

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

*Financial Statements as of and for the Year Ended June 30,
2021 (With Comparative Summarized Financial Information
for the Year Ended June 30, 2020), Independent Auditors'
Report, and Supplemental Schedule for the Year Ended June
30, 2021*

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, 2021, 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.



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, 2021 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 2020 financial statements, and our report dated December 30, 2020 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, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Supplementary Information

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.

Correction of Error

As discussed in Note 1 to the financial statements, a certain error resulting in an understatement of net assets with donor restrictions and overstatement of net assets without donor restrictions amounts previously reported as of June 30, 2020, were discovered by management of the Museum during the current year. Accordingly, amounts reported for net assets with donor restrictions and net assets without donor restrictions have been restated in the 2021 financial statements now presented and the reclassification adjustment has been made to the beginning net assets as of July 1, 2020 to correct the error. Our opinion is not modified as respect to that matter.

Mayer Hoffman McCann P.C.

San Diego, California
May 11, 2022

MUSEUM OF CONTEMPORARY ART SAN DIEGO
STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2021
(With Comparative Summarized Financial Information As of June 30, 2020)

ASSETS	2021	2020
Current Assets:		
Cash and cash equivalents	\$ 9,816,098	\$ 7,254,173
Unrestricted investments	2,985,633	2,406,883
Accounts receivable	599,652	218,444
Pledges and grants receivable, net - current portion	2,388,662	5,561,406
Inventory	169,100	272,166
Prepaid expenses and current other assets	113,278	368,910
Total current assets	16,072,423	16,081,982
Non-Current Assets:		
Pledges and grants receivable, net - long-term portion	3,390,245	2,984,815
Property and equipment - net	95,868,577	65,923,781
Restricted investments	47,183,831	37,737,703
Other assets	107,744	110,714
	\$ 162,622,820	\$ 122,838,995
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 7,401,141	\$ 4,501,200
Deferred revenue - PPP Loan	161,347	299,228
Deferred revenue - current portion	390,110	481,493
Line of credit	1,550,000	350,000
Deferred compensation - current portion	100,575	75,000
Total current liabilities	9,603,173	5,706,921
Deferred compensation	915,688	918,698
Deferred revenue - long-term portion	700,158	697,186
Long-term debt, net of deferred financing costs	24,396,187	3,229,550
Construction loan, net of deferred financing costs	30,781	24,625
Total liabilities	35,645,987	10,576,980
Net Assets:		
Without donor restrictions - as restated for 2020	45,326,913	36,469,741
With donor restrictions - as restated for 2020	81,649,920	75,792,274
Total net assets	126,976,833	112,262,015
	\$ 162,622,820	\$ 122,838,995

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, 2021
(With Comparative Summarized Financial Information for the Year Ended June 30, 2020)

	Without Donor Restrictions	With Donor Restrictions	2021	2020
SUPPORT AND REVENUES:				
SUPPORT:				
Contributions	\$ 1,300,110	\$ 5,579,369.00	\$ 6,879,479.00	\$ 6,084,353
City and County of San Diego grants	145,766	-	145,766	300,883
State and Federal grants	809,915	-	809,915	317,167
Net assets released from restrictions	705,003	(705,003)	-	-
Total support	2,960,794	4,874,366	7,835,160	6,702,403
REVENUES:				
Special events	583,109	-	583,109	859,287
Unrealized gain (loss) on investments	7,235,438	597,842	7,833,280	(3,353,297)
Dividend and interest income	785,828	69,965	855,793	1,008,067
Membership	573,667	-	573,667	612,710
Auditorium/Museum space rental	-	1	1	4,250
Realized gain on investments	2,841,067	315,472	3,156,539	2,722,145
Other income	920,971	-	920,971	128,636
Touring exhibit fees	450	-	450	2,618
Admission fees	-	-	-	35,129
Publication sales	4,762	-	4,762	237
Educational programs and lectures	-	-	-	3,464
Total revenues	12,945,292	983,280	13,928,572	2,023,246
Total support and revenues	15,906,086	5,857,646	21,763,732	8,725,649
EXPENSES:				
Program services:				
Exhibitions	1,888,519	-	1,888,519	1,789,145
Permanent collections, circulation and accessions	1,208,701	-	1,208,701	1,194,493
Events and visitor services	500	-	500	540
Membership support	391,989	-	391,989	408,571
Education, performances and library	393,580	-	393,580	485,890
Curatorial	349,482	-	349,482	519,170
Publications	139,002	-	139,002	570
Museum store	50,000	-	50,000	-
Total program services	4,421,773	-	4,421,773	4,398,379
Supporting services:				
General and administrative	1,937,831	-	1,937,831	2,036,320
Special events	134,450	-	134,450	268,269
Advancement	217,208	-	217,208	547,917
Communications	294,799	-	294,799	178,077
Expansion campaign	40,598	-	40,598	41,554
Museum beverage service	2,255	-	2,255	2,245
Total supporting services	2,627,141	-	2,627,141	3,074,382
Total expenses	7,048,914	-	7,048,914	7,472,761
CHANGE IN NET ASSETS	8,857,172	5,857,646	14,714,818	1,252,888
NET ASSETS - Beginning of year - as restated	\$ 36,469,741	\$ 75,792,274	\$ 112,262,015	\$ 111,009,127
NET ASSETS - End of year	\$ 45,326,913	\$ 81,649,920	\$ 126,976,833	\$ 112,262,015

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, 2021
(With Comparative Summarized Financial Information for the Year Ended June 30, 2020)

	Program Services								Support Services								2021	2020
	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	\$ 157,637	\$ -	\$ 336,360	\$ 250,154	\$ -	\$ 182,044	\$ -	\$ 255,643	\$ -	\$ 70,647	\$ 143,163	\$ -	\$ 1,367,496	\$ -	\$ 136,950	\$ 2,900,094	\$ 3,256,542	
Contract/Consulting services	32,939	1,781	-	34,024	-	85,820	50,000	115,790	-	187,074	30,975	37,420	43,536	38,434	324,979	982,772	799,123	
Depreciation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	845,701	845,701	845,315	
Rentals	259,222	-	-	2,007	-	520	-	-	-	-	369	-	3,058	-	126,753	391,929	337,675	
Utilities	-	-	-	34,845	-	-	-	-	-	-	-	-	-	-	228,027	262,872	303,460	
Insurance	20	-	-	140,901	-	-	-	-	2,255	-	-	-	19,963	-	75,317	238,456	214,147	
Investment fee	2,166	-	-	14,177	-	11,852	-	-	-	-	-	-	171,454	-	-	199,649	171,066	
Legal and accounting	-	-	-	627	-	-	-	-	-	-	-	-	157,968	-	-	158,395	128,420	
Accessions of art, net of deaccessions	-	-	-	134,600	-	-	-	-	-	-	-	-	-	-	-	134,600	68,000	
Participation fees	112,086	-	-	-	-	-	-	-	-	-	-	-	-	-	-	112,086	-	
Cost of sales	-	103,070	-	-	-	-	-	-	-	-	-	-	-	-	-	103,070	467	
Bank service fees/Interest expense	-	-	-	4	-	-	-	7,329	-	-	-	260	62,361	-	-	69,954	92,507	
Honoraria/Artist fees	-	-	-	-	500	9,663	-	250	-	-	53,095	-	-	-	-	63,508	300	
In-kind contributions	-	-	-	-	-	-	-	-	-	13,500	-	-	-	-	46,224	59,724	80,163	
Computer materials/Service	-	-	-	-	-	-	-	-	-	-	-	-	-	-	58,226	58,226	-	
Repairs and maintenance	-	-	-	9,362	-	-	-	-	-	-	-	-	88	-	45,085	54,535	70,917	
Taxes	-	-	-	328	-	-	-	-	-	-	-	-	1,499	-	50,862	52,689	70,360	
Telephone	-	-	-	-	-	-	-	-	-	-	-	-	25	-	45,942	45,967	89,746	
New employee search/Staff training	318	-	2,538	1,870	-	4,002	-	224	-	-	-	-	32,567	-	637	42,156	4,135	
Restoration	23,760	-	-	11,714	-	-	-	-	-	-	-	4,764	-	-	-	40,238	22,991	
Graphic design and printing	-	33,450	-	-	-	-	-	-	-	-	15	5,090	1,100	232	-	39,887	33,626	
Shipping and crating	7,892	256	90	12,180	-	1,818	-	-	-	-	13,944	119	18	-	36,317	19,539		
Supplies and equipment	1,443	-	1,065	10,320	-	12,534	-	130	-	-	5	947	2,284	-	6,044	34,772	70,924	
Membership, dues and subscriptions	195	-	2,858	5,753	-	409	-	5,646	-	2,033	-	-	14,427	-	-	31,321	26,301	
Amortization of bond issuance fees	-	-	-	-	-	-	-	-	-	-	-	-	21,536	-	-	21,536	40,005	
Advertising and marketing	-	-	-	-	-	-	-	-	-	14,827	-	5,684	-	-	-	20,511	29,613	
Food and entertainment	-	-	149	-	-	-	-	-	-	200	271	12,300	1,582	1,355	38	15,895	99,167	
Uncollectible pledges receivable	-	-	-	-	-	-	-	-	-	-	10,000	-	-	-	-	10,000	166,847	
Miscellaneous	-	-	17	98	-	-	-	3,060	-	-	73	-	3,566	141	-	6,955	344,197	
Travel and accommodations	505	-	847	1,095	-	-	-	23	-	1,908	-	-	1,957	418	137	6,890	62,547	
Photography	2,270	445	-	-	-	-	-	-	-	750	-	577	-	-	-	4,042	4,989	
Postage	1	-	-	-	-	79	-	34	-	-	13	-	3,840	-	-	3,967	7,823	
Newsletter	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	11,849	
	600,454	139,002	343,924	664,059	500	308,741	50,000	388,129	2,255	290,939	184,515	134,450	1,910,426	40,598	1,990,922	7,048,914	7,472,761	
Allocation of building expenses	1,288,065	-	5,558	544,642	-	84,839	-	3,860	-	3,860	32,693	-	10,402	17,003	(1,990,922)	-	-	
	\$ 1,888,519	\$ 139,002	\$ 349,482	\$ 1,208,701	\$ 500	\$ 393,580	\$ 50,000	\$ 391,989	\$ 2,255	\$ 294,799	\$ 217,208	\$ 134,450	\$ 1,920,828	\$ 57,601	\$ -	\$ 7,048,914	\$ 7,472,761	

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, 2021

(With Comparative Summarized Financial Information for the Year Ended June 30, 2020)

	2021	2020
Cash Flows From Operating Activities:		
Change in net assets	\$ 14,714,818	\$ 1,252,888
Adjustments to reconcile change in net assets to net cash from operating activities:		
Net realized and unrealized (gain)/loss on investments	(10,989,819)	631,152
Depreciation and amortization	867,238	885,320
Contributions of stock and securities	-	(1,776,072)
Cash Draws from investment account	(1,620,163)	-
Contributions restricted for long-term investments	-	(1,032,077)
Uncollectible pledges receivable	134,600	166,847
Changes in assets and liabilities:		
Accounts receivable	(381,208)	15,744
Pledges and grants receivable	2,632,714	14,973,778
Inventory	103,066	467
Prepaid expenses and other assets	258,602	(29,731)
Accounts payable and accrued expenses	(3,821,364)	(2,949,472)
Deferred revenue	(88,411)	(27,987)
Net borrowings on PPP loan	(137,881)	299,228
Deferred compensation	22,565	120,231
Net cash from operating activities	<u>1,694,757</u>	<u>12,530,316</u>
Cash Flows From Investing Activities:		
Proceeds from sales of investments	15,054,818	28,022,422
Purchases of investments	(12,469,714)	(26,196,360)
Purchases of property and equipment	(24,069,192)	(19,877,711)
Net cash from investing activities	<u>(21,484,088)</u>	<u>(18,051,649)</u>
Cash Flows From Financing Activities:		
Net borrowings/(payments) on line of credit	1,200,000	350,000
Net borrowings/(payments) on Construction Loan	21,151,256	-
Payments on capital lease	-	(12,986)
Contributions restricted for long-term use	-	1,032,077
Net cash from financing activities	<u>22,351,256</u>	<u>1,369,091</u>
Net Change in Cash and Cash Equivalents	<u>2,561,925</u>	<u>(4,152,242)</u>
Cash and Cash Equivalents - Beginning of year	<u>7,254,173</u>	<u>11,406,415</u>
Cash and Cash Equivalents - End of year	<u>\$ 9,816,098</u>	<u>\$ 7,254,173</u>
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	<u>\$ 75,617</u>	<u>\$ 42,616</u>

Non-cash Investing and Financing Activities:

As of June 30, 2021 and 2020, approximately \$6,721,000 and approximately \$3,298,000, respectively, of construction in progress was included in accounts payable.

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, 2021

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 2021, is approximately \$60,000 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, 2021

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 2.70% 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, 2021

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 2021, 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 2021.

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, 2021

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 0.40% and 2.07% as of June 30, 2021.

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 2021. During 2021, the present value of the expected future benefit to the Museum of these assets increased by approximately \$444,000. At June 30, 2021, these assets were valued at approximately \$1,387,000 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, 2021.

MUSEUM OF CONTEMPORARY ART SAN DIEGO

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

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, 2021.

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, 2021, management believes the Museum did not have any uncertain tax positions.

At June 30, 2021, the federal statute of limitation remains open for the 2019 through 2021 years. The statute of limitations for the state income tax returns remains open for the 2018 through 2021 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, 2021

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, 2020, from which the summarized information was derived.

New accounting pronouncement

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842). The guidance establishes a right-of-use model that requires a lessee to record an asset and liability on the balance sheet for all leases with terms longer than twelve months. ASU 2016-02 is effective for fiscal years beginning after December 15, 2021. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The Museum is currently evaluating the impact of the new standard on its financial statements.

MUSEUM OF CONTEMPORARY ART SAN DIEGO

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

Restatement of 2020 net assets

During the 2021 audit, it came to management's attention that the expiration of restrictions related to the construction of the building had not been correctly presented within the net asset classifications in the financial statements as of June 30, 2020. Management has restated the net asset classifications as of June 30, 2020, as shown below to correct the error. The restatement has no effect on reported change in net assets for the year ended June 30, 2020 or total net assets as of June 30, 2020.

	2020 As Previously Reported	2020 As Restated
Without Donor Restrictions Net Assets	\$ 54,691,877	\$ 36,469,741
With Donor Restrictions Net Assets	57,570,138	75,792,274
Total Net Assets	\$ 112,262,015	\$ 112,262,015

MUSEUM OF CONTEMPORARY ART SAN DIEGO

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

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, 2021, 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	\$ 9,816,098
Investments	50,169,464
Grants and pledges receivable	5,778,907
Total financial assets	<u>65,764,469</u>
Less amounts not available to be used within one year:	
Net assets with donor restrictions, net of Capital Campaign	47,777,970
Less: Net assets with purpose restrictions to be met in less than one year	
Current grants and pledges	(2,388,662)
Accessions (Due from operations)	(52,651)
Unrestricted investments	<u>(2,985,633)</u>
	<u>42,351,024</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 23,413,445</u>

3. INVESTMENTS

Investments are carried at fair value based on quoted market prices and at June 30, 2021, consisted of the following:

Equity securities	\$ 37,130,937
Fixed income securities	6,909,027
Real estate	3,242,043
Commodities	2,579,176
Cash	335,866
	<u>\$ 50,197,049</u>

The Museum's investment activities for 2021 resulted in dividend and interest income of approximately \$856,000, net realized and unrealized gain on investments of approximately \$10,990,000 and total fees of approximately \$200,000.

MUSEUM OF CONTEMPORARY ART SAN DIEGO

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

4. PLEDGES AND GRANTS RECEIVABLE

As of June 30, 2021, the Museum has unconditional pledges and grants receivable which are due as follows:

Within one year	\$	3,242,824
One to five years		1,057,324
Greater than five years		3,131,760
		<u>7,431,908</u>
Less unamortized discount		<u>(1,653,001)</u>
	\$	<u>5,778,907</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, 2021. Pledges receivable from related parties totaled approximately \$1,744,311 at June 30, 2021.

5. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30, 2021:

Buildings and leasehold improvements	\$	35,432,036
Furniture and equipment		5,116,200
		<u>40,548,236</u>
Less accumulated depreciation		<u>(20,967,038)</u>
		19,581,198
Land		9,209,259
Construction in progress		67,078,120
		<u>67,078,120</u>
Property and equipment - net	\$	<u>95,868,577</u>

Depreciation and amortization expense was approximately \$846,000 for 2021.

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, 2021

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, 2021.

6. DEBT

Line of Credit - The Museum has a line of credit agreement with a bank expiring in March 2022 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, 2021. The line of credit is uncollateralized. At June 30, 2021, there was a \$1,550,000 balance outstanding under this agreement. The line of credit agreement contains both financial and nonfinancial covenants. At June 30, 2021, management believes they are in compliance with all debt 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, 2021. 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, 2021, 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. At June 30, 2021, management believes they are in compliance with all debt covenants.

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, 2021

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 2021 with approximately \$205,000 remaining to be amortized as of June 30, 2021.

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, 2021. 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. At June 30, 2021, management believes they are in compliance with all debt covenants.

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 2021 with approximately \$74,000 remaining to be amortized as of June 30, 2021.

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

Years Ending June 30,	
2022	\$ -
2023	-
2024	21,274,379
2025	-
2026	3,450,000
Thereafter	-
	<u>24,724,379</u>
Less deferred financing costs	<u>(278,943)</u>
	<u>\$ 24,445,436</u>

MUSEUM OF CONTEMPORARY ART SAN DIEGO

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

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”) during the year ended June 30, 2020. 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 Museum recognized the amount received as grant revenue as qualified expenses occurred / barriers to entitlement were met. In February 2021, the Museum received forgiveness of the \$543,000 obligation.

In February 2021, the Museum received a second PPP loan of \$515,000 granted by the Small Business Administration under the CARES Act. The Museum 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 as soon as possible. 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. In February 2022, the Museum received forgiveness of the \$515,000 obligation.

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, 2021

The following disclosures provide the fair value of financial instruments at June 30, 2021:

	(Level 1)	(Level 2)	(Level 3)	Total
Charitable Remainder Trusts	\$ -	\$ -	\$ 1,387,569	\$ 1,387,569
Common Stock Funds:				
Domestic:				
Large Cap	18,926,512	-	-	18,926,512
Mid Cap	1,123,331	-	-	1,123,331
Small Cap	3,000,140	-	-	3,000,140
Commodities - natural resources	2,579,176	-	-	2,579,176
International:				
International Developed	10,687,162	-	-	10,687,162
Emerging Markets	3,393,792	-	-	3,393,792
Fixed Income Funds:				
Government Agencies	-	1,964,846	-	1,964,846
Corporate Bond Funds	4,435,716	-	-	4,435,716
Exchange Traded Funds	222,812	-	-	222,812
Corporate/Gov't	-	285,654	-	285,654
Real Estate Investment Trust	3,242,043	-	-	3,242,043
	<u>\$ 47,610,684</u>	<u>\$ 2,250,500</u>	<u>\$ 1,387,569</u>	<u>\$ 51,248,753</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, 2020	\$ 943,081
Unrealized gain	444,488
Balance as of June 30, 2021	<u>\$ 1,387,569</u>

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

MUSEUM OF CONTEMPORARY ART SAN DIEGO

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

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.

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.

MUSEUM OF CONTEMPORARY ART SAN DIEGO

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

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 \$1,856,000 from endowment funds with donor restrictions in 2021 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 \$3,706,000 as of June 30, 2021. Gains and income in subsequent years will be netted against this deficiency until the fair value is once again above the initial level.

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, 2021:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated Funds	\$ 2,985,633	\$ -	\$ 2,985,633
Donor-restricted Funds	-	50,062,378	50,062,378
Underwater balance	-	(3,705,895)	(3,705,895)
	<u>\$ 2,985,633</u>	<u>\$ 46,356,483</u>	<u>\$ 49,342,116</u>

Changes in endowment net assets for the year ended June 30, 2021 are as follows:

MUSEUM OF CONTEMPORARY ART SAN DIEGO

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment assets, June 30, 2020	\$ 2,406,884	\$ 37,068,445	\$ 39,475,329
Interest and dividends, net	50,773	740,843	791,616
Net Appreciation (Realized and Unrealized)	652,810	10,265,527	10,918,337
Funds in	-	353,967	353,967
Funds out	-	(216,264)	(216,264)
Appropriations	(124,834)	(1,856,035)	(1,980,869)
Endowment assets, June 30, 2021	\$ 2,985,633	\$ 46,356,483	\$ 49,342,116

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	\$ 40,578,593
Building campaign	35,595,749
Accessions and exhibitions	5,475,580
Total	<u>\$ 81,649,922</u>

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:

General operations and programs	\$ 475,677
Building campaign	55,564
Accessions and exhibitions	173,762
Total	<u>\$ 705,003</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

MUSEUM OF CONTEMPORARY ART SAN DIEGO

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

restrictions as defined in the lease agreement. The estimated fair value of the lease for 2021 is approximately \$317,000 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 2021 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,

2022	\$	10,715
2023		5,057
2024		-
2025		-
2026		-
Thereafter		-
		<hr/>
	\$	<u>15,772</u>

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 2021 and 2020, respectively. Deferred rent revenue at June 30, 2021 is approximately \$690,000 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 \$14,000 for 2021.

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 \$61,000 in 2021. 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

MUSEUM OF CONTEMPORARY ART SAN DIEGO

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

13. COMMITMENTS AND CONTINGENCIES

The Museum had one vendor that accounted for approximately 79%, of purchases for the year ended June 30, 2021.

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 May 11, 2022 which is the date the financial statements were available to be issued.

**SUPPLEMENTAL SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2021**

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, 2021

COMMISSION FOR ARTS AND CULTURE, CITY OF SAN DIEGO BUDGET AND EXPENSES	<u>Budgeted</u>	<u>Actual</u>	<u>Total Funds</u>
Expense Classification			
All salaried personnel	\$ 2,979,983	\$ 2,823,912	\$ -
Operating Expenses - nonpersonnel			
Program expenses	544,249	750,216	130,766
Facility expenses/space rental	654,227	775,685	-
Fundraising	409,558	165,802	-
Operating expenses	376,730	185,613	-
Artists and performers	34,000	10,263	-
Marketing	168,057	140,072	-
Other (MBS)	-	2,255	-
Total operating expenses	<u>2,186,821</u>	<u>2,029,906</u>	<u>130,766</u>
Total expenses	<u>\$ 5,166,804</u>	<u>\$ 4,853,818</u>	<u>\$ 130,766</u>

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.