

Audited Financial Statements

**THE MUSEUM OF CONTEMPORARY ART
DETROIT**

December 31, 2016 and 2015

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 – 2016	11
Schedule of functional expenses – 2015	12

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, 2016 and 2015, 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, 2016 and 2015, 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
August 15, 2017

THE MUSEUM OF CONTEMPORARY ART DETROIT

STATEMENTS OF FINANCIAL POSITION See Independent Auditor's Report

ASSETS

Current Assets	December 31,	
	2016	2015
Cash and cash equivalents	\$ 275,378	\$ 270,936
Contributions and grants receivable, net of allowance of \$5,000 in 2016 and \$5,000 in 2015	397,041	285,594
Merchandise inventory	63,152	38,999
Prepaid expenses	3,843	2,861
Total current assets	739,414	598,390
Property and equipment, net	798,577	809,840
Intangible assets, net	34,054	-
Total assets	\$ 1,572,045	\$ 1,408,230

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable and accrued expenses	\$ 31,996	\$ 20,671
Deferred revenue	29,750	15,350
Total current liabilities	61,746	36,021

Net Assets

Unrestricted	1,098,391	1,075,356
Temporarily restricted	411,908	296,853
Total net assets	1,510,299	1,372,209
Total liabilities and net assets	\$ 1,572,045	\$ 1,408,230

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,

2016

2015

	2016		2015		
	Unrestricted	Temporarily Restricted	Total	Temporarily Restricted	Total
Revenue and Other Support					
Contributions	\$ 443,728	\$ -	\$ 443,728	\$ 414,688	\$ 414,688
Grants	516,582	279,241	795,823	313,734	514,900
Special events, net of direct costs of \$112,077 in 2016 and \$96,745 in 2015	318,483	-	318,483	345,553	345,553
Store and Café sales, net of direct costs of \$30,287 and \$47,262	65,649	-	65,649	27,218	27,218
Facility rentals	130,249	-	130,249	107,151	107,151
Interest income	242	-	242	181	181
Other income	67	-	67	257	257
Total revenue and support	1,475,000	279,241	1,754,241	1,208,782	1,409,948
Net Assets Released from Restrictions					
Total	164,186	(164,186)	-	385,998	(385,998)
	1,639,186	115,055	1,754,241	1,594,780	1,409,948
Expenses					
Program expenses	1,134,366	-	1,134,366	1,183,396	1,183,396
Administrative expenses	395,906	-	395,906	205,879	205,879
Fundraising expenses	85,879	-	85,879	44,117	44,117
Total expenses	1,616,151	-	1,616,151	1,433,392	1,433,392
Change in Net Assets					
	23,035	115,055	138,090	161,388	(23,444)
Net Assets - Beginning	1,075,356	296,853	1,372,209	913,968	1,395,653
Net Assets - Ending	\$ 1,098,391	\$ 411,908	\$ 1,510,299	\$ 1,075,356	\$ 1,372,209

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,	
	2016	2015
Cash Flows From Operating Activities		
Change in net assets	\$ 138,090	\$ (23,444)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Loss on disposal of property and equipment	636	-
Depreciation	70,659	71,684
Amortization	973	-
(Increase) decrease in operating assets		
Contributions and grants receivables	(111,447)	(46,398)
Inventory	(24,153)	13,271
Prepaid expenses	(982)	4,332
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	11,325	3,065
Deferred revenue	14,400	10,775
	99,501	33,285
Net Cash Provided by Operating Activities		
Cash Flows Used in Investing Activities		
Purchases of property and equipment	(60,032)	(40,299)
Purchases of intangible assets	(35,027)	-
	(95,059)	(40,299)
Net Cash Used in Investing Activities		
Net Decrease in Cash and Cash Equivalents	4,442	(7,014)
Cash and Cash Equivalents - Beginning	270,936	277,950
Cash and Cash Equivalents - Ending	\$ 275,378	\$ 270,936

See accompanying notes to financial statements

THE MUSEUM OF CONTEMPORARY ART DETROIT

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 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, 2016 AND 2015
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, 2016 and 2015.

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.

THE MUSEUM OF CONTEMPORARY ART DETROIT

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
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, 2013.

Events Occurring After Reporting Date

The Organization has evaluated events and transactions for potential recognition or disclosure through August 15, 2017, 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, 2016 AND 2015
See Independent Auditor's Report

NOTE 2 – PROPERTY AND EQUIPMENT

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

	<u>2016</u>	<u>2015</u>
Equipment	\$ 110,779	\$ 126,678
Building and land	445,000	445,000
Leasehold improvements	504,498	502,745
Construction in progress	50,000	-
	<hr/>	<hr/>
Subtotal	1,110,277	1,074,423
	<hr/>	<hr/>
Less: accumulated depreciation	311,700	264,583
	<hr/>	<hr/>
Total property and equipment	<u>\$ 798,577</u>	<u>\$ 809,840</u>

Depreciation expense amounted to \$70,659 and \$71,684 for the years ended December 31, 2016 and 2015, respectively.

NOTE 3 – INTANGIBLE ASSETS

Intangible assets at December 31, consist of the following:

	<u>2016</u>	<u>2015</u>
Website	\$ 35,027	\$ -
	<hr/>	<hr/>
Less: accumulated amortization	973	-
	<hr/>	<hr/>
Total intangible assets	<u>\$ 34,054</u>	<u>\$ -</u>

Amortization expense amount to \$973 for year ended December, 31 2016. Amortization expense for the succeeding thirty-five months is expected to be \$973 per month.

THE MUSEUM OF CONTEMPORARY ART DETROIT

NOTES TO FINANCIAL STATEMENTS - Continued
 FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
 See Independent Auditor's Report

NOTE 4 – TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2016</u>	<u>2015</u>
Currator	\$ 102,916	\$ -
DEPE Space	94,146	100,000
Mike Kelley's Mobile Homestead	76,795	-
Sonic Rebellion Exhibit	67,000	-
Teen Council	22,952	6,163
Detroit City	18,471	21,667
Exhibitions 2016	17,550	66,634
HVAC	7,500	50,000
Audio Equipment Upgrade	4,578	-
Challenge Grant 2013-2015	-	26,942
University Advisory Council	-	15,000
Detroit Speaks	-	5,000
MOCAD Strategic Planning Project	-	3,334
Technology grant	-	2,113
Total	<u>\$ 411,908</u>	<u>\$ 296,853</u>

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

	<u>2016</u>	<u>2015</u>
HVAC	\$ 42,500	\$ -
Exhibitions 2016	32,450	35,000
Challenge Grant 2013-2015	26,942	64,666
Mike Kelley's Mobile Homestead	16,634	-
University Adivosry Council	15,000	-
Detroit City	8,196	30,000
Teen Council	6,163	-
DEPE Space	5,854	-
Detroit Speaks	5,000	-
MOCAD Strategic Planning Project	3,334	-
Technology grant	2,113	36,641
Education programming	-	45,417
Program funding 2013-2015	-	128,441
Operations 2014	-	45,833
Total	<u>\$ 164,186</u>	<u>\$ 385,998</u>

SUPPLEMENTARY INFORMATION

THE MUSEUM OF CONTEMPORARY ART DETROIT

SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016
See Independent Auditor's Report

	<u>Program</u>	<u>Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 398,493	\$ 237,445	\$ 59,361	\$ 695,299
Payroll taxes	34,100	20,319	5,080	59,499
Employee benefits	31,317	22,244	1,082	54,643
Bank fees	-	12,031	-	12,031
Exhibition expenses:				
Artist and curator	32,845	-	-	32,845
Installation	41,051	-	-	41,051
Shipping and freight	3,619	-	-	3,619
General	15,241	-	-	15,241
Travel and related costs	18,665	-	-	18,665
Print publication	9,735	-	-	9,735
Mobile homestead	27,808	-	-	27,808
Offsite project	67,508	-	-	67,508
Depreciation	49,461	14,132	7,066	70,659
Amoritization	681	195	97	973
Loss on disposal of fixed assets	445	127	64	636
Insurance	41,637	850	-	42,487
Office expense	13,129	26,259	13,129	52,517
Outside services	89,923	38,539	-	128,462
Professional fees	-	13,994	-	13,994
Programming and education	142,494	-	-	142,494
Repair and maintenance	66,966	1,367	-	68,333
Security	528	-	-	528
Travel and entertainment	-	7,410	-	7,410
Utilities	48,720	994	-	49,714
	<u>48,720</u>	<u>994</u>	<u>-</u>	<u>49,714</u>
 Total expenses	 <u>\$ 1,134,366</u>	 <u>\$ 395,906</u>	 <u>\$ 85,879</u>	 <u>\$ 1,616,151</u>

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>\$ 1,183,396</u>	<u>\$ 205,879</u>	<u>\$ 44,117</u>	<u>\$ 1,433,392</u>
Total expenses	<u>\$ 1,183,396</u>	<u>\$ 205,879</u>	<u>\$ 44,117</u>	<u>\$ 1,433,392</u>