

Audited Financial Statements

**THE MUSEUM OF CONTEMPORARY ART
DETROIT**

December 31, 2015 and 2014

CONTENTS

	<u>Page</u>
Independent Auditor's Report	1 - 2
Financial Statements	
Statements of financial position	3
Statements of activities	4
Statements of cash flows	5
Notes to financial statements	6 - 10
Supplementary Information	
Schedule of functional expenses – 2015	11
Schedule of functional expenses – 2014	12



David M. Croskey, CPA
Thomas B. Lanni, CPA
Carolyn A. Jones, CPA, CFP® MST
Clifton F. Powell Jr., CPA, CFP®, PFS
Roger J. DeJong, CPA
Patrick M. Sweeney, CPA
Leonard A. Geronemus, CPA, PFS

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, 2015 and 2014, 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, 2015 and 2014, 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.



Croskey Lanni, PC

Rochester, Michigan
July 29, 2016

THE MUSEUM OF CONTEMPORARY ART DETROIT

STATEMENTS OF FINANCIAL POSITION See Independent Auditor's Report

ASSETS

Current Assets	December 31,	
	2015	2014
Cash and cash equivalents	\$ 270,936	\$ 277,950
Contributions and grants receivable, net of allowance of \$5,000 in 2015 and \$5,000 in 2014	285,594	239,196
Merchandise inventory	38,999	52,270
Prepaid expenses	2,861	7,193
Total current assets	598,390	576,609
Property and equipment, net	809,840	841,225
Total assets	\$ 1,408,230	\$ 1,417,834

LIABILITIES AND NET ASSETS

Current Liabilities		
Accounts payable and accrued expenses	\$ 20,671	\$ 17,606
Deferred revenue	15,350	4,575
Total current liabilities	36,021	22,181
Net Assets		
Unrestricted	1,075,356	913,968
Temporarily restricted	296,853	481,685
Total net assets	1,372,209	1,395,653
Total liabilities and net assets	\$ 1,408,230	\$ 1,417,834

See accompanying notes to financial statements

THE MUSEUM OF CONTEMPORARY ART DETROIT

STATEMENTS OF ACTIVITIES
See Independent Auditor's Report

	Year Ended December 31,		
	2015		2014
	Unrestricted	Temporarily Restricted	Total
Revenue and Other Support			
Contributions	\$ 414,688	-	\$ 414,688
Grants	313,734	201,166	514,900
Special events, net of direct costs of \$96,745 in 2015 and \$94,100 in 2014	345,553	-	345,553
Store and Café sales, net of direct costs of \$47,262 and \$53,324	27,218	-	27,218
Facility rentals	107,151	-	107,151
Interest income	181	-	181
Other income	257	-	257
Total revenue and support	1,208,782	201,166	1,409,948
Net Assets Released from Restrictions	385,998	(385,998)	-
Total	1,594,780	(184,832)	1,409,948
Expenses			
Program expenses	1,183,396	-	1,183,396
Administrative expenses	205,879	-	205,879
Fundraising expenses	44,117	-	44,117
Total expenses	1,433,392	-	1,433,392
Change in Net Assets	161,388	(184,832)	(23,444)
Net Assets - Beginning	913,968	481,685	1,395,653
Net Assets - Ending	\$ 1,075,356	\$ 296,853	\$ 1,372,209
			Temporarily Restricted
			Unrestricted
			Total
			\$ -
			\$ 329,297
			\$ -
			\$ 329,297
			170,000
			513,607
			395,555
			-
			395,555
			62,355
			-
			62,355
			57,936
			-
			57,936
			525
			-
			525
			13,404
			-
			13,404
			170,000
			1,202,679
			1,372,679
			(456,822)
			-
			456,822
			1,372,679
			1,209,122
			-
			1,209,122
			193,471
			-
			193,471
			42,499
			-
			42,499
			1,445,092
			-
			1,445,092
			(286,822)
			(72,413)
			768,507
			1,468,066
			\$ 481,685
			\$ 1,395,653

See accompanying notes to financial statements

THE MUSEUM OF CONTEMPORARY ART DETROIT

STATEMENTS OF CASH FLOWS See Independent Auditor's Report

	December 31,	
	2015	2014
Cash Flows From Operating Activities		
Change in net assets	\$ (23,444)	\$ (72,413)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Donated furniture	-	(5,000)
Loss on disposal of property and equipment	-	701
Depreciation	71,684	47,987
(Increase) decrease in operating assets		
Contributions and grants receivables	(46,398)	130,959
Inventory	13,271	(12,846)
Prepaid expenses	4,332	13,310
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	3,065	2,580
Deferred revenue	10,775	(425)
	33,285	104,853
Net Cash Provided by Operating Activities		
Cash Flows Used in Investing Activities		
Purchases of property and equipment	(40,299)	(294,164)
	(7,014)	(189,311)
Net Decrease in Cash and Cash Equivalents		
Cash and Cash Equivalents - Beginning	277,950	467,261
Cash and Cash Equivalents - Ending	\$ 270,936	\$ 277,950

See accompanying notes to financial statements

THE MUSEUM OF CONTEMPORARY ART DETROIT

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014 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.

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.

THE MUSEUM OF CONTEMPORARY ART DETROIT

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
See Independent Auditor's Report

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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.

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, 2015 and 2014.

THE MUSEUM OF CONTEMPORARY ART DETROIT

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
See Independent Auditor's Report

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.

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.

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, 2012.

Events Occurring After Reporting Date

The Organization has evaluated events and transactions for potential recognition or disclosure through July 29, 2016, the date that the financial statements were available to be issued.

THE MUSEUM OF CONTEMPORARY ART DETROIT

NOTES TO FINANCIAL STATEMENTS - Continued
 FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
 See Independent Auditor's Report

NOTE 2 – PROPERTY AND EQUIPMENT

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

	<u>2015</u>	<u>2014</u>
Equipment	\$ 126,678	\$ 111,329
Building and land	445,000	445,000
Leasehold improvements	502,745	477,795
	<hr/>	<hr/>
Subtotal	1,074,423	1,034,124
	<hr/>	<hr/>
Less: accumulated depreciation	264,583	192,899
	<hr/>	<hr/>
Total property and equipment	<u>\$ 809,840</u>	<u>\$ 841,225</u>

Depreciation expense amounted to \$71,684 and \$47,987 for the years ended December 31, 2015 and 2014, respectively.

NOTE 3 – TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2015</u>	<u>2014</u>
DEPE Space	\$ 100,000	\$ -
Exhibitions 2016	66,634	50,000
HVAC	50,000	-
Challenge Grant 2013-2015	26,942	91,608
Detroit City	21,667	30,000
University Advisory Council	15,000	-
Teen Council	6,163	-
Detroit Speaks	5,000	-
MOCAD Strategic Planning Project	3,334	-
Technology grant	2,113	38,754
Education programming	-	45,416
Exhibitions 2015	-	35,000
Program funding	-	145,074
Operations thru October 31, 2014	-	45,833
	<hr/>	<hr/>
Total	<u>\$ 296,853</u>	<u>\$ 481,685</u>

THE MUSEUM OF CONTEMPORARY ART DETROIT

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
See Independent Auditor's Report

NOTE 3 – TEMPORARILY RESTRICTED NET ASSETS - Continued

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

	<u>2015</u>	<u>2014</u>
Program funding 2013-2015	\$ 128,441	\$ 34,093
Challenge Grant 2013-2015	64,666	28,392
Operations 2014	45,833	-
Education programming	45,417	29,583
Technology grant	36,641	-
Detroit City	30,000	-
Exhibitions 2015	35,000	-
Exhibitions 2011 - 2012	-	3,759
Exhibitions 2012	-	61,211
Operations 2013	-	14,583
Upgrade physical infrastructure	-	269,084
Curatorial research fellowship	-	16,117
Total	<u>\$ 385,998</u>	<u>\$ 456,822</u>

SUPPLEMENTARY INFORMATION

THE MUSEUM OF CONTEMPORARY ART DETROIT

SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2015
See Independent Auditor's Report

	<u>Program</u>	<u>Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 579,138	\$ 81,866	\$ 20,466	\$ 681,470
Payroll taxes	50,563	7,147	1,787	59,497
Employee benefits	45,588	6,993	1,062	53,643
Bank fees	-	14,450	-	14,450
Exhibition expenses:				
Artist and curator	3,400	-	-	3,400
Installation	57,113	-	-	57,113
Shipping and freight	20,911	-	-	20,911
General	2,846	-	-	2,846
Travel and related costs	9,878	-	-	9,878
Print publication	15,098	-	-	15,098
Mobile homestead	16,435	-	-	16,435
Depreciation	50,179	14,337	7,168	71,684
Insurance	40,803	833	-	41,636
Office expense	13,634	27,269	13,634	54,537
Outside services	73,717	31,593	-	105,310
Professional fees	-	11,839	-	11,839
Programming and education	117,568	-	-	117,568
Repair and maintenance	35,617	727	-	36,344
Security	988	-	-	988
Travel and entertainment	-	7,806	-	7,806
Utilities	49,920	1,019	-	50,939
	<u>49,920</u>	<u>1,019</u>	<u>-</u>	<u>50,939</u>
 Total expenses	 <u>\$ 1,183,396</u>	 <u>\$ 205,879</u>	 <u>\$ 44,117</u>	 <u>\$ 1,433,392</u>

THE MUSEUM OF CONTEMPORARY ART DETROIT

SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2014
See Independent Auditor's Report

	<u>Program</u>	<u>Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 569,510	\$ 49,938	\$ 12,485	\$ 631,933
Payroll taxes	52,879	4,637	1,159	58,675
Employee benefits	39,535	3,464	869	43,868
Bank fees	-	15,672	-	15,672
Exhibition expenses:				
Artist and curator	30,550	-	-	30,550
Installation	61,410	-	-	61,410
Shipping and freight	6,591	-	-	6,591
General	7,160	-	-	7,160
Travel and related costs	14,165	-	-	14,165
Print publication	20,851	-	-	20,851
Mobile Homestead	16,577	-	-	16,577
Depreciation	33,591	9,597	4,799	47,987
Loss on disposal of fixed assets	490	141	70	701
Insurance	44,927	917	-	45,844
Office expense	23,117	46,235	23,117	92,469
Outside services	83,098	35,614	-	118,712
Professional fees	-	14,798	-	14,798
Programming and education	114,650	-	-	114,650
Repair and maintenance	36,172	738	-	36,910
Security	4,022	-	-	4,022
Travel and entertainment	-	10,703	-	10,703
Utilities	49,827	1,017	-	50,844
Total expenses	<u>\$ 1,209,122</u>	<u>\$ 193,471</u>	<u>\$ 42,499</u>	<u>\$ 1,445,092</u>