

Audited Financial Statements

**THE MUSEUM OF CONTEMPORARY ART
DETROIT**

December 31, 2020 and 2019

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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 statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses, 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, 2020 and 2019, 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.

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

Croskey Lanni, PC

Rochester, Michigan
December 14, 2021

THE MUSEUM OF CONTEMPORARY ART DETROIT

STATEMENTS OF FINANCIAL POSITION

ASSETS

	December 31,	
Current Assets	2020	2019
Cash and cash equivalents	\$ 1,656,737	\$ 1,590,789
Accounts and grants receivable, net of allowance of \$50,000 in 2020 and \$50,000 in 2019	697,701	292,675
Merchandise inventory	123,957	138,176
Prepaid expenses	25,065	2,481
Total current assets	2,503,460	2,024,121
Property and equipment, net	901,796	882,774
Intangible assets, net	-	626
Long-term contributions and grants receivable, net of discount of \$188,464 in 2020 and \$204,372 in 2019	1,121,536	1,610,635
Total assets	\$ 4,526,792	\$ 4,518,156

LIABILITIES AND NET ASSETS

Current Liabilities		
Accounts payable and accrued expenses	\$ 98,783	\$ 142,585
Deferred revenue	-	50,000
Total current liabilities	98,783	192,585
Net Assets		
Without donor restrictions	1,210,071	1,283,212
With donor restrictions	3,217,938	3,042,359
Total net assets	4,428,009	4,325,571
Total liabilities and net assets	\$ 4,526,792	\$ 4,518,156

See accompanying notes to financial statements

THE MUSEUM OF CONTEMPORARY ART DETROIT

STATEMENTS OF ACTIVITIES

	For the Year Ended December 31,					
	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Other Support						
Contributions	\$ 548,361	\$ -	\$ 548,361	\$ 924,415	\$ 2,181,548	\$ 3,105,963
Grants	276,345	447,079	723,424	293,850	842,537	1,136,387
Special events, net of direct costs of \$24,904 in 2020 and \$268,472 in 2019	130,609	-	130,609	317,749	-	317,749
Store and Café sales, net of direct costs of \$79,779 in 2020 and \$236,544 in 2019	1,371	-	1,371	89,809	-	89,809
Facility rentals	197,535	-	197,535	193,361	-	193,361
Interest income	645	-	645	719	-	719
Other income	4,000	-	4,000	3,444	-	3,444
	1,158,866	447,079	1,605,945	1,823,347	3,024,085	4,847,432
Total revenue and support						
	1,158,866	447,079	1,605,945	1,823,347	3,024,085	4,847,432
Net Assets Released from Restrictions	271,500	(271,500)	-	498,167	(498,167)	-
Total	1,430,366	175,579	1,605,945	2,321,514	2,525,918	4,847,432
Expenses						
Program expenses	1,113,274	-	1,113,274	1,692,867	-	1,692,867
Administrative expenses	296,953	-	296,953	318,516	-	318,516
Fundraising expenses	93,280	-	93,280	131,864	-	131,864
	1,503,507	-	1,503,507	2,143,247	-	2,143,247
Total expenses						
	1,503,507	-	1,503,507	2,143,247	-	2,143,247
Change in Net Assets	(73,141)	175,579	102,438	178,267	2,525,918	2,704,185
Net Assets - Beginning	1,283,212	3,042,359	4,325,571	1,104,945	516,441	1,621,386
Net Assets - Ending	\$ 1,210,071	\$ 3,217,938	\$ 4,428,009	\$ 1,283,212	\$ 3,042,359	\$ 4,325,571

See accompanying notes to financial statements

THE MUSEUM OF CONTEMPORARY ART DETROIT

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

	<u>Program Expenses</u>	<u>Administrative Expenses</u>	<u>Fundraising Expenses</u>	<u>Total</u>
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>39,751</u>	<u>811</u>	<u>-</u>	<u>40,562</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

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Program Expenses</u>	<u>Administrative Expenses</u>	<u>Fundraising Expenses</u>	<u>Total</u>
Salaries	\$ 759,983	\$ 112,370	\$ 97,834	\$ 970,187
Payroll taxes	68,816	10,175	8,859	87,850
Employee benefits	86,274	21,682	2,181	110,137
Bank fees	-	31,480	-	31,480
Exhibition expenses:				
Artist and curator	23,160	-	-	23,160
Installation	75,046	-	-	75,046
Shipping and freight	70,893	-	-	70,893
General	38,126	-	-	38,126
Travel and related costs	13,913	-	-	13,913
Print publication	35,285	-	-	35,285
Insurance	20,000	-	-	20,000
Public relations	26,015	-	-	26,015
Mobile homestead	93,432	-	-	93,432
Depreciation	52,532	15,008	7,505	75,045
Amortization	8,242	2,355	1,177	11,774
Insurance	43,257	883	-	44,140
Loss on disposal of fixed assets	2,572	735	367	3,674
Office expense	13,941	27,880	13,941	55,762
Conferences and meetings	-	2,220	-	2,220
Outside services	48,105	20,616	-	68,721
Professional fees	-	13,060	-	13,060
Programming and education	100,676	-	-	100,676
Repair and maintenance	68,004	1,388	-	69,392
Security	80	-	-	80
Provision for bad debt	-	50,041	-	50,041
Travel and entertainment	7,876	7,875	-	15,751
Utilities	36,639	748	-	37,387
	<u>36,639</u>	<u>748</u>	<u>-</u>	<u>37,387</u>
 Total expenses	 <u>\$ 1,692,867</u>	 <u>\$ 318,516</u>	 <u>\$ 131,864</u>	 <u>\$ 2,143,247</u>

See accompanying notes to financial statements

THE MUSEUM OF CONTEMPORARY ART DETROIT

STATEMENTS OF CASH FLOWS

	For the Year Ended December 31,	
	2020	2019
Cash Flows From Operating Activities		
Change in net assets	\$ 102,438	\$ 2,704,185
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Loss on disposal of property and equipment	-	3,674
Depreciation	75,262	75,045
Amortization	625	11,774
Provision for bad debt	-	45,000
(Increase) decrease in operating assets		
Contributions and grants receivables	84,073	(1,860,748)
Inventory	14,219	(24,915)
Prepaid expenses	(22,584)	11,899
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(43,802)	43,194
Deferred revenue	(50,000)	49,000
	160,231	1,058,108
Net Cash Provided by Operating Activities		
Cash Flows Used in Investing Activities		
Purchases of property and equipment	(94,283)	(233,588)
	65,948	824,520
Net Increase in Cash and Cash Equivalents		
Cash and Cash Equivalents - Beginning	1,590,789	766,269
Cash and Cash Equivalents - Ending	\$ 1,656,737	\$ 1,590,789

See accompanying notes to financial statements

THE MUSEUM OF CONTEMPORARY ART DETROIT

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

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 Organization. These assets permit the Organization 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 Organization 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, 2020 and 2019.

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

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.

Recently Adopted Accounting Standards

During the year ended December 31, 2019, two new accounting pronouncements were adopted by the Museum: Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers (Topic 606) ("ASU 2014-09") and Accounting Standards Update No. 2018-08, Not-for-Profit Entities (Topic 958) Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made ("ASU 2018-08").

ASU 2014-09 outlines a single, comprehensive model for accounting for revenue from contracts with customers. Revenue streams applicable to the Museum that qualify as exchange transactions include primarily the sale of eyeglasses.

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

Recently Adopted Accounting Standards - Continued

Management has analyzed the provisions of ASU 2014-09, and has concluded that no changes are necessary to conform with the new standard, therefore the implementation of ASU 2014-09 had no impact on beginning net assets or revenues.

ASU 2018-08 clarifies and improves guidance for contributions received and contributions made and provides guidance to organizations on how to account for certain exchange transactions. This change is preferable in that it clarifies whether to account for transactions as contributions or as exchange transactions. In addition, it clarifies whether a contribution is conditional.

The change in accounting principle resulting from ASU 2018-08 was adopted on a modified prospective basis in 2019. There was no resulting cumulative-effect adjustment to opening net assets without donor restrictions or opening net assets with donor restrictions as of January 1, 2019.

Income Taxes

The Organization 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 organization qualify for the charitable contributions deduction to the extent provided by Section 170 of the Internal Revenue Code. Generally, the Organization's tax returns remain open for examination by the Internal Revenue Service for three years from the date of filing. 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, 2017.

Events Occurring After Reporting Date

The Organization has evaluated events and transactions for potential recognition or disclosure through December 14, 2021, the date that the financial statements were available to be issued.

Global efforts to contain the spread of COVID-19, often referred to as the Coronavirus, have significantly impacted many businesses and the economy. While the situation is evolving and the full impact is not yet known, the disruption caused by the Coronavirus is affecting business and consumer activities worldwide. As of the report date, the Organization is assessing the impact on its operations and cash flows but currently the disruption and uncertainty caused by the Coronavirus is far reaching and the ultimate effects of this event is unknown.

THE MUSEUM OF CONTEMPORARY ART DETROIT

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

NOTE 2 – PROPERTY AND EQUIPMENT

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

	<u>2020</u>	<u>2019</u>
Equipment	\$ 200,090	\$ 184,332
Building and land	445,000	445,000
Leasehold improvements	504,498	504,498
Construction in progress	<u>333,830</u>	<u>255,304</u>
Subtotal	1,483,418	1,389,134
Less: Accumulated depreciation	<u>581,622</u>	<u>506,360</u>
Total property and equipment	<u>\$ 901,796</u>	<u>\$ 882,774</u>

Depreciation expense amounted to \$75,262 and \$75,045 for the years ended December 31, 2020 and 2019, respectively.

NOTE 3 – INTANGIBLE ASSETS

Intangible assets at December 31, consist of the following:

	<u>2020</u>	<u>2019</u>
Website	\$ 38,242	\$ 38,242
Less: accumulated amortization	<u>38,242</u>	<u>37,616</u>
Total intangible assets	<u>\$ -</u>	<u>\$ 626</u>

Amortization expense amounted to \$625 and \$11,774 for years ended December 31, 2020 and 2019.

NOTE 4 – ENDOWMENT FUND

The Organization 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 Organization 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 \$12,106 as of December 31, 2020 and 2019, respectively.

THE MUSEUM OF CONTEMPORARY ART DETROIT

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

NOTE 5 – DONOR RESTRICTED NET ASSETS

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

	<u>2020</u>	<u>2019</u>
Capital improvement	\$ 2,264,883	\$ 2,171,548
Technology programming and exhibitions	398,319	431,587
Curator	272,582	253,814
Mike Kelley's Mobile Homestead	151,577	111,577
Education programming	37,283	45,833
Teen council	26,250	20,000
Zig-Zag-City	15,670	-
John Korner	14,500	-
Danish artists	11,874	-
Tali Keren	10,000	-
Conrad Egyir	8,000	8,000
Supor/well wishes	7,000	-
	<u>\$ 3,217,938</u>	<u>\$ 3,042,359</u>
Total	<u>\$ 3,217,938</u>	<u>\$ 3,042,359</u>

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

	<u>2020</u>	<u>2019</u>
Capital improvement	\$ 115,000	\$ 143,000
Technology programming and exhibitions	62,000	37,500
Curator	52,500	148,500
Education programming	25,000	41,667
Mike Kelley's Mobile Homestead	10,000	30,000
Teen council	7,000	20,000
Eddie Martinez	-	60,000
Surfaces	-	17,500
	<u>\$ 271,500</u>	<u>\$ 498,167</u>
Total	<u>\$ 271,500</u>	<u>\$ 498,167</u>

THE MUSEUM OF CONTEMPORARY ART DETROIT

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

NOTE 6 – RELATED PARTY TRANSACTIONS

The Organization received cash in the form of contributions from its Trustees and Appointees in the amount of \$271,400 and \$191,100 for the years ended December 31, 2020 and 2019, respectively.

NOTE 7 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Organization's financial assets as of December 31, 2020 and 2019, reduced by amounts not available for general use within one year:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 1,656,737	\$ 1,590,789
Contributions and grants receivable	697,701	292,675
Subtotal	2,354,438	1,883,464
Less: Net assets with donor restrictions, net of long-term amounts	2,096,402	1,431,724
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 258,036</u>	<u>\$ 451,740</u>

NOTE 8 – PAYROLL PROTECTION PROGRAM (PPP) LOAN

During 2020, the organization 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 Organization 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 Organization used the proceeds from the loan primarily for payroll costs. In March 2021, the Organization 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 organization obtained a second PPP loan in the amount of \$231,900. Management has represented the proceeds have been used pursuant to the program and expects full loan forgiveness.