

***Museum of Contemporary Art  
San Diego***

*Financial Statements as of and for the Year Ended June 30,  
2020 (With Comparative Summarized Financial Information  
for the Year Ended June 30, 2019), Independent Auditors'  
Report, and Supplemental Schedule for the Year Ended June  
30, 2020*

**MUSEUM OF CONTEMPORARY ART SAN DIEGO**  
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## **INDEPENDENT AUDITORS' REPORT**

To the Audit Committee of  
**Museum of Contemporary Art of San Diego**  
San Diego, CA

We have audited the accompanying financial statements of the **Museum of Contemporary Art of San Diego** (the "Museum"), which comprise the statements of financial position as of June 30, 2020, and the related statements of activities, functional expenses and cash flows for the year 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.

### ***Auditors' 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 auditors' 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.



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### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Museum as of June 30, 2020 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Report on Summarized Comparative Information*

We have previously audited the Museum's 2019 financial statements, and our report dated November 25, 2019 expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

### *Other Matters*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplemental schedule of budgeted and actual expenditures of City funds 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.

*Mayer Hoffman McCann P.C.*

San Diego, California  
December 30, 2020

**MUSEUM OF CONTEMPORARY ART SAN DIEGO**  
**STATEMENTS OF FINANCIAL POSITION**  
**AS OF JUNE 30, 2020**  
**(With Comparative Summarized Financial Information As of June 30, 2019)**

<b>ASSETS</b>	<b>2020</b>	<b>2019</b>
Current Assets:		
Cash and cash equivalents	\$ 7,254,173	\$ 11,406,415
Unrestricted investments	2,406,883	2,514,494
Accounts receivable	218,444	234,188
Pledges and grants receivable, net - current portion	5,561,406	14,570,471
Inventory	272,166	272,633
Prepaid expenses and current other assets	368,910	336,208
Total current assets	<b>16,081,982</b>	29,334,409
Non-Current Assets:		
Pledges and grants receivable, net - long-term portion	2,984,815	9,116,375
Property and equipment - net	65,923,781	43,593,825
Restricted investments	37,737,703	38,311,234
Other assets	110,714	113,685
	<b>\$ 122,838,995</b>	<b>\$ 120,469,528</b>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 4,501,200	\$ 4,153,112
Deferred revenue - PPP Loan	299,228	-
Deferred revenue - current portion	481,493	499,321
Line of credit	350,000	-
Deferred compensation - current portion	75,000	-
Capital leases - current portion	-	12,986
Total current liabilities	<b>5,706,921</b>	4,665,419
Non-Current Liabilities:		
Deferred compensation	918,698	873,467
Deferred revenue - long-term portion	697,186	707,345
Long-term debt, net of deferred financing costs	3,229,550	3,214,170
Construction loan, net of deferred financing costs	24,625	-
Total liabilities	<b>10,576,980</b>	9,460,401
Net Assets:		
Without donor restrictions	54,691,877	35,845,845
With donor restrictions	57,570,138	75,163,282
Total net assets	<b>112,262,015</b>	111,009,127
	<b>\$ 122,838,995</b>	<b>\$ 120,469,528</b>

*The accompanying notes are an integral part of these financial statements.*

# MUSEUM OF CONTEMPORARY ART SAN DIEGO

## STATEMENTS OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2020

(With Comparative Summarized Financial Information for the Year Ended June 30, 2019)

	Without Donor Restrictions	With Donor Restrictions	2020	2019
<b>SUPPORT AND REVENUES:</b>				
<b>SUPPORT:</b>				
Contributions	\$ 4,840,238	\$ 1,244,115	\$ 6,084,353	\$ 29,855,651
City and County of San Diego grants	300,883	-	300,883	305,316
State and Federal grants	317,167	-	317,167	34,200
Net assets released from restrictions	18,867,284	(18,867,284)	-	-
Total support	24,325,572	(17,623,169)	6,702,403	30,195,167
<b>REVENUES:</b>				
Special events	859,287	-	859,287	884,574
Unrealized gain (loss) on investments	(3,083,276)	(270,021)	(3,353,297)	(985,600)
Dividend and interest income	929,933	78,134	1,008,067	1,132,978
Membership	612,710	-	612,710	543,027
Auditorium/Museum space rental	4,250	-	4,250	-
Realized gain on investments	2,500,233	221,912	2,722,145	1,826,219
Other income	128,636	-	128,636	147,607
Touring exhibit fees	2,618	-	2,618	34,873
Admission fees	35,129	-	35,129	47,445
Publication sales	237	-	237	5,574
Educational programs and lectures	3,464	-	3,464	15,037
Total revenues	1,993,221	30,025	2,023,246	3,651,734
Total support and revenues	26,318,793	(17,593,144)	8,725,649	33,846,901
<b>EXPENSES:</b>				
<b>Program services:</b>				
Exhibitions	1,789,145	-	1,789,145	2,440,644
Permanent collections, circulation and accessions	1,194,493	-	1,194,493	1,680,003
Events and visitor services	540	-	540	-
Membership support	408,571	-	408,571	546,732
Education, performances and library	485,890	-	485,890	573,814
Curatorial	519,170	-	519,170	410,029
Publications	570	-	570	16,928
Total program services	4,398,379	-	4,398,379	5,668,150
<b>Supporting services:</b>				
General and administrative	2,036,320	-	2,036,320	1,965,457
Special events	268,269	-	268,269	257,528
Advancement	547,917	-	547,917	453,236
Communications	178,077	-	178,077	254,177
Expansion campaign	41,554	-	41,554	2,137,922
Museum beverage service	2,245	-	2,245	3,626
Total supporting services	3,074,382	-	3,074,382	5,071,946
Total expenses	7,472,761	-	7,472,761	10,740,096
CHANGE IN NET ASSETS	18,846,032	(17,593,144)	1,252,888	23,106,805
NET ASSETS - Beginning of year	35,845,845	75,163,282	111,009,127	87,902,322
NET ASSETS - End of year	\$ 54,691,877	\$ 57,570,138	\$ 112,262,015	\$ 111,009,127

The accompanying notes are an integral part of these financial statements.

MUSEUM OF CONTEMPORARY ART SAN DIEGO  
STATEMENTS OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2020

(With Comparative Summarized Financial Information for the Year Ended June 30, 2019)

	Program Services								Support Services								2020	2019
	Exhibitions	Publications	Curatorial	Permanent Collections, Circulation and Accessions	Events and Visitor Services	Education Performances Library	Museum Stores	Membership Support	Museum Beverage Service	Communications	Advancement	Special Events	General and Administrative	Expansion Campaign	Building			
Salaries and employee benefits	\$ 221,910	\$ -	\$ 501,195	\$ 311,142	\$ 540	\$ 313,349	\$ -	\$ 319,732	\$ -	\$ 39,216	\$ 312,031	\$ 560	\$ 1,095,025	\$ -	\$ 141,842	\$ 3,256,542	\$ 3,453,382	
Depreciation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	845,315	845,315	858,661	
Contract/Consulting services	37,358	96	-	53,931	-	14,657	-	53,431	-	69,802	36,443	126,099	119,384	35,351	252,571	799,123	1,488,783	
Miscellaneous	4,500	-	-	-	-	24,829	-	5,324	-	-	56	1,765	307,576	147	-	344,197	81,267	
Rentals	240,971	-	-	2,004	-	401	-	1,520	-	-	-	23,627	5,264	-	63,888	337,675	351,290	
Utilities	-	-	-	35,650	-	-	-	-	-	-	-	-	-	-	267,810	303,460	333,531	
Insurance	20	-	-	119,494	-	291	-	408	2,245	-	-	-	19,980	-	71,709	214,147	219,577	
Investment fee	1,894	-	-	11,799	-	10,365	-	-	-	-	-	-	147,008	-	-	171,066	167,812	
Uncollectible pledges receivable	-	-	-	-	-	-	-	-	-	-	166,847	-	-	-	-	166,847	-	
Legal and accounting	-	-	-	973	-	-	-	-	-	-	-	-	127,447	-	-	128,420	134,144	
Food and entertainment	1,095	-	1,743	-	-	5,226	-	11,139	-	295	200	65,260	13,588	515	106	99,167	179,483	
Bank service fees/Interest expense	-	-	-	279	-	984	-	6,943	-	-	-	3,798	80,503	-	-	92,507	142,984	
Telephone	-	-	-	24	-	96	-	215	-	-	-	-	213	-	89,198	89,746	79,592	
In-kind contributions	-	-	-	-	-	-	-	-	-	13,500	-	20,439	-	-	46,224	80,163	115,134	
Supplies and equipment	6,588	-	552	14,552	-	16,105	-	1,114	-	216	171	794	4,441	735	25,656	70,924	91,993	
Repairs and maintenance	160	-	-	7,584	-	-	-	-	-	-	-	-	1,012	-	62,161	70,917	91,754	
Taxes	-	-	-	78	-	-	-	-	-	-	-	-	1,567	-	68,715	70,360	126,494	
Accessions of art, net of deaccessions	-	-	-	68,000	-	-	-	-	-	-	-	-	-	-	-	68,000	232,350	
Travel and accommodations	9,393	-	7,725	1,738	-	11,879	-	-	-	121	27	813	26,991	2,094	1,766	62,547	73,409	
Amortization of bond issuance fees	-	-	-	-	-	-	-	-	-	-	-	-	40,005	-	-	40,005	15,380	
Graphic design and printing	1,104	-	855	-	-	799	-	1,401	-	4,115	-	21,210	1,463	2,679	-	33,626	50,911	
Advertising and marketing	-	-	-	-	-	-	-	50	-	29,563	-	-	-	-	-	29,613	38,796	
Membership, dues and subscriptions	195	-	990	4,461	-	2,304	-	2,301	-	3,742	-	-	12,188	-	120	26,301	31,726	
Restoration	957	-	-	22,034	-	-	-	-	-	-	-	-	-	-	-	22,991	3,995	
Shipping and crating	8,212	-	-	10,705	-	437	-	77	-	-	8	8	59	33	-	19,539	229,772	
Newsletter	-	-	-	-	-	-	-	-	-	11,849	-	-	-	-	-	11,849	16,250	
Postage	-	7	119	67	-	5	-	413	-	2	324	2,576	4,302	-	8	7,823	7,486	
Photography	1,469	-	-	-	-	-	-	550	-	1,650	-	1,320	-	-	-	4,989	10,368	
New employee search/Staff training	50	-	583	49	-	1,316	-	197	-	250	-	-	1,640	-	50	4,135	7,546	
Cost of sales	-	467	-	-	-	-	-	-	-	-	-	-	-	-	-	467	7,857	
Honoraria/Artist fees	-	-	-	-	-	300	-	-	-	-	-	-	-	-	-	300	15,470	
Loss on sale of property	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,002,643	
Participation fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	80,000	
Computer materials/Service	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	256	
	535,876	570	513,762	664,564	540	403,343	-	404,815	2,245	174,321	516,107	268,269	2,009,656	41,554	1,937,139	7,472,761	10,740,096	
Allocation of building expenses	1,253,269	-	5,408	529,929	-	82,547	-	3,756	-	3,756	31,810	-	26,664	-	(1,937,139)	-	-	
	\$ 1,789,145	\$ 570	\$ 519,170	\$ 1,194,493	\$ 540	\$ 485,890	\$ -	\$ 408,571	\$ 2,245	\$ 178,077	\$ 547,917	\$ 268,269	\$ 2,036,320	\$ 41,554	\$ -	\$ 7,472,761	\$ 10,740,096	

The accompanying notes are an integral part of these financial statements.

**MUSEUM OF CONTEMPORARY ART SAN DIEGO****STATEMENTS OF CASH FLOWS****FOR THE YEAR ENDED JUNE 30, 2020****(With Comparative Summarized Financial Information for the Year Ended June 30, 2019)**

	<u>2020</u>	<u>2019</u>
Cash Flows From Operating Activities:		
Change in net assets	\$ 1,252,888	\$ 23,106,805
Adjustments to reconcile change in net assets to net cash from operating activities:		
Net realized and unrealized (gain)/loss on investments	631,152	(840,619)
Depreciation and amortization	885,320	858,656
Contributions of stock and securities	(1,776,072)	(1,117,305)
Contributions restricted for long-term investments	(1,032,077)	(1,131,921)
Uncollectible pledges receivable	166,847	19,459
Loss on sale of equipment and property held for sale	-	2,002,643
Changes in assets and liabilities:		
Accounts receivable	15,744	151,815
Pledges and grants receivable	14,973,778	(16,468,064)
Inventory	467	819
Prepaid expenses and other assets	(29,731)	(202,514)
Accounts payable and accrued expenses	(2,949,472)	2,442,854
Deferred revenue	(27,987)	21,005
Net borrowings on PPP loan	299,228	-
Deferred compensation	120,231	(257,258)
Net cash from operating activities	<u>12,530,316</u>	<u>8,586,375</u>
Cash Flows From Investing Activities:		
Proceeds from sales of investments	28,022,422	11,114,992
Purchases of investments	(26,196,360)	(9,608,033)
Proceeds from sale of property held for sale	-	7,500,538
Purchases of property and equipment	(19,877,711)	(7,674,972)
Net cash from investing activities	<u>(18,051,649)</u>	<u>1,332,525</u>
Cash Flows From Financing Activities:		
Net borrowings/(payments) on line of credit	350,000	(500,000)
Payments on capital lease	(12,986)	(13,615)
Contributions restricted for long-term use	1,032,077	1,131,921
Net cash from financing activities	<u>1,369,091</u>	<u>618,306</u>
Net Change in Cash and Cash Equivalents	<u>(4,152,242)</u>	<u>10,537,206</u>
Cash and Cash Equivalents - Beginning of year	<u>11,406,415</u>	<u>869,209</u>
Cash and Cash Equivalents - End of year	<u>\$ 7,254,173</u>	<u>\$ 11,406,415</u>
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	<u>\$ 42,616</u>	<u>\$ 86,620</u>

## Non-cash Investing and Financing Activities:

As of June 30, 2020, approximately \$3,298,000 of construction in progress was included in accounts payable at year end.

During the year ended June 30, 2020, approximately \$123,000 of deferred financing costs were financed with debt.

*The accompanying notes are an integral part of these financial statements.*



# MUSEUM OF CONTEMPORARY ART SAN DIEGO

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

***Nature of Activities*** - The **Museum of Contemporary Art San Diego** (the “Museum”) - one museum with three distinct, complementary locations in San Diego and La Jolla, California - is a visual arts institution with an international constituency. The Museum aims to culturally enrich the lives of residents and visitors from around the world with collections, exhibitions and programs that focus on the art and artists of our time. The general purposes of the Museum are to acquire, exhibit and preserve works of art created since 1950 for the benefit of future generations, to foster the work of living artists and to promote an awareness and appreciation of the value of emerging artistic creativity through an active education program for adults and young people, to present and interpret significant developments in contemporary art, and to offer the public broad, balanced perspectives on contemporary art. The Museum’s programs are supported primarily by contributions and investment returns.

***Basis of Presentation*** - The accompanying financial statements are prepared on the accrual basis of accounting in accordance with the authoritative guidance related to not-for-profit entities. Accordingly, the Museum is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Contributions of goods are recognized in the financial statements if the goods received (a) create or enhance non-financial assets, or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The Museum reports such contributions at their estimated fair value when received. Included in contributions without donor restrictions and related expenses for 2020, is approximately \$80,000 of contributed goods and services.

Contributions of long-lived assets with explicit restrictions that specify how the assets are to be used and other assets that must be used to acquire long-lived assets are reported as contributions with donor restrictions. Absent explicit donor stipulation about how long these long-lived assets must be maintained, the Museum reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

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

***Net Assets Without Donor Restrictions*** – Net assets without donor restrictions are free of donor-imposed restrictions. All revenues, gains, and losses that are not restricted by donors are included in this classification. All expenditures are reported in the without donor restrictions class of net assets, including expenditures funded by restricted contributions. Expenditures funded by restricted contributions are reported in the without donor restrictions net asset class because the use of restricted contributions in accordance with donors’ stipulations results in the release of such restrictions.

# MUSEUM OF CONTEMPORARY ART SAN DIEGO

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

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***Net Assets With Donor Restrictions*** – Net assets with donor restrictions are limited as to use by donor-imposed stipulations that may expire with the passage of time or that may be satisfied by action of the Museum. Net assets with donor restrictions are designated by donors for specific purposes, and include unconditional pledges, split-interest agreements, interests in trusts held by others, and accumulated appreciation on donor-restricted endowments which have not been appropriated by the Board of Directors (the “Board”) for distribution. Some net assets with donor restrictions are required by donors to be held in perpetuity.

Expirations of restrictions on net assets as the result of the passage of time and/or fulfilling donor-imposed stipulations are reported as net assets released from restrictions between the applicable classes of net assets in the statement of activities. Contributions whose restrictions are met in the same reporting period are reported as net assets without donor restrictions

***Grants*** - City and County of San Diego grants and other grants are recognized as without donor restrictions or with donor restrictions, depending on the stipulations of the grant agreements. When a grant restriction expires, stipulated time restrictions end or purpose restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Grants whose restrictions are met in the same reporting period are reported as net assets without donor restrictions.

***Pledges and Grants Receivable*** - Unconditional promises to give are recorded as pledges receivables, and revenues in the period received. Pledges receivable consist of unconditional promises to give. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. Discounts to present value are computed using risk adjusted rates applicable in the years in which those promises are received. Risk adjusted interest rates ranged from approximately 1.18% to 2.86% per annum.

Amortizations of the discounts are included in contributions. Conditional promises to give are not recorded as contributed income until the conditions are substantially met.

***Cash Equivalents*** - For financial statement purposes, the Museum considers all highly liquid investments without donor restrictions with a maturity of three months or less when purchased to be cash equivalents.

# MUSEUM OF CONTEMPORARY ART SAN DIEGO

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

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**Investments** - Investments are accounted for in accordance with the authoritative guidance. Under the provisions of the authoritative guidance, investments in equity securities with readily determinable fair market values and all debt securities should be reported at fair market value with gains and losses included in the statement of activities. Realized gains or losses recognized on the sale of securities are based upon the original cost of the security, as determined by the specific identification method. Unrealized gains and losses represent the change in the fair market value of the individual investments for the year or since the acquisition date if acquired during the year and are recorded in the statement of activities as part of current year operations.

During 2020, investments consisted of U.S. government securities and other debt and equity securities and are recorded at fair market value. The fair value of investments in securities traded on national security exchanges is valued at the closing price on the last business day of the fiscal year. Securities are generally held in custodial investment accounts administered by certain financial institutions.

Investments are made according to the Investment Policy Statement adopted by the Museum's Board of Trustees. These guidelines provide for investments in equities, fixed income, and other securities with performance measured against appropriate indices. Outside parties are contracted by the Museum for the purpose of providing investment management and consulting.

**Property and Equipment** - Property and equipment is stated at cost or, in the case of donated property and equipment, at fair value at the date of gift, less accumulated depreciation. Depreciation is provided for using the straight-line method over the estimated useful lives of the assets, which is 25 to 50 years for buildings, the lesser of the useful life or the lease term for leasehold improvements, and 3 to 10 years for furniture and equipment. The Museum capitalizes acquisitions of property and equipment in excess of \$1,000.

**Real property held for sale** - Real property held for sale is stated at estimated fair value at the date of donation. The Museum records impairment losses when indicators of impairment are present. The fair value is determined using market prices of similar properties and an independent appraisal. No property was held for sale or sold in fiscal year 2020.

**Collections** - The permanent collection of the Museum consists of paintings, sculpture, installations, works on paper (including photography), video, and other media.

The cornerstone of any museum is its collection. It is the responsibility of the Museum to acquire objects for its collection, to maintain them for use in exhibitions, education and research, and to preserve the collection in perpetuity. Acquisition and preservation of objects are the primary responsibilities of the Board of Trustees, the executive director and the curatorial staff.

# MUSEUM OF CONTEMPORARY ART SAN DIEGO

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

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The collections, which were acquired through purchases and contributions since the Museum's inception, are not recognized as assets on the statement of financial position. Purchases of collection items are recorded as decreases in net assets without donor restrictions in the year in which the items are acquired. Contributed collection items are not reflected in the financial statements. Proceeds from deaccessions or insurance recoveries are reflected as increases in the appropriate net asset classes.

***Charitable Remainder Trusts*** - The Museum is a beneficiary of certain trust funds held by others and has recorded an asset for the net present value of the estimated future amount to be received from such trusts. Charitable remainder trusts are trusts established in connection with a split-interest agreement, in which the donor or a third-party beneficiary receives specified distributions during the agreement's term. Upon termination of the trust, the Museum receives the assets remaining in the trust. The present values are calculated by using recent life expectancy tables and risk adjusted discount rates of between 0.43% and 1.02% as of June 30, 2020.

Management determines the fair value measurement valuation policies and procedures, including those for Level 3 recurring and nonrecurring measurements. At least annually, Management: (1) determines if the current valuation techniques used in fair value measurements are still appropriate, and (2) evaluates and adjusts the unobservable inputs used in the fair value measurements based on current market conditions and third-party information. The Museum did not receive any new charitable trusts during fiscal year 2020. During 2020, the present value of the expected future benefit to the Museum of these assets increased by approximately \$31,000. At June 30, 2020, these assets were valued at approximately \$943,000 and are included in the long-term portion of pledges and grants receivable on the statement of financial position.

***Inventory*** - Inventory, consisting primarily of merchandise held for sale in the Museum's stores, is carried at the lower of cost, determined principally on a first-in, first-out basis, or net realizable value.

***Other Assets*** - In December 2008, the Museum purchased a Type 47 Liquor License and established a DBA called Museum Beverage Services. Total costs related to the purchase equaled approximately \$102,000 and consisted of legal, escrow fees, and miscellaneous other costs. These costs were capitalized in accordance with the authoritative guidance and are included in long-term other assets.

The useful life of an intangible asset is the period over which the asset is expected to contribute directly or indirectly to the future cash flows of the owner. As management has determined that the license has an indefinite life, the Museum has not amortized the license. The Museum performs an impairment analysis, and evaluates the useful life on an annual basis to determine whether events and circumstances continue to support an indefinite useful life and the carrying amount. There was no impairment as of June 30, 2020.

# MUSEUM OF CONTEMPORARY ART SAN DIEGO

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

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**Deferred Revenue** - Deferred revenue represents amounts collected in advance for exhibitions, membership fees, special events, and rental income. Such amounts are recognized as revenue in the period in which they are earned.

**Deferred Rent** - Rent expense is recorded on a straight-line basis over the term of the lease.

**Income Taxes** - The Museum is a not-for-profit organization and is exempt from federal and California income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state statutes. The Museum, however, may be subject to tax on income which is not related to its exempt purpose. The Museum had no unrelated business income tax for the year ended June 30, 2020.

The Museum evaluates their uncertain tax positions, if any, on a continual basis through review of their policies and procedures, review of their regular tax filings, and discussions with outside experts. At June 30, 2020, management believes the Museum did not have any uncertain tax positions.

At June 30, 2020, the federal statute of limitation remains open for the 2018 through 2020 years. The statute of limitations for the state income tax returns remains open for the 2017 through 2020 years.

**Use of Estimates** - The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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 statement of financial position and the reported amounts of revenues and expenses during years presented. Actual results could differ from those estimates. Significant estimates used in preparing these financial statements include those assumed in computing the estimated future cash flow of charitable remainder trusts, pledges and grants receivables, and deferred liability calculations.

**Credit Risk** - The Museum invests in various types of marketable securities and money market funds, and has established guidelines relative to diversification and maturities that target certain safety and liquidity risk levels. These guidelines are periodically reviewed and modified to take advantage of trends in yields and interest rates.

The Museum invests in various investment securities, including U.S. government securities, corporate debt instruments, and corporate stocks. Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the financial statements.

# MUSEUM OF CONTEMPORARY ART SAN DIEGO

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

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The Museum maintains cash balances at banks located in San Diego. Accounts at these institutions are secured up to the Federal Deposit Insurance Corporation limits. At times, balances may exceed federally insured limits. The Museum has not experienced any losses in such accounts. Management believes that the Museum is not exposed to any significant credit risk with respect to its cash and cash equivalents.

***Fair Value Measurements*** - Authoritative guidance establishes a common definition for fair value to be applied to generally accepted accounting principles in the U.S. requiring use of fair value, establishes a framework of measuring fair value, and expands disclosures about such fair value measurements.

Fair value is defined as the hypothetical price (excluding transaction costs) that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is determined based on the assumptions that market participants would use in pricing the asset or liability.

***Endowment Net Assets*** - Authoritative guidance provides direction on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (“UPMIFA”). The State of California approved a version of UPMIFA in September 2008 with an effective date of January 1, 2009.

***Prior Year Information*** - The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Museum’s audited financial statements for the year ended June 30, 2019, from which the summarized information was derived.

### ***New accounting pronouncement***

In June 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958). This ASU clarifies and improves the scope and the accounting guidance for contributions received and contributions made under accounting principles generally accepted in the United States of America. During the year ended June 30, 2020, the Museum adopted ASU 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958).

# MUSEUM OF CONTEMPORARY ART SAN DIEGO

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

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### 2. AVAILABILITY AND LIQUIDITY

The Museum strives to maintain liquid financial assets sufficient to cover 90 days of general expenditures. Financial assets in excess of daily cash requirements are invested in money market funds and other short-term investments.

The following table reflects the Museum's financial assets as of June 30, 2020, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of contractual restrictions or internal board designations. Amounts not available include certain donor restricted investments as more fully described in Note 10.

Financial assets at year end:

Cash	\$ 7,254,173
Investments	40,144,586
Grants and pledges receivable	8,546,221
Total financial assets	<u>55,944,980</u>
Less amounts not available to be used within one year:	
Net assets with donor restrictions	57,570,138
Less: Net assets with purpose restrictions to be met in less than one year	
Current grants and pledges	(5,561,406)
Accessions (Due from operations)	(52,651)
Unrestricted investments	<u>(2,406,883)</u>
	<u>49,549,198</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 6,395,782</u>

### 3. INVESTMENTS

Investments are carried at fair value based on quoted market prices and at June 30, 2020, consisted of the following:

Equity securities	\$ 25,674,555
Fixed income securities	10,168,001
Real estate	2,696,650
Commodities	1,155,131
Cash	450,249
	<u>\$ 40,144,586</u>

The Museum's investment activities for 2020 resulted in dividend and interest income of approximately \$1,008,000, net realized and unrealized loss on investments of approximately \$631,000 and total fees of approximately \$171,000.

# MUSEUM OF CONTEMPORARY ART SAN DIEGO

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

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### 4. PLEDGES AND GRANTS RECEIVABLE

As of June 30, 2020, the Museum has unconditional pledges and grants receivable which are due as follows:

Within one year	\$	5,561,406
One to five years		1,767,211
Greater than five years		2,424,781
		<u>9,753,398</u>
Less unamortized discount		<u>(1,207,177)</u>
	\$	<u>8,546,221</u>

Based on its history of collections and an assessment of existing receivables, management of the Museum believes that no allowance for doubtful pledges, grants, and other receivables is necessary at June 30, 2020. Pledges receivable from related parties totaled approximately \$3,612,000 at June 30, 2020.

### 5. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30, 2020:

Buildings and leasehold improvements	\$	35,372,476
Furniture and equipment		5,126,426
		<u>40,498,902</u>
Less accumulated depreciation		<u>(20,159,808)</u>
		20,339,094
Land		9,209,259
Construction in progress		36,375,428
		<u>65,923,781</u>
Property and equipment - net	\$	<u>65,923,781</u>

Depreciation and amortization expense was approximately \$845,000 for 2020.

In July 2004, an unrelated party transferred title for land and a building for a third location to the Museum, the fair value of which was estimated to be \$6,771,000. In connection with the transfer, the Museum granted the City of San Diego an option to acquire the land and building on or after July 31, 2091, or prior to that date if the Museum commits a default under the related transfer agreement.



# MUSEUM OF CONTEMPORARY ART SAN DIEGO

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

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Default includes failure to perform any substantive covenant, condition, or obligation of the Museum under the transfer agreement, including continuous operation of the property as a contemporary art museum. The Museum was not aware of any defaults as of June 30, 2020.

### 6. DEBT

**Line of Credit** - The Museum has a line of credit agreement with a bank expiring in January 2021 that provides for borrowings up to \$2,000,000 at any one time at a variable interest rate, which was 1.58% per annum at June 30, 2020. The line of credit is uncollateralized. At June 30, 2020, there was a \$350,000 balance outstanding under this agreement. The line of credit agreement contains both financial and nonfinancial covenants. At June 30, 2020, the Museum was in compliance with all covenants.

**Long-Term Debt** - In December 2004, the Museum borrowed \$13,000,000 through the issuance of tax-exempt variable rate demand certificates of participation (the “Bonds”) issued by the County of San Diego. The Bonds bear interest at a weekly interest rate determined by Westhoff, Cone & Holmstedt (the “Remarketing Agent”), which was 0.13% per annum at June 30, 2020. The next scheduled payment is November 1, 2025.

The Bonds mature on November 1, 2034, subject to prior redemption, and are secured by a \$9,750,000 (the “Stated Amount”) irrevocable, direct-pay letter of credit (the “LC”) issued by Northern Trust Bank (the “Bank”) for the Museum, in the favor of the bondholders, which expires on February 3, 2021, unless extended. The Museum is required to have a letter of credit related to the Bonds through the maturity date.

The Museum pays to the Bank a LC fee based on a leverage ratio calculation. For the quarter ended June 30, 2020, the LC fee was equal to 0.75% per annum of the stated amount of the LC. LC fees are paid quarterly in advance, which commenced on February 2, 2011.

Furthermore, according to the terms of the LC the Museum has provided the Bank with a perfected first priority lien and security interest in the gross revenues of the Museum and each account in which the gross revenues are deposited.

The Museum must satisfy certain contractual covenants related to the LC that include, among others, meeting an annual liquidity requirement, maintaining its tax-exempt status under Section 501(c)(3) of the Internal Revenue Code, limiting capital expenditures and additional debt, and meeting annual financial reporting and audit requirements. The Museum was in compliance with these requirements as of June 30, 2020.

The proceeds of the Bonds were applied to the financing of the acquisition, construction, installation, improvement, renovation, furnishing, and equipping of new Museum galleries and other related facilities associated with the expansion project (collectively, “the Project”) in San Diego. The Project included renovating the historic Santa Fe Depot “baggage building” and constructing an adjacent three-story contemporary structure.

# MUSEUM OF CONTEMPORARY ART SAN DIEGO

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

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In connection with the issuance of the Bonds, the Museum incurred approximately \$460,000 of certain directly related issuance expenses, which have been capitalized as debt issuance costs. These deferred financing costs are being amortized to general and administrative expense over the life of the Bonds. Amortization expense of approximately \$15,000 was recognized in 2020 with approximately \$220,000 remaining to be amortized as of June 30, 2020.

In July 2019, the Museum entered into a \$33,000,000 construction loan (“the Loan”) agreement to finance the La Jolla facility expansion and improvements with a variable interest rate, which was 1% at June 30, 2020. The loan matures in July 2024.

The Museum must satisfy certain contractual covenants related to the Loan that include, among others, meeting an annual liquidity requirement, maintaining its tax-exempt status under Section 501(c)(3) of the Internal Revenue Code, limiting capital expenditures and additional debt, and meeting annual financial reporting and audit requirements. The Museum was in compliance with these requirements as of June 30, 2020.

The proceeds of the Loan will be applied to the financing of the acquisition, construction, installation, improvement, renovation, furnishing, and equipping of new Museum galleries and other related facilities associated with the expansion project (collectively, “the Project”) in La Jolla.

In connection with the issuance of the Loan, the Museum incurred approximately \$123,000 of certain directly related issuance expenses, which have been capitalized as debt issuance costs. These deferred financing costs are being amortized to general and administrative expense over the life of the Loan. Amortization expense of approximately \$25,000 was recognized in 2020 with approximately \$98,000 remaining to be amortized as of June 30, 2020.

Future minimum principal payments related to the bank loan and to the bonds are as follows:

<b>Years Ending June 30,</b>	
2021	\$ -
2022	-
2023	-
2024	-
2025	123,123
Thereafter	<u>3,450,000</u>
	3,573,123
Less deferred financing costs	<u>(318,948)</u>
	<u>\$ 3,254,175</u>

# MUSEUM OF CONTEMPORARY ART SAN DIEGO

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

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On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) pandemic. The operations of the Museum have not been significantly impacted as the Museum has been closed for renovations.

The Museum received a Paycheck Protection Program (PPP) loan of \$543,000 granted by the Small Business Administration under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). PPP loans are considered conditional contributions, with a right-of return in the form of an obligation to be repaid if a barrier to entitlement is not met. The barrier is that PPP loan funds must be used to maintain compensation costs and employee headcount, and other qualifying expenses (mortgage interest, rent and utilities) incurred following receipt of the funds. The institution recognized the amount received as grant revenue as qualified expenses occurred / barriers to entitlement were met. Application for forgiveness of the loan will be made / was made on October 9, 2020, with inclusion of compliance substantiation and certification therein. However, at the time of issuance of the financial statements, notice of forgiveness had not been received from the lender. All documentation supporting program compliance has been made available for the financial statement audit. All indications are that the loan will be forgiven. However, if a portion of the loan must be repaid, the terms (1% per annum, repayable over a maximum of five years with a six-month deferral period) are such that the institution has sufficient liquidity to repay the unforgiven portion.

### 7. FAIR VALUE MEASUREMENTS

Authoritative guidance establishes a hierarchy for ranking the quality and reliability of the input information used to determine fair values, requiring that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

Level 1: Unadjusted quoted market prices in active markets for identical assets or liabilities.

Level 2: Unadjusted quoted prices in active markets for similar assets or liabilities, unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, or inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3: Significant unobservable inputs for the asset or liability.

# MUSEUM OF CONTEMPORARY ART SAN DIEGO

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

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The following disclosures provide the fair value of financial instruments at June 30, 2020:

	(Level 1)	(Level 2)	(Level 3)	Total
Charitable Remainder Trusts	\$ -	\$ -	\$ 943,081	\$ 943,081
Common Stock Funds:				
Domestic:				
Large Cap	14,152,782	-	-	14,152,782
Mid Cap	953,927	-	-	953,927
Small Cap	2,342,706	-	-	2,342,706
Commodities - natural resources	1,155,131	-	-	1,155,131
International:				
International Developed	7,320,238	-	-	7,320,238
Emerging Markets	904,902	-	-	904,902
Fixed Income Funds:				
Government Agencies	268,249	3,106,763	-	3,375,012
Corporate Bond Funds	6,430,664	-	-	6,430,664
Exchange Traded Funds	362,325	-	-	362,325
Real Estate Investment Trust	2,696,650	-	-	2,696,650
	<u>\$ 36,587,574</u>	<u>\$ 3,106,763</u>	<u>\$ 943,081</u>	<u>\$ 40,637,418</u>

See *Note 1* for a discussion of the fair value measurements of these assets.

For assets and liabilities measured at fair value on a recurring basis using Level 3 inputs during the year, authoritative guidance requires a reconciliation of the beginning and ending balances for each major category as follows:

	Charitable Remainder Trusts
Balance as of July 1, 2019	\$ 911,735
Unrealized gain	31,346
Balance as of June 30, 2020	<u>\$ 943,081</u>

# MUSEUM OF CONTEMPORARY ART SAN DIEGO

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

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### 8. ENDOWMENT NET ASSETS

In August 2008, the Financial Accounting Standards Board (“FASB”) issued authoritative guidance for endowments which provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of UPMIFA. The State of California approved a version of UPMIFA in September 2008, effective January 1, 2009.

Authoritative guidance requires the Museum to classify a portion of a donor-restricted endowment fund of perpetual duration as net assets with donor restrictions. Specifically, the portion classified as with donor restrictions shall be (a) the amount of the fund that must be retained permanently per explicit donor stipulations or (b) in the absence of such stipulations, the amount which the Museum’s governing board determines must be retained (preserved) permanently consistent with UPMIFA.

Authoritative guidance requires affirmation that the amount that is classified as net assets with donor restrictions is not reduced by losses on investments of the fund or by the Museum’s appropriations from the fund unless required by the donor. Furthermore, the portion of the fund that is not classified as net assets with donor restrictions must be classified as net assets with donor restrictions until appropriated for expenditure by the Museum. Such appropriation is deemed to occur upon the Museum’s governing board’s approval of expenditures in the current period. Once the appropriation for expenditure has occurred, the appropriated amount is reclassified to net assets without donor restrictions.

UPMIFA states that, absent explicit donor instructions to the contrary, assets in an endowment fund are donor-restricted assets until appropriated by the Museum. The Museum interprets this to mean that all earnings on a with donor-restrictions endowment gift are donor restricted assets. As such, in accordance with the authoritative guidance, such earnings are classified as with donor restrictions net assets (time restricted) until appropriated by the Museum.

UPMIFA became effective in California for endowment funds existing on or established after January 1, 2009. The law defines an endowment fund to mean an institutional fund (excluding assets that an institution designates as an endowment fund for its own use) that, under the terms of a gift instrument, is not wholly expendable by the institution on a current basis. The law establishes various factors for the Museum to consider in the management and investment of endowment funds, as well as various factors for the Museum to consider in its determination as to whether to appropriate or accumulate the endowment funds.

# MUSEUM OF CONTEMPORARY ART SAN DIEGO

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

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Upon adoption of UPMIFA the Museum interpreted the corpus of invested with donor restrictions funds to be approximately \$45,251,000. The Museum considers the value of an endowment gift to be considered for appropriation under UPMIFA to be equal to the sum of the original gift (and any subsequent donations) plus accumulated investment earnings, less accumulated investment losses and appropriations for expenditure by the Museum at any point in time.

Previous California law restricted spending on donor-restricted endowment funds where the value of the fund fell below the “historic dollar value.” The historic dollar value represented the aggregate value of all contributions to an endowment fund at the time they were made. Absent explicit donor instructions to the contrary, the Museum interprets UPMIFA to have eliminated the historic dollar value limitation when considering endowment spending, instead providing guidelines for such spending (referred to as “appropriation” in UPMIFA). In accordance with UPMIFA, the Museum considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Museum and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Museum
- (7) The investment policy of the Museum

The Board adopted a spending policy for endowment funds with donor restrictions based on a rolling average of historical market values. In fiscal year 2009 the Board approved the annual use of approximately 5% of the endowment funds’ calculated fair market value for the Museum’s operations. The Board appropriated approximately \$1,634,000 from endowment funds with donor restrictions in 2020 for operations.

The Museum’s endowment investment policy and strategy is to emphasize total return, that is, the aggregate return from capital appreciation and dividend and interest income. Within this framework specific investment objectives for endowment investments include liquidity, preservation of capital, preservation of purchasing power, and long-term growth of capital.

Occasionally, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Museum to retain as a fund of perpetual duration. In accordance with the authoritative guidance, deficiencies of this nature are reported in net assets with donor restrictions in the year in which they occur. Deficiencies of this nature that are reported in net assets with donor restrictions were approximately \$10,270,000 as of June 30, 2020. Gains and income in subsequent years will be netted against this deficiency until the fair value is once again above the initial level. During 2020, approximately \$183,000 in gains and income on the endowments were netted against the loss classified in net assets without donor restrictions as of June 30, 2020.

# MUSEUM OF CONTEMPORARY ART SAN DIEGO

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

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The following is a composition of the Museum's endowment by net asset class in total and by type of endowment fund as of June 30, 2020:

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Board-designated Funds	\$ 2,406,884	\$ -	\$ 2,406,884
Donor-restricted Funds	-	47,338,314	47,338,314
Underwater balance	-	(10,269,869)	(10,269,869)
	<u>\$ 2,406,884</u>	<u>\$ 37,068,445</u>	<u>\$ 39,475,329</u>

Changes in endowment net assets for the year ended June 30, 2020 are as follows:

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Endowment assets, June 30, 2019	\$ 2,514,495	\$ 37,580,014	\$ 40,094,509
Interest and dividends, net	48,904	785,767	834,671
Net appreciation (realized gain)	168,468	2,543,681	2,712,149
Net depreciation (unrealized loss)	(206,243)	(3,146,707)	(3,352,950)
Funds in	-	1,189,615	1,189,615
Funds out	-	(250,116)	(250,116)
Appropriations	(118,740)	(1,633,809)	(1,752,549)
Endowment assets, June 30, 2020	<u>\$ 2,406,884</u>	<u>\$ 37,068,445</u>	<u>\$ 39,475,329</u>

Note that the difference between the net assets with donor restrictions presented in the statement of financial position and the amount included in the table above relates to outstanding pledge receivables and settlement of charitable remainder trusts not invested as an endowment.

### 9. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes:

General operations and programs	\$ 40,609,157
Building campaign	12,437,520
Accessions and exhibitions	<u>4,523,461</u>
Total	<u>\$ 57,570,138</u>

# MUSEUM OF CONTEMPORARY ART SAN DIEGO

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

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### 10. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restriction by board appropriation satisfying the restricted purposes specified by donors as follows:

Building campaign	\$ 18,222,136
General operations and programs	135,575
Accessions and exhibitions	509,573
Total	<u>\$ 18,867,284</u>

### 11. OPERATING LEASES

In July 1992, the Museum entered into a ground lease agreement for property the Museum occupies in downtown San Diego. The term of the lease is 99 years and the annual lease payment is \$1.00. The Museum has agreed to comply with certain use and operating restrictions as defined in the lease agreement. The estimated fair value of the lease for 2020 is approximately \$294,000 per year based on rent for similar property in the area and is reflected as unrestricted contributions support and expense in the accompanying statement of activities.

The Museum leases equipment under non-cancelable operating leases. Certain of these leases include renewal and purchase options. Rent expense during 2020 was approximately \$15,000.

Future minimum rental payments required under operating leases that have initial or remaining non-cancelable lease terms in excess of one year are as follows:

Year ending June 30,	
2021	\$ 13,981
2022	10,715
2023	5,057
2024	-
2025	-
Thereafter	-
	<u>\$ 29,753</u>



# **MUSEUM OF CONTEMPORARY ART SAN DIEGO**

## **NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2020**

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On February 1, 2006 (“Effective Date”), the Museum entered into an agreement with the National Rail Passenger Corporation (“Amtrak”) that allows Amtrak to occupy a portion of the David C. Copley Building (“Copley Building”). Although the agreement states that the \$850,000 payment received from Amtrak is a reimbursement for Amtrak’s agreed share of the costs of construction of the Copley Building, the Museum applied the applicable authoritative guidance to account for the payment as a lease. The term of the lease commenced on March 1, 2007 and expires on July 31, 2091. Rental income was approximately \$10,000 for 2020. Deferred rent revenue at June 30, 2020 is approximately \$700,000 and is included in deferred revenue on the statement of financial position.

### **12. EMPLOYEE RETIREMENT PLANS**

The Museum has an employee retirement plan that is a defined contribution plan under which the Museum matches a percentage of the participants’ contributions after one year of employment. The contributions are made in accordance with Section 403(b) of the Internal Revenue Code. Total employer contributions were approximately \$80,000 for 2020.

In 2008, the Museum set up qualified 457(b) plans and a 457(f) plan for three top executives. Employer contributions to these plans totaled approximately \$40,000 in 2020. The plans require the Museum to deposit employer contributions in a separate bank account each year. Assets contributed to the plans remain the sole property of the Museum until a covered employee is eligible to receive distributions

### **13. COMMITMENTS AND CONTINGENCIES**

The Museum had one vendor that accounted for approximately 72%, of purchases for the year ended June 30, 2020.

### **14. LITIGATION**

In the normal course of business, the Museum is occasionally named in various claims and litigations. It is the opinion of management that the outcome of any pending items will not materially affect the operations or the financial position of the Museum. Management is not aware of any lawsuits where the Museum is currently named.

### **15. SUBSEQUENT EVENTS**

The Museum has evaluated subsequent events through December 30, 2020 which is the date the financial statements were available to be issued.

**SUPPLEMENTAL SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2020**

# MUSEUM OF CONTEMPORARY ART SAN DIEGO

## SCHEDULE OF BUDGETED AND ACTUAL EXPENDITURES OF CITY FUNDS SPECIAL PROMOTIONAL FUND AWARD FOR THE YEAR ENDED JUNE 30, 2020

COMMISSION FOR ARTS AND CULTURE, CITY OF SAN DIEGO BUDGET AND EXPENSES	Budgeted	Actual	Total Funds
<b>Expense Classification</b>			
All salaried personnel	\$ 3,325,687	\$ 3,058,163	\$ 147,411
Operating Expenses - nonpersonnel			
Program expenses	901,599	411,628	137,379
Facility expenses/space rental	711,414	657,865	-
Fundraising	426,076	282,748	-
Operating expenses	351,313	568,640	-
Artists and performers	63,478	31,029	-
Marketing	157,950	118,894	-
Other (MBS)	-	2,245	-
Total operating expenses	2,611,830	2,073,049	137,379
Total expenses	\$ 5,937,517	\$ 5,131,212	\$ 284,790

NOTE: Budget and actual amounts are only a component of the Museum's operations and are not intended to reflect all of the operations of the Museum.