

# **Museum of Contemporary Art San Diego**

Financial Statements and  
Supplementary Information

June 30, 2024

# 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

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the financial statements of Museum of Contemporary Art of San Diego (the Museum), which comprise the statement of financial position as of June 30, 2024, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Museum as of June 30, 2024, 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.

#### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Museum and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Museum's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements. In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Museum's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Museum's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Statement of Functional Expenses – Program Services and Statement of Functional Expenses – Support Services, are presented for the purpose of additional analysis and is 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.

*Baker Tilly US, LLP*

San Diego, California  
January 24, 2025

# Museum of Contemporary Art San Diego

Statement of Financial Position  
June 30, 2024

## Assets

### Current Assets

Cash	\$ 641,413
Unrestricted investments	2,948,080
Accounts receivable	175,556
Pledges and grants receivable, net, current portion	625,001
Inventory	168,615
Prepaid expenses and other assets	82,114

Total current assets 4,640,779

### Restricted Cash

1,862,437

### Charitable Remainder Trust

259,938

### Pledges and Grants Receivable, Net, Long-Term Portion

244,043

### Property Held for Sale, Net

15,931,183

### Property and Equipment, Net

89,054,071

### Right-of-Use Assets

31,826

### Restricted Investments

44,081,463

### Other Assets

101,802

Total assets \$ 156,207,542

## Liabilities and Net Assets

### Current Liabilities

Accounts payable and accrued expenses	\$ 1,029,614
Deferred compensation, current portion	170,049
Deferred revenue, current portion	446,905
Operating lease liability, current portion	12,434
Long-term debt, net of deferred financing costs, current portion	226,837

Total current liabilities 1,885,839

### Long-Term Liabilities

Deferred compensation, less current portion	725,244
Deferred revenue, less current portion	659,522
Operating lease liability, less current portion	19,392
Long-term debt, net of deferred financing costs, less current portion	3,306,451
Construction loan, net of deferred financing costs	14,359,905

Total long-term liabilities 19,070,514

Total liabilities 20,956,353

### Net Assets

Without donor restrictions:	
Undesignated	77,113,594
Board designated	2,757,365
With donor restrictions	55,380,230

Total net assets 135,251,189

Total liabilities and net assets \$ 156,207,542

See notes to financial statements

# Museum of Contemporary Art San Diego

## Statement of Activities

Year Ended June 30, 2024

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Support and Revenues:</b>			
Support:			
Contributions	\$ 6,371,855	\$ 861,597	\$ 7,233,452
Contributed nonfinancial assets	175,162	-	175,162
City and County of San Diego grants	416,296	-	416,296
Net assets released from restrictions	5,496,701	(5,496,701)	-
	<u>12,460,014</u>	<u>(4,635,104)</u>	<u>7,824,910</u>
Total support			
Revenues:			
Special events	1,864,393	-	1,864,393
Membership	764,345	-	764,345
Auditorium and museum space rental	895,658	-	895,658
Admission fees	342,236	-	342,236
Store sales	190,436	-	190,436
Educational programs and lectures	35,075	-	35,075
Unrealized (loss) gain on investments	(1,330,000)	3,114,515	1,784,515
Realized (loss) gain on investments	(105,439)	2,636,953	2,531,514
Dividend and interest income	44,701	1,173,482	1,218,183
Other income	311,950	-	311,950
	<u>3,013,355</u>	<u>6,924,950</u>	<u>9,938,305</u>
Total revenues			
Total support and revenues	<u>15,473,369</u>	<u>2,289,846</u>	<u>17,763,215</u>
<b>Expenses</b>			
Program services	9,792,660	-	9,792,660
Supporting services	5,996,484	-	5,996,484
	<u>15,789,144</u>	<u>-</u>	<u>15,789,144</u>
Total expenses			
Change in net assets	(315,775)	2,289,846	1,974,071
<b>Net Assets, Beginning</b>	<u>80,186,734</u>	<u>53,090,384</u>	<u>133,277,118</u>
<b>Net Assets, Ending</b>	<u>\$ 79,870,959</u>	<u>\$ 55,380,230</u>	<u>\$ 135,251,189</u>

See notes to financial statements

# Museum of Contemporary Art San Diego

## Statement of Functional Expenses

Year Ended June 30, 2024

	<u>Program Services</u>	<u>Support Services</u>	<u>Total</u>
Salaries and employee benefits	\$ 2,949,205	\$ 2,709,663	\$ 5,658,868
Depreciation	-	3,195,537	3,195,537
Contract/Consulting Services	442,647	871,019	1,313,666
Bank service fees/interest expense	40,421	1,225,638	1,266,059
Utilities	50,549	676,934	727,483
Accessions of art, net of deaccessions	695,044	-	695,044
Shipping and crating	334,565	17,483	352,048
Insurance	92,045	214,131	306,176
Taxes	-	263,728	263,728
Supplies and equipment	142,699	86,528	229,227
Food and entertainment	66,019	155,766	221,785
Contributed nonfinancial assets	-	175,162	175,162
Graphic design and printing	121,762	24,837	146,599
Telephone/Internet	-	144,806	144,806
Repairs and maintenance	19,793	112,065	131,858
Legal and accounting	-	116,688	116,688
Cost of sales	101,499	-	101,499
Parking	5,359	94,555	99,914
Honoraria/Artist fees	19,599	74,052	93,651
Participation fees	85,475	-	85,475
Rentals	20,222	63,054	83,276
Loss on disposal of fixed assets	-	61,108	61,108
Advertising and marketing	-	56,349	56,349
Travel & accommodations	34,677	21,261	55,938
Membership, dues and subscriptions	9,373	37,969	47,342
Amortization of bond issuance fees	-	40,004	40,004
Photography	17,974	16,075	34,049
Restoration	25,678	-	25,678
Computer materials, services	-	23,369	23,369
Investment fee	10,165	3,047	13,212
Miscellaneous	797	11,055	11,852
New employee search/staff training	1,505	7,838	9,343
Postage	230	2,121	2,351
	<u>5,287,302</u>	<u>10,501,842</u>	<u>15,789,144</u>
Allocation of building expenses	<u>4,505,358</u>	<u>(4,505,358)</u>	<u>-</u>
Total expenses	<u>\$ 9,792,660</u>	<u>\$ 5,996,484</u>	<u>\$ 15,789,144</u>

See notes to financial statements

# Museum of Contemporary Art San Diego

## Statement of Cash Flows

Year Ended June 30, 2024

### Cash Flows From Operating Activities

Change in net assets	\$ 1,974,071
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Net realized and unrealized (gain)/loss on investments	(4,316,029)
Depreciation and amortization	3,235,541
Loss on disposal of property and equipment	61,108
Changes in assets and liabilities:	
Accounts receivable	(48,755)
Pledges and grants receivable	1,462,002
Charitable remainder trust	783,333
Inventory	(58,306)
Prepaid expenses and other assets	(4,173)
Accounts payable and accrued expenses	(50,103)
Deferred compensation	(104,444)
Deferred revenue	(277,070)
	<u>2,657,175</u>
Net cash provided by operating activities	<u>2,657,175</u>

### Cash Flows From Investing Activities

Proceeds from sales of investments	40,420,967
Purchases of investments	(41,613,983)
Purchases of property and equipment	(369,465)
Net cash draws from investment account	<u>3,779,260</u>
	<u>2,216,779</u>
Net cash provided by investing activities	<u>2,216,779</u>

### Cash Flows From Financing Activities

Payments on long-term debt	<u>(3,599,801)</u>
	<u>(3,599,801)</u>
Net cash used in financing activities	<u>(3,599,801)</u>
	1,274,153
Net change in cash and restricted cash	1,274,153

### Cash and Restricted Cash, Beginning

1,229,697

### Cash and Restricted Cash, Ending

\$ 2,503,850

### Supplemental Disclosure of Cash Flow Information

Cash paid for interest	<u>\$ 1,126,829</u>
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### Reconciliation of Cash and Restricted Cash to the Statement of Financial Position

Cash	\$ 641,413
Restricted Cash	<u>1,862,437</u>

### Total Cash and Restricted Cash

\$ 2,503,850

See notes to financial statements

# Museum of Contemporary Art San Diego

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Notes to Financial Statements

June 30, 2024

## 1. Museum and Mission

The Museum of Contemporary Art San Diego (the Museum) is a visual arts institution with an international constituency. The Museum has three distinct locations in San Diego and La Jolla, California and 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.

## 2. Summary of Significant Accounting Policies

### 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. There were no contributed goods or services during the current year.

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. As of June 30, 2024, \$2,757,365 of net assets without donor restrictions were designated by the Board of Trustees (the Board) for general operating expenses.

**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 for distribution. Some net assets with donor restrictions are required by donors to be held in perpetuity.

# Museum of Contemporary Art San Diego

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Notes to Financial Statements

June 30, 2024

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 statement 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 4.33% to 4.52% 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 and Cash Equivalents

Cash is, from time to time, variously composed of cash on hand and cash in banks. The Museum considers all highly liquid investments with original maturities of three months or less at time of acquisition to be cash equivalents. As of June 30, 2024, there were no cash equivalents.

## Investments

Investments are accounted for in accordance with 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 2024, 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.

# Museum of Contemporary Art San Diego

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Notes to Financial Statements

June 30, 2024

## Property and Equipment

Property and equipment stated at cost or, in the case of donated property and equipment, at fair value at the date of gift, less accumulated depreciation and amortization. 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 sold in fiscal year 2024. In February 2024, the Museum listed 1100 Kettner Boulevard for sale having a net book value of \$15,931,183, which includes land, building and equipment, net of accumulated depreciation and amortization.

## Collections

The permanent collection of the Museum consists of paintings, sculptures, 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.

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, and are used primarily to acquire other items for the collection.

Pursuant to the Museum's Collection Management Policy, devoting Museum resources to the direct care of the works in the collection is essential to safeguard and preserve the quality of the works and extend their lifespan. Direct care of the collection may include, but is not limited to, providing specialized safe, secure and climate controlled storage and galleries spaces, protecting the works which require it from heat, humidity, theft, visitor handling, fire, dust, excessive lighting, water, pests, physical forces and other elements, as well as providing expert conservation, registration, cataloguing, audio visual, imaging, framing and documentation services. No material funds from deaccessioning were used to support the direct care of the Museum's collection during the year ended June 30, 2024.

## 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 4.73% and 4.79% as of June 30, 2024.

# Museum of Contemporary Art San Diego

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Notes to Financial Statements

June 30, 2024

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 2024. During 2024, one charitable trust was fully distributed in the amount of \$805,410 and the present value of the expected future benefit to the Museum of the remaining assets increased by \$22,077. As of June 30, 2024, these assets were valued at \$259,937.

## 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 \$101,802 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, 2024.

## 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 revenue at June 30, 2024 and 2023 had a balance of \$1,106,427 and \$1,383,497, respectively.

## Revenue From Contracts with Customers

The Museum's revenues from contracts with customers are generated from special events, membership, auditorium and museum space rental, admission fees, and store sales. The Museum accounts for these revenues in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic No. 606, *Revenue from Contracts with Customers (Topic 606)*.

Topic 606 provides for a five-step analysis in determining when and how revenue is recognized:

1. Identify the contract(s) with customers.
2. Identify the performance obligations.
3. Determine the transaction price.
4. Allocate the transaction price to the performance obligations.
5. Recognize revenue when the performance obligations have been satisfied.

# Museum of Contemporary Art San Diego

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Notes to Financial Statements

June 30, 2024

The Museum recognizes revenue from these revenue streams when the respective performance obligations are satisfied.

Special events: The performance obligation consists of providing registrants and exhibitors with access to various benefits of special events. The registration fee/exhibitor fee is stated on the order and is recognized over the duration of the event.

Membership: The performance obligation is defined by membership fees, which include several levels with varying benefits. The memberships are one-year commitments from the date of purchase and revenue is deferred and recognized over the term of the membership.

Auditorium and museum rental: The Museum has several locations in which the public can rent for events. The performance obligation is met and revenue is recognized when the event occurs.

Admission fees: The performance obligation is defined by stated admission fees which are collected and recognized as revenue upon sale for access to the Museum's galleries and exhibitions.

Store sales: Sales are recognized at a single point in time when the customer makes a purchase.

## Income Taxes

The Museum is a not-for-profit entity 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, 2024.

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. As of June 30, 2024, management believes the Museum did not have any uncertain tax positions.

As of June 30, 2024, the federal statute of limitation remains open for the 2022 through 2024 years. The statute of limitations for the state income tax returns remains open for the 2021 through 2024 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.

## Contributed Nonfinancial Assets

Donations of materials are recorded as support at their fair value on the date of the donation. Donated services are recognized if the services (a) create or enhance long-lived 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. Contributions of tangible assets are reflected as contributions at their estimated fair value at date of donation and are reported as unrestricted support unless explicit donor stipulations specify how donated assets must be used.

The Museum received contributions in-kind amounting to \$175,162 for property occupied in downtown San Diego, as described in Note 13.

# Museum of Contemporary Art San Diego

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Notes to Financial Statements

June 30, 2024

## 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.

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 the Museum 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.

## Leases

The Museum adopted the lease guidance under FASB ASC Topic No. 842, *Leases (Topic 842)*, effective January 1, 2022, and determines if an arrangement is a lease at inception. Leases are classified as either finance leases or operating leases with the associated right-of-use asset and lease liability measured at the net present value of future lease payments. Operating lease right-of-use assets are expensed on a straight-line basis as lease expense over the noncancelable lease term. Lease expense for the Museum's finance leases is comprised of the amortization of the right-of-use asset and interest expense recognized based on the effective interest method.

The Museum does not separate lease and nonlease components for all asset classes. In determining the discount rate used to measure the right-of-use assets and lease liabilities, the Museum uses a risk-free rate based on U.S. Treasury notes for similar terms for the initial and subsequent measurement of lease liabilities for all asset classes. The Museum does not apply the recognition requirements to all leases with an original term of 12 months or less, for which the Museum is not likely to exercise a renewal option or purchase the asset at the end of the lease; rather, short-term leases will continue to be recorded on a straight-line basis over the lease term.

# Museum of Contemporary Art San Diego

Notes to Financial Statements

June 30, 2024

Right-of-use assets are assessed for impairment in accordance with the Museum's long-lived asset policy. The Museum reassesses lease classification and remeasures right-of-use assets and lease liabilities when a lease is modified and that modification is not accounted for as a separate new lease or upon certain other events that require reassessment in accordance with Topic 842.

### 3. Cash

Cash at June 30, 2024, consisted of the following:

Deposits:	
Cash in bank	\$ 641,413
Restricted cash	<u>1,862,437</u>
Total	<u>\$ 2,503,850</u>

### 4. Restricted Cash

Restricted cash at June 30, 2024, consisted of operating and accession funds held in the endowment fund as follows:

Operating funds	\$ 891,751
Operating funds, accession	337,634
75 <sup>th</sup> Campaign funds	497,818
Accession funds	<u>135,234</u>
Total	<u>\$ 1,862,437</u>

### 5. 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 Museum has a line of credit available to assist with liquidity management.

The following table reflects the Museum's financial assets as of June 30, 2024, 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 11.

# Museum of Contemporary Art San Diego

## Notes to Financial Statements

June 30, 2024

Financial assets for the year ended June 30, 2024:

Cash	\$ 2,503,850
Investments	47,029,543
Pledges and grants receivable	869,044
Accounts receivable	<u>175,556</u>
Total financial assets	<u>50,577,993</u>
Less amounts not available to be used within one year:	
Net assets with donor restrictions, net of capital campaign	(46,978,279)
Restricted cash	(1,862,437)
Pledges and grants receivable, long-term	<u>(244,043)</u>
Financial assets available to meet general expenditures over the next twelve months	<u><u>\$ 1,493,234</u></u>

### 6. Pledges and Grants Receivable

As of June 30, 2024, the Museum has unconditional pledges and grants receivable which are due as follows:

Within one year	\$ 625,001
Two to five years	240,000
Greater than five years	<u>15,000</u>
	880,001
Less unamortized discount	<u>(10,957)</u>
Total	<u><u>\$ 869,044</u></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 as of June 30, 2024. Pledges receivable from related parties totaled \$119,825 as of June 30, 2024.

# Museum of Contemporary Art San Diego

Notes to Financial Statements

June 30, 2024

## 7. Property and Equipment

Property and equipment consisted of the following at June 30, 2024:

Land	\$ 4,220,709
Buildings and leasehold improvements	96,367,762
Furniture and equipment	6,153,682
Software	106,462
Construction in progress	<u>267,882</u>
	107,116,497
Less accumulated depreciation and amortization	<u>(18,062,426)</u>
Property and equipment, net	<u>\$ 89,054,071</u>

Depreciation expense was \$3,195,537 for the year ended June 30, 2024.

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.

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, 2024.

## 8. Debt

### Line of Credit

The Museum has a line of credit agreement with a bank expiring in July 2025 that provides for borrowings up to \$2,000,000, bearing interest at the option of the Museum of: (a) greater of the floor of 1.550% or prime rate (8.50% at June 30, 2024) minus 1.625%; or (b) greater of the floor of 1.550% or SOFR rate (5.336% at June 30, 2024) plus 1.550%, per annum. The line of credit is uncollateralized. As of June 30, 2024, there was no balance outstanding under this agreement. The line of credit agreement contains both financial and nonfinancial covenants. The bank waived nonfinancial covenant related to the due date of the audited financial statements.

### Long-Term Debt

#### Certificates of Participation

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 Piper Sandler (the Remarketing Agent), which was 3.97% per annum at June 30, 2024. The next scheduled payment is November 1, 2025.

The Bonds mature on November 1, 2034, subject to prior redemption, and are secured by an 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, 2026, unless extended. The Museum is required to have a letter of credit related to the Bonds through the maturity date.

# Museum of Contemporary Art San Diego

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Notes to Financial Statements

June 30, 2024

The Museum pays the Bank a LC fee based on a leverage ratio calculation. For the quarter ended June 30, 2024, 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, 2024, 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.

In connection with the issuance of the Bonds, the Museum incurred \$460,124 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 \$15,380 was recognized in fiscal 2024 with \$158,929 remaining to be amortized as of June 30, 2024.

## **Construction Loan**

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 5.51% at June 30, 2024. The original maturity of the loan was July 2024, with a one-time right to extend for three years. The Museum exercised its right and extended the maturity to July 2027.

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, 2024, management believes they are in compliance with all debt covenants.

The proceeds of the Loan 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 Project in La Jolla.

In connection with the issuance of the Loan, the Museum incurred \$123,123 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 \$24,624 was recognized in fiscal 2024 and was fully amortized as of June 30, 2024.

# Museum of Contemporary Art San Diego

Notes to Financial Statements

June 30, 2024

## Museum Facilities Loan

In February 2022, the Museum entered into a food, beverage and catering services and operations agreement with CUTP LP (CUTP), which required an investment by the Museum of \$400,000 to enhance the Museum's facilities. A loan in the amount of \$400,000 was provided as part of the agreement, bearing fixed interest at 2.50% per annum. The principal and accrued interest will be paid by reducing the commission earned on Café, catering and bar sales. The loan and remaining accrued interest balance is due in full in March 2025, unless paid earlier.

Changes in debt for the year ended June 30, 2024, are as follows:

	<u>Balance, June 30, 2023</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance, June 30, 2024</u>	<u>Due in one Year</u>
Certificates of participation	\$ 3,450,000	\$ -	\$ -	\$ 3,450,000	\$ -
Construction loan	17,819,906	-	(3,460,001)	14,359,905	-
Museum facility loan	382,017	-	(139,800)	242,217	242,217
Total long-term debt	21,651,923	-	(3,599,801)	18,052,122	242,217
Less unamortized deferred financing costs	(198,933)	-	40,004	(158,929)	(15,380)
	<u>\$ 21,452,990</u>	<u>\$ -</u>	<u>\$ (3,559,797)</u>	<u>\$ 17,893,193</u>	<u>\$ 226,837</u>

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

Years ending June 30:

2025	\$ 242,217
2026	100,000
2027	400,000
2028	14,759,905
2029	400,000
Thereafter	2,150,000
	<u>18,052,122</u>
Less deferred financing costs	(158,929)
Total	<u>\$ 17,893,193</u>

## 9. 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

June 30, 2024

The following disclosures provide the fair value of financial instruments at June 30, 2024:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash within investment accounts	\$ 1,069,747	\$ -	\$ -	\$ 1,069,747
Common Stock Funds:				
Domestic:				
Large Cap	16,935,394	-	-	16,935,394
Mid/Small Cap	4,617,691	-	-	4,617,691
Commodities, natural resources	930,445	-	-	930,445
International:				
International Developed	8,261,329	-	-	8,261,329
Emerging Markets	2,810,637	-	-	2,810,637
Fixed Income Funds:				
Gov't/Corporate Agencies	5,748,270	-	-	5,748,270
High Yield Funds	4,611,541	-	-	4,611,541
Other Bonds	190,714	-	-	190,714
Real Estate Investment Trust	1,853,775	-	-	1,853,775
	<u>47,029,543</u>	<u>-</u>	<u>-</u>	<u>47,029,543</u>
Charitable Remainder Trusts	<u>-</u>	<u>-</u>	<u>259,938</u>	<u>259,938</u>
<b>Total</b>	<b><u>\$ 47,029,543</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 259,938</u></b>	<b><u>\$ 47,289,481</u></b>

There were no transfers in and \$805,410 was transferred out of Level 3 during the year ended June 30, 2024. See Note 2 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:

	<u>Charitable Remainder Trusts</u>
Balance as of July 1, 2024	\$ 1,043,271
Unrealized gain	22,077
Funds out	<u>(805,410)</u>
Balance as of June 30, 2024	<u>\$ 259,938</u>

The Museum's investment activities for 2024 resulted in dividend and interest income of \$1,378,475, net realized and unrealized gain on investments of \$4,316,029 and total fees of \$173,504.

## 10. Endowment Net Assets

In August 2008, the FASB issued authoritative guidance for endowments which provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit Museum 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.

# Museum of Contemporary Art San Diego

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Notes to Financial Statements

June 30, 2024

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 donor-restrictions endowment gift are donor restricted assets. As such, in accordance with the authoritative guidance, such earnings are classified as net assets with donor restrictions (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 funds invested with donor restrictions to be \$45,725,531. 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.

## Museum of Contemporary Art San Diego

Notes to Financial Statements

June 30, 2024

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 \$3,685,616 from endowment funds with donor restrictions in 2024 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 \$2,098,746 as of June 30, 2024. 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, 2024:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Board-designated Funds	\$ 2,757,365	\$ -	\$ 2,757,365
Donor-restricted Funds	-	45,725,533	45,725,533
Underwater balance	-	(2,098,746)	(2,098,746)
	<u>\$ 2,757,365</u>	<u>\$ 43,626,787</u>	<u>\$ 46,384,152</u>
Total			

Changes in endowment net assets for the year ended June 30, 2024 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment assets, June 30, 2023	\$ 2,662,691	\$ 41,870,284	\$ 44,532,975
Interest and dividends, net	69,998	1,103,483	1,173,481
Net appreciation (realized and unrealized)	256,332	4,038,636	4,294,968
Funds in	-	300,000	300,000
Appropriations	(231,656)	(3,685,616)	(3,917,272)
	<u>\$ 2,757,365</u>	<u>\$ 43,626,787</u>	<u>\$ 46,384,152</u>
Endowment assets, June 30, 2024			

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.

# Museum of Contemporary Art San Diego

Notes to Financial Statements

June 30, 2024

## 11. Net Assets With Donor Restrictions

Net assets with donor restrictions are available for the following purposes for the year ended June 30, 2024:

General programs	\$ 39,940,500
Building campaign	9,133,497
Accessions and exhibitions	<u>6,306,233</u>
Total	<u>\$ 55,380,230</u>

## 12. Net Assets Released From Restrictions

Net assets were released from donor restrictions by board appropriation satisfying the restricted purposes specified by donors as follows for the year ended June 30, 2024:

General programs	\$ 3,670,858
Building campaign	1,406,906
Accessions and exhibitions	<u>418,937</u>
Total	<u>\$ 5,496,701</u>

## 13. Operating Leases

### Lessee

Leases during the year ended June 30, 2024 consist of a ground lease and equipment lease located in San Diego, California.

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 2024 was \$175,162 based on rent for similar property in the area and is reflected as contributed nonfinancial assets and expense in the accompanying statement of activities. Effective February 28, 2024, this ground lease was assigned to the Navy Seal Museum.

There are no lease terms with residual value guarantees or restrictions. The leases do not contain an option to extend. The other equipment lease had no annual increase and expires in December 2026.

The Museum does not have any material leasing transactions with related parties.

The following table summarizes the lease right-of-use assets and lease liabilities as of June 30, 2024:

Right-of-use assets:	
Operating leases	<u>\$ 31,826</u>
Lease liabilities:	
Current operating lease liabilities	\$ 12,434
Long-term operating lease liabilities	<u>19,392</u>
Total lease liabilities	<u>\$ 31,826</u>

# Museum of Contemporary Art San Diego

Notes to Financial Statements

June 30, 2024

Below is a summary of expenses incurred pertaining to leases during the year ended June 30, 2024:

Operating lease expense	<u>\$ 13,248</u>
Weighted average remaining lease term (in years):	
Operating leases	2.50
Weighted average discount rate:	
Operating leases	3.11 %

The table below summarizes the Museum's scheduled future minimum lease payments for years ending after June 30, 2024:

Years ending:	
2025	\$ 13,248
2026	13,248
2027	<u>6,624</u>
Total lease payments	33,120
Less present value discount	<u>(1,294)</u>
Total lease liabilities	31,826
Less current portion	<u>(12,434)</u>
Total	<u>\$ 19,392</u>

## Lessor

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 and record as deferred revenue. The term of the lease commenced on March 1, 2007 and expires on July 31, 2091.

Rental income was \$10,159 for the year ended June 30, 2024, and recorded as other income on the statement of activities. Deferred revenue related to the Amtrak lease is as follows:

Years ending:	
2025	\$ 10,159
2026	10,159
2027	10,159
2028	10,159
2029	10,159
Thereafter	<u>618,887</u>
Total	<u>\$ 669,682</u>

# Museum of Contemporary Art San Diego

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Notes to Financial Statements

June 30, 2024

## 14. 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 \$4,585 for 2024.

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 \$0 in 2024. 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 the covered employee is eligible to receive distribution.

## 15. 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.

## 16. Subsequent Events

The Museum's management has evaluated events or transactions that may occur for potential recognition or disclosure in the financial statements from the statement of financial position date through January 24, 2025, which is the date the financial statements were available to be issued. On November 19, 2024, the Board resolved to sell the property at 1100 Kettner Boulevard and authorized that \$5,100,000 of the proceeds be used to pay down the 75<sup>th</sup> Anniversary Campaign construction loan, with the remainder reserved for future operations. The sale closed in December 2024 for a gross sales price of \$6,300,000. Management concluded that no other subsequent events have occurred that would require recognition or disclosure in the financial statements.

**Museum of Contemporary Art San Diego**

Statement of Functional Expenses - Program Services

Year Ended June 30, 2024

	Program Services								Total
	Exhibitions	Publications	Curatorial	Permanent Collections, Circulation and Accessions	Education, Performances and Library	Visitor Services	Museum Store	Membership Support	
Salaries and employee benefits	\$ 855,222	\$ -	\$ 621,845	\$ 528,729	\$ 458,998	\$ 266,017	\$ 32,388	\$ 186,006	\$ 2,949,205
Contract/Consulting Services	170,086	64,061	2,073	52,005	70,545	4,445	30,370	49,062	442,647
Miscellaneous	79	-	39	-	73	-	606	-	797
Rentals	5,685	-	-	4,513	195	-	-	9,829	20,222
Utilities	-	-	-	50,549	-	-	-	-	50,549
Insurance	438	-	-	91,607	-	-	-	-	92,045
Investment fee	-	-	-	-	10,165	-	-	-	10,165
Food and entertainment	1,873	-	1,671	1,078	16,577	168	1,951	42,701	66,019
Bank service fees/interest expense	-	-	-	-	5	19,251	7,568	13,597	40,421
Supplies and equipment	42,380	802	414	28,536	56,077	3,303	8,950	2,237	142,699
Repairs and maintenance	-	-	-	12,516	-	-	7,277	-	19,793
Accessions of art, net of deaccessions	-	-	-	695,044	-	-	-	-	695,044
Travel & accommodations	15,962	-	6,800	-	9,893	-	2,022	-	34,677
Graphic design and printing	150	118,675	-	-	363	-	20	2,554	121,762
Membership, dues and subscriptions	270	-	240	4,010	236	-	385	4,232	9,373
Restoration	3,626	-	-	22,052	-	-	-	-	25,678
Shipping and crating	263,278	535	8	65,741	-	-	5,003	-	334,565
Postage	-	40	190	-	-	-	-	-	230
Photography	5,251	405	-	368	11,050	-	-	900	17,974
Parking	1,117	-	665	2,283	1,236	-	58	-	5,359
New employee search/staff training	1,446	-	-	-	59	-	-	-	1,505
Cost of sales	-	-	-	-	-	-	101,499	-	101,499
Honoraria/Artist fees	10,599	-	-	-	9,000	-	-	-	19,599
Participation fees	85,475	-	-	-	-	-	-	-	85,475
	<u>1,462,937</u>	<u>184,518</u>	<u>633,945</u>	<u>1,559,031</u>	<u>644,472</u>	<u>293,184</u>	<u>198,097</u>	<u>311,118</u>	<u>5,287,302</u>
Allocation of building expenses	<u>3,678,449</u>	<u>-</u>	<u>14,182</u>	<u>702,518</u>	<u>72,622</u>	<u>9,117</u>	<u>24,355</u>	<u>4,115</u>	<u>4,505,358</u>
Total expenses	<u>\$ 5,141,386</u>	<u>\$ 184,518</u>	<u>\$ 648,127</u>	<u>\$ 2,261,549</u>	<u>\$ 717,094</u>	<u>\$ 302,301</u>	<u>\$ 222,452</u>	<u>\$ 315,233</u>	<u>\$ 9,792,660</u>

## Museum of Contemporary Art San Diego

Statement of Functional Expenses - Support Services

Year Ended June 30, 2024

	Support Services							Total
	Museum Beverage Service	Communications	Advancement	Special Events (External Venue Rentals)	General and Administrative	Expansion Campaign	Building	
Salaries and employee benefits	\$ -	\$ 242,617	\$ 837,746	\$ 143,357	\$ 1,217,840	\$ -	\$ 268,103	\$ 2,709,663
Depreciation	-	-	-	-	-	5,322	3,190,215	3,195,537
Contract/Consulting Services	182	137,289	14,411	220,196	142,781	-	356,160	871,019
Miscellaneous	-	-	1,052	2,628	7,375	-	-	11,055
Rentals	-	-	-	44,155	3,903	-	14,996	63,054
Utilities	-	-	-	-	-	-	676,934	676,934
Insurance	2,465	-	-	120	209,279	-	2,267	214,131
Investment fee	-	-	-	-	3,047	-	-	3,047
Legal and accounting	-	-	-	-	116,688	-	-	116,688
Loss on disposal of fixed assets	-	-	-	-	-	-	61,108	61,108
Food and entertainment	-	1,941	7,619	127,480	18,459	-	267	155,766
Bank service fees/interest expense	-	-	465	7,226	1,217,947	-	-	1,225,638
Telephone/Internet	-	-	-	-	110	-	144,696	144,806
Contributed nonfinancial assets	-	-	-	-	-	-	175,162	175,162
Supplies and equipment	-	2,810	2,682	15,289	4,694	-	61,053	86,528
Repairs and maintenance	-	-	-	-	1,681	-	110,384	112,065
Taxes	-	-	-	-	499	-	263,229	263,728
Travel & accommodations	-	-	3,142	4,175	13,944	-	-	21,261
Amortization of bond issuance fees	-	-	-	-	40,004	-	-	40,004
Graphic design and printing	-	4,424	-	19,228	1,185	-	-	24,837
Advertising and marketing	-	56,349	-	-	-	-	-	56,349
Membership, dues and subscriptions	-	8,406	838	606	26,075	-	2,044	37,969
Shipping and crating	-	-	-	17,341	142	-	-	17,483
Postage	-	-	174	667	1,280	-	-	2,121
Photography	-	14,275	-	1,800	-	-	-	16,075
Parking	-	101	405	44	3,661	-	90,344	94,555
New employee search/staff training	-	-	-	-	7,661	-	177	7,838
Honoraria/Artist fees	-	-	-	74,052	-	-	-	74,052
Computer materials/Service	-	-	-	-	-	-	23,369	23,369
	2,647	468,212	868,534	678,364	3,038,255	5,322	5,440,508	10,501,842
Allocation of building expenses	-	6,500	27,204	76,718	824,728	-	(5,440,508)	(4,505,358)
Total expenses	\$ 2,647	\$ 474,712	\$ 895,738	\$ 755,082	\$ 3,862,983	\$ 5,322	\$ -	\$ 5,996,484