

Audited Financial Statements

**THE MUSEUM OF CONTEMPORARY ART
DETROIT**

December 31, 2018 and 2017

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of The Museum of Contemporary Art Detroit (a nonprofit organization), which comprise the statement of financial position as of December 31, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these 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 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 auditor's 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 The Museum of Contemporary Art Detroit as of December 31, 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.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on pages 11 and 12 are presented for purposes of additional analysis and are 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.

A handwritten signature in blue ink that reads "Crosby Lanni, PC". The signature is written in a cursive style.

Croskey Lanni, PC

Rochester, Michigan
September 10, 2019

THE MUSEUM OF CONTEMPORARY ART DETROIT

STATEMENTS OF FINANCIAL POSITION See Independent Auditor's Report

ASSETS

	December 31,	
Current Assets	2018	2017
Cash and cash equivalents	\$ 766,269	\$ 590,186
Contributions and grants receivable, net of allowance of \$5,000 in 2018 and 2017	87,562	114,342
Merchandise inventory	113,261	63,591
Prepaid expenses	14,380	2,481
Total current assets	981,472	770,600
Property and equipment, net	727,905	770,579
Intangible assets, net	12,400	25,147
Total assets	\$ 1,721,777	\$ 1,566,326

LIABILITIES AND NET ASSETS

Current Liabilities		
Accounts payable and accrued expenses	\$ 99,391	\$ 107,554
Deferred revenue	1,000	48,425
Total current liabilities	100,391	155,979
Net Assets		
Without donor restrictions	1,104,945	982,552
With donor restrictions	516,441	427,795
Total net assets	1,621,386	1,410,347
Total liabilities and net assets	\$ 1,721,777	\$ 1,566,326

See accompanying notes to financial statements

THE MUSEUM OF CONTEMPORARY ART DETROIT

STATEMENTS OF ACTIVITIES See Independent Auditor's Report

	For the Year Ended December 31,					
	2018			2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Other Support						
Contributions	\$ 503,038	\$ -	\$ 503,038	\$ 436,651	\$ -	\$ 436,651
Grants	184,052	445,858	629,910	371,920	281,080	653,000
Special events, net of direct costs of \$378,132 in 2018 and \$126,489 in 2017	521,861	-	521,861	389,724	-	389,724
Store and Café sales, net of direct costs of \$142,499 and \$149,084	171,816	-	171,816	57,356	-	57,356
Facility rentals	202,825	-	202,825	182,155	-	182,155
Interest income	383	-	383	291	-	291
Other income	593	-	593	629	-	629
Total revenue and support	1,584,568	445,858	2,030,426	1,438,726	281,080	1,719,806
Net Assets Released from Restrictions	357,212	(357,212)	-	265,193	(265,193)	-
Total	1,941,780	88,646	2,030,426	1,703,919	15,887	1,719,806
Expenses						
Program expenses	1,416,463	-	1,416,463	1,402,360	-	1,402,360
Administrative expenses	252,072	-	252,072	288,755	-	288,755
Fundraising expenses	150,852	-	150,852	128,643	-	128,643
Total expenses	1,819,387	-	1,819,387	1,819,758	-	1,819,758
Change in Net Assets	122,393	88,646	211,039	(115,839)	15,887	(99,952)
Net Assets - Beginning	982,552	427,795	1,410,347	1,098,391	411,908	1,510,299
Net Assets - Ending	\$ 1,104,945	\$ 516,441	\$ 1,621,386	\$ 982,552	\$ 427,795	\$ 1,410,347

See accompanying notes to financial statements

THE MUSEUM OF CONTEMPORARY ART DETROIT

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018
See Independent Auditor's Report

	<u>Program</u>	<u>Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 694,404	\$ 115,273	\$ 114,093	\$ 923,770
Payroll taxes	61,811	10,261	10,156	82,228
Employee benefits	58,487	17,777	1,541	77,805
Bank fees	-	20,467	-	20,467
Exhibition expenses:				
Artist and curator	23,188	-	-	23,188
Installation	37,710	-	-	37,710
Shipping and freight	14,280	-	-	14,280
General	10,396	-	-	10,396
Travel and related costs	11,713	-	-	11,713
Print publication	14,824	-	-	14,824
Mobile homestead	62,835	-	-	62,835
Depreciation	50,089	14,310	7,156	71,555
Amortization	8,923	2,549	1,275	12,747
Insurance	42,395	865	-	43,260
Office expense	16,631	33,263	16,631	66,525
Conferences and Meetings	-	150	-	150
Outside services	39,572	16,960	-	56,532
Professional fees	-	12,060	-	12,060
Programming and education	145,194	-	-	145,194
Repair and maintenance	68,602	1,400	-	70,002
Security	3,480	-	-	3,480
Travel and entertainment	5,796	5,796	-	11,592
Utilities	46,133	941	-	47,074
	<u>\$ 1,416,463</u>	<u>\$ 252,072</u>	<u>\$ 150,852</u>	<u>\$ 1,819,387</u>
Total expenses				

See accompanying notes to financial statements

THE MUSEUM OF CONTEMPORARY ART DETROIT

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017
See Independent Auditor's Report

	<u>Program</u>	<u>Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 608,977	\$ 145,186	\$ 100,539	\$ 854,702
Payroll taxes	52,734	12,573	8,706	74,013
Employee benefits	47,757	17,943	1,327	67,027
Bank fees	-	17,012	-	17,012
Exhibition expenses:				
Artist and curator	16,104	-	-	16,104
Installation	51,468	-	-	51,468
Shipping and freight	51,512	-	-	51,512
General	29,904	-	-	29,904
Travel and related costs	14,213	-	-	14,213
Print publication	20,428	-	-	20,428
Mobile homestead	40,552	-	-	40,552
Offsite project	11,182	-	-	11,182
Depreciation	50,536	14,439	7,219	72,194
Amortization	8,485	2,425	1,212	12,122
Loss on disposal of fixed assets	739	210	106	1,055
Insurance	38,458	785	-	39,243
Office expense	9,531	19,067	9,534	38,132
Outside services	83,451	35,765	-	119,216
Professional fees	-	12,365	-	12,365
Programming and education	163,492	-	-	163,492
Repair and maintenance	53,185	1,085	-	54,270
Security	1,494	-	-	1,494
Travel and entertainment	-	8,917	-	8,917
Utilities	48,158	983	-	49,141
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total expenses	<u>\$ 1,402,360</u>	<u>\$ 288,755</u>	<u>\$ 128,643</u>	<u>\$ 1,819,758</u>

See accompanying notes to financial statements

THE MUSEUM OF CONTEMPORARY ART DETROIT

STATEMENTS OF CASH FLOWS See Independent Auditor's Report

	For the Year Ended December 31,	
	2018	2017
Cash Flows From Operating Activities		
Change in net assets	\$ 211,039	\$ (99,952)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Loss on disposal of property and equipment	-	1,055
Depreciation	71,555	72,194
Amortization	12,747	12,122
(Increase) decrease in operating assets		
Contributions and grants receivables	26,780	282,699
Inventory	(49,670)	(439)
Prepaid expenses	(11,899)	1,362
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(8,163)	75,558
Deferred revenue	(47,425)	18,675
	204,964	363,274
Net Cash Provided by Operating Activities		
Cash Flows Used in Investing Activities		
Purchases of property and equipment	(28,881)	(48,466)
Net Cash Used in Investing Activities	(28,881)	(48,466)
Net Decrease in Cash and Cash Equivalents	176,083	314,808
Cash and Cash Equivalents - Beginning	590,186	275,378
Cash and Cash Equivalents - Ending	\$ 766,269	\$ 590,186

See accompanying notes to financial statements

THE MUSEUM OF CONTEMPORARY ART DETROIT

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 See Independent Auditor's Report

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of The Museum of Contemporary Art Detroit (Museum) 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 Museum

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 of 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

The Museum reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Revenue and Contributions

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, 2018 AND 2017
See Independent Auditor's Report

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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.

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.

Recognition of Donor Restricted Contributions

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires or is satisfied in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

THE MUSEUM OF CONTEMPORARY ART DETROIT

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
See Independent Auditor's Report

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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 grants and contributions receivable and cash and cash equivalents in the accompanying statement of financial position approximate fair value at December 31, 2018 and 2017.

Intangible Assets

The initial identification and valuation of intangible assets and the determination of estimated useful lives at the time of acquisition involves the use of management judgements and estimates. Management evaluates the recoverability of intangible assets periodically by taking into account events or circumstances that may warrant revised estimates of useful lives or that indicate the asset may be impaired. The fair value of the Company's intangible assets are estimated and compared to their carrying value. Amortization is computed on the straight line-basis over a 36 month period.

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.

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

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.

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.

THE MUSEUM OF CONTEMPORARY ART DETROIT

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
See Independent Auditor's Report

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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.

Deferred Revenue

Deferred revenue consists of revenue received in the current year for special events that took place after the year end.

Income Taxes

The Museum is a non-profit 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. The Organization is no longer subject to examination of its Federal Return of Organization Exempt from Income Tax (Form 990) filed for years before December 31, 2015.

Events Occurring After Reporting Date

The Organization has evaluated events and transactions for potential recognition or disclosure through September 10, 2019, 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>2018</u>	<u>2017</u>
Equipment	\$ 168,574	\$ 139,693
Building and land	445,000	445,000
Leasehold improvements	504,498	504,498
Construction in progress	50,000	50,000
	<hr/>	<hr/>
Subtotal	1,168,072	1,139,191
	<hr/>	<hr/>
Less: accumulated depreciation	440,167	368,612
	<hr/>	<hr/>
Total property and equipment	<u>\$ 727,905</u>	<u>\$ 770,579</u>

THE MUSEUM OF CONTEMPORARY ART DETROIT

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
See Independent Auditor's Report

NOTE 2 – PROPERTY AND EQUIPMENT – Continued

Depreciation expense amounted to \$71,555 and \$72,194 for the years ended December 31, 2018 and 2017, respectively.

NOTE 3 – INTANGIBLE ASSETS

Intangible assets at December 31, consist of the following:

	<u>2018</u>	<u>2017</u>
Website	\$ 38,242	\$ 38,242
Less: accumulated amortization	<u>25,842</u>	<u>13,095</u>
Total intangible assets	<u>\$ 12,400</u>	<u>\$ 25,147</u>

Amortization expense amounted to \$12,747 and \$12,122 for years ended December, 31 2018 and 2017. Amortization expense for the succeeding twenty-three months is expected to be \$1,062 per month.

NOTE 4 – ENDOWMENT FUND

The Organization has a beneficial interest in an endowment fund established at Community Foundation for Southeastern Michigan (Foundation) consisting of contributions from third-parties that have donated assets to the Foundation whereby the Organization is the beneficiary of income distributions exclusively, not principal.

The funds are held in perpetuity at the Foundation solely for the benefit of the Museum of Contemporary Art Detroit. Annual grant payments are anticipated to be made based on the average market value of the fund.

The Foundation has calculated the market value of the account balance as follows:

	<u>2018</u>
Contributed balance by third-party donors	<u>\$ 9,691</u>

THE MUSEUM OF CONTEMPORARY ART DETROIT

NOTES TO FINANCIAL STATEMENTS - Continued
 FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
 See Independent Auditor's Report

NOTE 5 – DONOR RESTRICTED NET ASSETS

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

	<u>2018</u>	<u>2017</u>
Curator	\$ 235,314	\$ 176,827
Capital Improvement	133,000	-
Mike Kelley's Mobile Homestead	73,127	71,460
Education Programming	37,500	37,499
Surfaces	17,500	-
Teen Council	10,000	28,363
Eddie Martinez	10,000	-
DEPE Space	-	52,780
The Intersection	-	20,000
Hip Hop Architecture Workshop	-	15,000
Sonic Rebellion Exhibit	-	12,098
Tal R	-	10,000
Detroit City	-	3,081
Audio Equipment Upgrade	-	687
Total	<u>\$ 516,441</u>	<u>\$ 427,795</u>

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

	<u>2018</u>	<u>2017</u>
Curator	\$ 146,744	\$ 66,090
DEPE Space	52,780	41,366
Education Programming	37,499	-
Mike Kelley's Mobile Homestead	30,960	45,835
Teen Council	28,363	9,589
The Intersection	20,000	-
Hip Hop Architecture Workshop	15,000	-
Sonic Rebellion Exhibit	12,098	54,902
Tal R	10,000	-
Detroit City	3,081	18,471
Audio Equipment Upgrade	687	3,890
Exhibitions 2016	-	17,550
HVAC	-	7,500
Total	<u>\$ 357,212</u>	<u>\$ 265,193</u>