on a specific assessment of the amounts still owed at year-end. All amounts deemed uncollectible are charged against the allowance for doubtful accounts in the period such determination is made. Contributions receivable that are expected to be collected in future years are discounted and recorded at the present value of their net realizable value.

Credit Risk

The Museum maintains cash balances at a financial institution located in Michigan. Accounts at this institution are insured by the Federal Deposit Insurance Corporation up to \$250,000.

Inventories

Inventories are stated at cost with cost determined on a first-in, first-out method and contain items for retail sale in the Museum's gift shop.

Fair Value Measurements

FASB ASC Topic 820, Fair Value Measurements, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 consist primarily of unobservable inputs and management's judgment.

The carrying values of cash balances and grants and contributions receivable in the accompanying statement of financial position approximate fair value at December 31, 2021 and 2020.

THE MUSEUM OF CONTEMPORARY ART DETROIT

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Property and Equipment

Property and equipment purchased by the Museum is carried on its books at cost. Property and equipment donated to the Museum has been recorded at its estimated fair market value at the date of receipt by the Museum. Expenditures for major betterments and additions are charged to the property accounts, while replacements, maintenance and repairs which do not improve or extend the life of the respective assets are expensed currently. It is the Museum's policy to capitalize expenditures in excess of \$1,000. Lesser amounts are expensed as incurred and included in the statement of activities.

Depreciation is computed on the straight-line basis over the estimated useful lives as follows:

Equipment and leasehold improvements	5 - 10 years
Building	40 years

Deferred Revenue

Deferred revenue included in the statement of financial position consists of revenue received in the current year for special events that took place after the year-end.

Functional Allocation of Expenses

Certain expenses have been allocated between programs, management and general, and fundraising on various bases and estimates. Although the methods of allocation used are considered appropriate, other methods could be used that would produce different results.

Donated Services

Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills and are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair market value in the period received.

Income Taxes

The Museum is a nonprofit organization exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and therefore, is not subject to tax under Federal income tax laws. Unrelated business income, if any, may be subject to income tax. Contributions to the Museum qualify for the charitable contributions deduction to the extent provided by Section 170 of the Internal Revenue Code. Generally, the Museum's tax returns remain open for examination by the Internal Revenue Service for three years from the date of filing. The Museum is no longer subject to examination of its Federal Return of Organization Exempt from Income Tax (Form 990) filed for years before December 31, 2018.

THE MUSEUM OF CONTEMPORARY ART DETROIT

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Events Occurring After Reporting Date

The Museum has evaluated events and transactions for potential recognition or disclosure through December 21, 2022, the date that the financial statements were available to be issued.

NOTE 2 – PROPERTY AND EQUIPMENT

Property and equipment at December 31, consist of the following:

	<u>2021</u>	<u>2020</u>
Equipment	\$ 209,632	\$ 200,090
Building and land	445,000	445,000
Leasehold improvements	504,498	504,498
Construction in progress	<u>583,835</u>	<u>333,830</u>
Subtotal	1,742,965	1,483,418
Less: Accumulated depreciation	<u>657,270</u>	<u>581,622</u>
Total property and equipment	<u>\$ 1,085,695</u>	<u>\$ 901,796</u>

Depreciation expense amounted to \$75,648 and \$75,262 for the years ended December 31, 2021 and 2020, respectively.

NOTE 3 – ENDOWMENT FUND

The Museum has a beneficial interest in an endowment fund established at Community Foundation for Southeastern Michigan (“Community Foundation”). The fund consists of contributions from third parties that have donated assets to the Foundation whereby the Museum is the beneficiary of income distributions exclusively, not principal. The funds are held in perpetuity at the Community Foundation solely for the benefit of The Museum of Contemporary Art Detroit. Annual income payments are anticipated to be made based on the average market value of the fund. The Community Foundation has calculated the market value of the account balances to be \$13,594 and \$15,189 as of December 31, 2021 and 2020, respectively.

THE MUSEUM OF CONTEMPORARY ART DETROIT

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE 4 – DONOR RESTRICTED NET ASSETS

Donor restricted net assets are available as of December 31, for the following purposes:

	<u>2021</u>	<u>2020</u>
Capital improvement	\$ 2,184,915	\$ 2,264,883
Curator	271,814	272,582
Mike Kelley's Mobile Homestead	180,077	151,577
Technology programming and exhibitions	106,266	398,319
Education programming	59,563	37,283
Danish artists	33,874	26,374
Teen council	26,250	26,250
Zig-Zag-City	15,670	15,670
Supor/well wishes	7,000	7,000
Tali Keren	-	10,000
Conrad Egyir	-	8,000
	<u> </u>	<u> </u>
Total	<u>\$ 2,885,429</u>	<u>\$ 3,217,938</u>

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

	<u>2021</u>	<u>2020</u>
Technology programming and exhibitions	\$ 285,000	\$ 62,000
Capital improvement	250,860	115,000
Curator	158,000	52,500
Education programming	25,000	25,000
Mike Kelley's Mobile Homestead	25,000	10,000
Teen council	22,000	7,000
Tali Keren	10,000	-
Conrad Egyir	8,000	-
	<u> </u>	<u> </u>
Total	<u>\$ 783,860</u>	<u>\$ 271,500</u>

THE MUSEUM OF CONTEMPORARY ART DETROIT

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE 5 – RELATED PARTY TRANSACTIONS

The Museum received cash in the form of contributions from its Trustees and Appointees in the amount of \$187,500 and \$271,400 for the years ended December 31, 2021 and 2020, respectively.

NOTE 6 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Museum’s financial assets as of December 31, 2021 and 2020, reduced by amounts not available for general use within one year:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 1,428,861	\$ 1,656,737
Contributions and grants receivable - current portion	384,930	697,701
Subtotal	1,813,791	2,354,438
Less: Net assets with donor restrictions, net of long-term amounts	1,517,742	2,096,402
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 296,049</u>	<u>\$ 258,036</u>

NOTE 7 – PAYROLL PROTECTION PROGRAM (PPP) LOAN

During 2020, the Museum entered into a Loan Agreement and Promissory Note (“SBA Loan”) pursuant to the Paycheck Protection Program (“PPP”) under the recently enacted Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) administered by the U.S. Small Business Administration.

The Museum received total loan proceeds of \$231,900, subject to the terms and conditions applicable to loans administered by the U.S. Small Business Administration under the CARES Act. The amount of loan proceeds eligible for forgiveness is determined on a formula based on certain predetermined purposes during a specific period of time.

In accordance with the requirements of the CARES Act and the PPP, the Museum used the proceeds from the loan primarily for payroll costs. In March 2021, the Museum received forgiveness in full including accrued interest. Included in grant income is the PPP loan forgiveness amount of \$231,900 for the year ended December 31, 2020.

In February 2021, the Museum obtained a second PPP loan in the amount of \$231,900. In May 2021, the Museum received forgiveness in full including accrued interest. Included in grant income is the PPP loan forgiveness amount of \$231,900 for the year ended December 31, 2021.