

Museum of Contemporary Art

Financial Report
June 30, 2024

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Independent Auditor's Report

Board of Trustees
Museum of Contemporary Art

Opinion

We have audited the financial statements of Museum of Contemporary Art (the Museum), which comprise the statement of financial position as of June 30, 2024, 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 results of its operations 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 Auditor's 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.

Other Matter

The financial statements of the Museum, as of and for the year ended June 30, 2023, were audited by other auditors, whose report, dated October 26, 2023, expressed an unmodified opinion on those statements.

Responsibilities of Management 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.

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 issued or available to be issued.

Auditor's 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 auditor's 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.

RSM US LLP

Chicago, Illinois
October 28, 2024

Museum of Contemporary Art

Statements of Financial Position June 30, 2024 and 2023

	2024	2023
Assets		
Current assets:		
Cash and cash equivalents	\$ 6,933,568	\$ 24,622,334
Receivables:		
Contributions, net	2,869,325	3,364,587
Investment redemptions	2,350,696	-
Employer retention credit	-	2,312,078
Other	365,501	430,419
Inventories	925,439	1,053,041
Prepaid expenses and other	855,857	1,151,943
Short-term investments	6,051,481	-
Total current assets	20,351,867	32,934,402
Investments	147,007,328	136,659,263
Contributions receivable, net	511,085	504,057
Property and equipment, net	37,506,140	38,415,073
Right-of-use operating lease assets	4,297,088	5,040,198
Interest rate swap	772,400	940,206
	190,094,041	181,558,797
Total assets	\$ 210,445,908	\$ 214,493,199
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	2,516,938	1,658,909
Deferred revenue	309,336	251,459
Accrued expenses	2,602,449	2,648,766
Current portion of lease liabilities	785,649	733,707
Total current liabilities	6,214,372	5,292,841
Bond payable, net of unamortized bond issuance costs	29,960,043	29,940,064
Lease liabilities—operating	3,600,581	4,337,059
Total liabilities	39,774,996	39,569,964
Net assets:		
Without donor restrictions	122,761,320	120,663,984
With donor restrictions	47,909,592	54,259,251
Total net assets	170,670,912	174,923,235
Total liabilities and net assets	\$ 210,445,908	\$ 214,493,199

See notes to financial statements.

Museum of Contemporary Art

Statements of Activities Years Ended June 30, 2024 and 2023

	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue:						
Public support	\$ 4,386,292	\$ 1,699,166	\$ 6,085,458	\$ 4,227,349	\$ 5,209,741	\$ 9,437,090
Tax appropriations	1,940,307	-	1,940,307	2,146,656	-	2,146,656
Government grants	389,581	280,875	670,456	297,323	-	297,323
Special events, net	1,114,616	-	1,114,616	550,422	-	550,422
Ancillary services	4,183,370	-	4,183,370	4,168,691	-	4,168,691
Exhibitions, collection, education and performance programs	185,638	-	185,638	473,869	-	473,869
Membership and admissions	1,875,708	-	1,875,708	1,747,609	-	1,747,609
Other revenue	1,720,176	-	1,720,176	1,057,021	-	1,057,021
Investment spending allocation	6,257,946	-	6,257,946	7,132,437	-	7,132,437
Net assets released from restrictions	9,785,122	(9,785,122)	-	7,100,884	(7,100,884)	-
Total public support and revenue	31,838,756	(7,805,081)	24,033,675	28,902,261	(1,891,143)	27,011,118
Expenses:						
Program services:						
Museum programs	19,615,389	-	19,615,389	16,432,841	-	16,432,841
Guest services	2,417,583	-	2,417,583	2,290,396	-	2,290,396
Ancillary services	5,681,733	-	5,681,733	5,220,913	-	5,220,913
Support services:						
Development and membership	4,381,223	-	4,381,223	2,790,011	-	2,790,011
Management and general	4,498,051	-	4,498,051	7,070,390	-	7,070,390
Total expenses	36,593,979	-	36,593,979	33,804,551	-	33,804,551
Change in operating net assets	(4,755,223)	(7,805,081)	(12,560,304)	(4,902,290)	(1,891,143)	(6,793,433)
Nonoperating income (loss):						
Investment gain, net of fees	13,138,836	4,594,208	17,733,044	7,762,839	2,175,607	9,938,446
Investment spending allocation	(6,257,946)	-	(6,257,946)	(7,132,437)	-	(7,132,437)
Endowment appropriations—released from restrictions	888,986	(888,986)	-	839,499	(839,499)	-
Change in fair value of interest rate swap	(167,806)	-	(167,806)	1,114,059	-	1,114,059
Strategic initiatives	(767,152)	-	(767,152)	(322,463)	-	(322,463)
Loss on disposals	(479,759)	-	(479,759)	-	-	-
Contributions for collection acquisitions	30,000	-	30,000	314,000	25,000	339,000
Collection funds—released from restrictions	2,249,800	(2,249,800)	-	1,376,985	(1,376,985)	-
Collection acquisitions	(1,782,400)	-	(1,782,400)	(2,054,385)	-	(2,054,385)
Total nonoperating income	6,852,559	1,455,422	8,307,981	1,898,097	(15,877)	1,882,220
Increase (decrease) in net assets	2,097,336	(6,349,659)	(4,252,323)	(3,004,193)	(1,907,020)	(4,911,213)
Net assets:						
Beginning	120,663,984	54,259,251	174,923,235	123,668,177	56,166,271	179,834,448
Ending	\$ 122,761,320	\$ 47,909,592	\$ 170,670,912	\$ 120,663,984	\$ 54,259,251	\$ 174,923,235

See notes to financial statements.

Museum of Contemporary Art

Statement of Functional Expenses Year Ended June 30, 2024

	Program Services				Support Services				
	Museum Programs	Guest Services	Ancillary Services	Total	Development and Membership	Fundraising Events	Strategic Initiatives	Management and General	Total
Salaries and benefits	\$ 7,698,007	\$ 1,494,436	\$ 1,874,341	\$ 11,066,784	\$ 2,316,277	\$ 239,205	\$ -	\$ 2,324,269	\$15,946,535
Professional and contracted services	6,187,656	379,013	889,134	7,455,803	666,029	412,718	765,427	1,090,400	10,390,377
Facilities management	936,196	92,980	338,073	1,367,249	386,246	267,356	-	196,242	2,217,093
Cost of sales	-	-	1,412,996	1,412,996	-	-	-	-	1,412,996
Marketing and communications	449,738	55,912	173,244	678,894	190,435	36,979	-	102,722	1,009,030
Operations and supplies	1,874,002	139,206	355,430	2,368,638	346,565	424,822	1,725	340,844	3,482,594
Miscellaneous	-	43,207	138,196	181,403	89,976	9,126	-	46,318	326,823
Bond interest and fees	592,297	73,006	171,623	836,926	132,304	-	-	136,269	1,105,499
Depreciation and amortization	1,877,493	139,823	328,696	2,346,012	253,391	-	-	260,987	2,860,390
Total functional expenses	\$ 19,615,389	\$ 2,417,583	\$ 5,681,733	\$ 27,714,705	\$ 4,381,223	\$ 1,390,206	\$ 767,152	\$ 4,498,051	\$38,751,337

See notes to financial statements.

Museum of Contemporary Art

Statement of Functional Expenses Year Ended June 30, 2023

	Program Services				Support Services				
	Museum Programs	Guest Services	Ancillary Services	Total	Development and Membership	Fundraising Events	Strategic Initiatives	Management and General	Total
Salaries and benefits	\$ 6,443,317	\$ 1,418,940	\$ 1,819,403	\$ 9,681,660	\$ 1,453,072	\$ 247,578	\$ -	\$ 2,769,366	\$14,151,676
Professional and contracted services	6,203,405	420,464	759,107	7,382,976	319,016	357,863	314,586	1,657,790	10,032,231
Facilities management	433,991	59,073	135,019	628,083	291,408	267,623	-	582,239	1,769,353
Cost of sales	-	-	1,439,135	1,439,135	-	-	-	-	1,439,135
Marketing and communications	72,475	6,703	45,542	124,720	117,275	48,624	-	518,329	808,948
Operations and supplies	1,555,189	153,416	439,150	2,147,755	275,331	495,334	7,877	844,014	3,770,311
Miscellaneous	5,587	37,351	140,315	183,253	69,668	(1,122)	-	20,989	272,788
Bond interest and fees	533,363	74,340	169,456	777,159	101,022	-	-	259,076	1,137,257
Depreciation and amortization	1,185,514	120,109	273,786	1,579,409	163,219	-	-	418,587	2,161,215
Total functional expenses	\$ 16,432,841	\$ 2,290,396	\$ 5,220,913	\$ 23,944,150	\$ 2,790,011	\$ 1,415,900	\$ 322,463	\$ 7,070,390	\$35,542,914

See notes to financial statements.

Museum of Contemporary Art

Statements of Cash Flows Years Ended June 30, 2024 and 2023

	2024	2023
Cash flows from operating activities:		
Decrease in net assets	\$ (4,252,323)	\$ (4,911,213)
Adjustments to reconcile decrease in net assets to net cash used in operating activities:		
Depreciation and amortization expenses	2,860,390	2,161,215
Change in discount on pledges receivable	(56,465)	114,405
Loss on disposals	479,759	-
Acquisitions of art	1,782,400	2,054,385
Net realized and unrealized gain on investments	(17,323,633)	(10,454,542)
Change in value of interest rate swap	167,806	(1,114,059)
Changes in operating assets and liabilities:		
Contributions and other receivables	2,921,695	(1,252,963)
Inventories, prepaid expenses and other	302,680	453,763
Accounts payable and accrued expenses	811,712	1,162,511
Deferred revenue	57,877	(188,678)
Lease liability	(684,536)	(293,204)
Net cash used in operating activities	(12,932,638)	(12,268,380)
Cash flows from investing activities:		
Purchases of investments	(150,309,269)	(16,046,678)
Proceed from disposition of investments	148,882,660	22,440,966
Purchase of property and equipment	(1,577,519)	(898,389)
Proceeds from sale of property and equipment	30,400	-
Acquisition of art	(1,782,400)	(2,054,385)
Net cash (used in) provided by investing activities	(4,756,128)	3,441,514
Net decrease in cash and cash equivalents	(17,688,766)	(8,826,866)
Cash and cash equivalents:		
Beginning	24,622,334	33,449,200
Ending	\$ 6,933,568	\$ 24,622,334
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 1,273,155	\$ 1,072,352

See notes to financial statements.

Museum of Contemporary Art

Notes to Financial Statements

Note 1. Nature of Business

Museum of Contemporary Art (the Museum) was founded in 1967. The mission of the Museum is to be an innovative and compelling center of contemporary art where the public can directly experience the work and ideas of living artists and understand the historical, social, and cultural context of the art of our time. The Museum boldly interweaves exhibitions, performances, collections, and educational programs to excite, challenge, and illuminate its visitors and to provide insight into the creative process. The Museum aspires to engage a broad and diverse audience; create a sense of community; and be a place for contemplation, stimulation, and discussion about contemporary art and culture.

Note 2. Significant Accounting Policies

Basis of presentation: The financial statements of the Museum have been prepared on the basis of generally accepted accounting principles (GAAP). The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect amounts reported in the financial statements. Actual results could differ from those estimates.

Cash and cash equivalents: Cash and cash equivalents consist of cash and highly liquid financial instruments with original maturities of 90 days or less. The Museum maintains its cash in bank deposit accounts that at times may exceed federally insured limits. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. The Museum evaluates the financial institutions with which it deposits funds; however, it is not practical to insure all cash deposits. The Museum has not experienced any losses in such accounts.

Inventories: Inventory is measured at the lower of cost and net realizable value (NRV), with NRV based on selling prices in the ordinary course of business, less costs of completion, disposal, and transportation.

Investments: Investments are reported at fair value. Short-term investments consist primarily of U.S. government securities with original maturities of twelve months or less. For alternative investments, fair value is estimated as net asset value per share provided by the investee as a practical expedient (as disclosed in Note 5). Investment income or loss, including realized gains and losses on investments, changes in unrealized holding gains and losses, and interest and dividends, is included in total investment income in the statement of activities. Purchases and sales are recorded on a trade date basis. Interest income is recorded when earned. Dividends are accrued as of the dividend date.

The investments are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to these risk factors, it is reasonably possible that changes in the value of investments will occur in the near term and could materially affect the amounts reported in the statement of financial position.

Property and equipment: Property and equipment is stated at cost and depreciated or amortized using the straight-line method over the estimated useful lives indicated in the table in Note 6. All assets are put into service using the half-year convention approach, which will depreciate or amortize at half of the annual rate in both the first and last year of the asset's useful life.

Museum of Contemporary Art

Notes to Financial Statements

Note 2. Significant Accounting Policies (Continued)

Leases: The Museum has operating leases for storage space. The Museum recognizes expense for operating leases on a straight-line basis over the lease term.

The Museum elected to use the risk-free rate as the discount rate for calculating the right-of-use asset and lease liability in place of the incremental borrowing rate for the storage leases.

Bond issuance costs: Bond issuance costs are being amortized using the straight-line method, which approximates the effective-interest method, over the term of the bond and loan agreement, which is 10 years.

Interest rate swap: The Museum's interest rate swap is recognized as an asset or liability on the statement of financial position based on the measured fair value. Any change in fair value is recognized in the statement of activities.

Operating activities: The statements of activities include all of the Museum's revenues and expenses as part of operating activities including investment return allocated under the Museum's spending policy. Items not included are comprised of investment income derived from the Museum's investments, changes in fair value of the Museum's interest rate swap, expenses for strategic initiatives, loss on disposals, other contributions for collection acquisitions, and net assets released from restrictions related to collections, and collection acquisition expenditures.

Classification of net assets: Net assets of the Museum are classified as with or without donor restrictions depending on the presence and characteristics of the donor-imposed restrictions limiting the Museum's ability to use or dispose of contributed assets or the economic benefits embodied in those assets.

The separate classes of net assets are defined as follows:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed stipulations or whose donor-imposed stipulations have expired.

Net assets with donor restrictions: Net assets subject to donor-imposed stipulations that can be satisfied by actions of the Museum or by the passage of time or net assets subject to donor-imposed stipulations that are to be maintained in perpetuity by the Museum. Generally, the donors of these assets permit the Museum to use all or part of the interest and dividends earned on these assets.

Public support: Public support and revenue are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Public support with donor-imposed restrictions that are satisfied in the year of the contribution are recorded as public support without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or law. Expirations of donor restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between applicable classes of net assets.

Museum of Contemporary Art

Notes to Financial Statements

Note 2. Significant Accounting Policies (Continued)

Contributions, including unconditional promises to give, are recorded when a unconditional commitment is received from the donor. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give that have a measurable performance or other barrier and a right of return or release are not recognized until the conditions on which they depend are substantially met. As of June 30, 2024 and 2023, there were no conditional contributions awarded but not yet recognized. Unconditional promises to give due in subsequent years are reported at the present value of future cash flows, using rates applicable to the years in which the promises are to be received. Amortization of the discount to present value is included in contribution revenue. Promises to give noncash assets are recorded at fair value.

Endowment contributions are donor restricted in perpetuity. Investment earnings with donor restrictions are recorded in net assets with donor restrictions based on the nature of the restrictions.

Government grants: Grant revenue consists of cost-reimbursable federal, state, and local contracts and grants. These contracts and grants are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized when the Museum has incurred expenditures and/or met performance requirements in compliance with specific contract or grant provisions.

Revenue recognition: The following explains the performance obligations related to each revenue stream and how those are recognized for the years ended June 30, 2024 and 2023:

Special events: The Museum records special events revenue equal to the fair value of direct benefits to donors and contribution income for the excess received when the event takes place. Special events are recorded net of direct expenses. Direct expenses related to special events amounted to \$1,390,206 and \$1,415,900, for the years ended June 30, 2024 and 2023, respectively.

Ancillary services: The Museum generates revenue from transaction-based fees, such as retail sales, rentals, and services for certain events. The retail revenue is recognized when the sale is completed. For purchases in the Museum store, the transaction is recognized at the point of sale when the customer takes possession of the merchandise. For online purchases, revenue recognition occurs when the merchandise is shipped. Service revenue related to catered and special events is recognized at the time the services are provided to its customers.

Admissions, programs and exhibitions: The Museum generates revenue from loaning its exhibitions to other museums. The Museum recognizes revenue at the point in time the exhibit is shipped to the other museum. Purchases of admission and program tickets for same-day usage are recognized immediately. Purchases for tickets for future events are deferred and are recognized when the event has occurred.

Membership: Revenue from memberships is recorded as a deferred liability when received and is recognized on a pro rata basis, which is calculated using the term of the membership. Membership revenue is earned when the Museum satisfies, on a monthly basis, the performance obligation, which is the term of the membership.

As of July 1, 2022, the opening balances of contract assets and deferred revenue were \$756,178 and \$440,137, respectively. Contract assets are included in other receivables on the statement of financial position.

Museum of Contemporary Art

Notes to Financial Statements

Note 2. Significant Accounting Policies (Continued)

Payment terms for dues, goods and services to members are billed to member accounts and are typically due in 30 days. Consideration for goods and services delivered to non-members is due at the point of sale. In instances where the timing of revenue recognition differs from the timing of the right to invoice, the Museum has determined that a significant financing component does not exist. The primary purpose of the Museum's invoicing terms is to provide members with simplified and predictable ways of purchasing products and services and not to receive financing from or providing financing to the member. Additionally, the Museum has elected the practical expedient that permits the Museum to not recognize a significant financing component if the time between the transfer of a good or service and payment is one year or less.

As discussed previously, revenue from ancillary services, admissions, programs and exhibitions is recognized at a point in time, whereas membership dues are recognized over time. Total revenue recognized at a point in time and over time as of June 30, 2024 and 2023, is as follows:

	2024	2023
Revenue recognized at a point in time	\$ 5,799,230	\$ 5,931,735
Revenue recognized over time	445,486	458,434
	<u>\$ 6,244,716</u>	<u>\$ 6,390,169</u>

Tax appropriations: The Museum receives support from the Chicago Park District (CPD) based on CPD's annual tax levy ordinance, which includes a levy for museums situated on CPD land (see Note 7). Support from CPD is recognized in the year funds are allocated to the Museum.

Employee Retention Credit: The Coronavirus Aid, Relief, and Economic Security (CARES) Act of 2020 introduced the Employee Retention Credit (ERC) as pandemic relief for eligible organizations. The ERC is a refundable credit against certain employment taxes and qualifies as a government grant. Under generally accepted accounting principles, government grants are recognized as revenue in the period in which an organization substantially overcomes all measurable barriers to be entitled to the funding. Management has determined that the measurable barriers that must be overcome for entitlement to the ERC funding are qualifying for the credit based on having operations suspended to comply with a government order related to COVID-19 and incurring eligible payroll expenses. For the year ended June 30, 2022, the Museum determined these conditions have been met and recognized \$2,312,078 of ERC revenue within government grants on the statement of activities and recognized a corresponding receivable of \$2,312,078 within receivables on the statement of financial position. As of June 30, 2023, the full balance of \$2,312,078 was outstanding. Subsequent to June 30, 2023, the balance was received in full.

The Museum's ERC claim is subject to review by the Internal Revenue Service (IRS) within the applicable statute of limitations. If a portion or all of the ERC is determined to be ineligible upon IRS review, the Museum would be required to return the ineligible portion on demand and could potentially be subject to penalties and interest on unpaid employment taxes.

Functional allocation of expenses: Costs of providing the program and support services have been reported on a functional basis in the statement of functional expenses. Indirect costs, which include facilities management, marketing and communication, operations and supplies, bond interest and fees, and depreciation and amortization, have been allocated between the various program and support services based on the proportion of direct expenses. Although the methods of allocation used are considered appropriate, other methods could be used that would produce different amounts.

Museum of Contemporary Art

Notes to Financial Statements

Note 2. Significant Accounting Policies (Continued)

Advertising expense: Advertising expense is recorded in the period which the advertising first takes place. Advertising expense was \$637,804 and \$499,173 for the years ended June 30, 2024 and 2023, respectively.

Income and property taxes: The Museum is a charitable and educational organization and is exempt from federal and state taxes under the provisions of Section 501(a) as an entity described in Section 501(c)(3) of the Internal Revenue Code. The Illinois Department of Revenue has also declared both the Museum and its warehouse exempt from real estate property taxes.

The Financial Accounting Standards Board (FASB) issued guidance requiring tax effects from uncertain tax positions to be recognized in the financial statements only if the position is more likely than not to be sustained should the position be challenged by a taxing authority. Management believes that there are no material uncertain positions that require recognition in the financial statements. There are no tax positions for which a material change in any unrecognized tax benefit or liability is reasonably possible in the next 12 months.

The Museum files Form 990 in the U.S. federal jurisdiction and the State of Illinois.

Collection: In conformity with the practice commonly followed by most American art museums, the value of the Museum's collection is not included in the financial statements. Contributions for the purchase of art objects, the proceeds from deaccessions of art, and the cost of art objects purchased are reported as other changes in net assets in the statement of activities. The Museum's policy is to maintain and continue to acquire significant works of contemporary art (principally 1945 to present). From time to time, objects may be sold in accordance with the Museum's collection management policy. Deaccessions may result if one of the following conditions has been met: (a) physical condition has deteriorated to a point beyond display or study or (b) an object is believed to be no longer pertinent to the scope of the Museum's collection. All proceeds realized from deaccessions are allocated to purchase other works of art. There were no amounts realized for deaccession of art for the years ended June 30, 2024 and 2023.

Adoption of new accounting pronouncement: As of July 1, 2023, the Museum adopted Accounting Standards Update (ASU) 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which creates a new credit impairment standard for financial assets measured at amortized cost and available-for-sale debt securities. The ASU requires financial assets measured at amortized cost (including loans, trade receivables and held-to-maturity debt securities) to be presented at the net amount expected to be collected, through an allowance for credit losses that are expected to occur over the remaining life of the asset, rather than incurred losses. The measurement of credit losses for newly recognized financial assets (other than certain purchased assets) and subsequent changes in the allowance for credit losses are recorded in the statement of activities as the amounts expected to be collected change. The adoption of this standard did not have a significant impact on the Museum's financial statements.

Reclassifications: Certain 2023 amounts have been reclassified to conform to the current year presentation. These reclassifications have no effect on net assets or changes in net assets previously reported.

Subsequent events: The Museum has evaluated subsequent events for potential recognition and/or disclosures through October 28, 2024, the date the financial statements were available to be issued.

Museum of Contemporary Art

Notes to Financial Statements

Note 3. Liquidity and Availability

The following reflects the Museum's financial assets as of June 30, 2024 and 2023, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date:

	2024	2023
Cash and cash equivalents	\$ 6,933,568	\$ 24,622,334
Contributions receivable	3,380,410	3,868,644
Investment redemptions	2,350,696	-
Employer retention credit	-	2,312,078
Other receivables	365,501	430,419
Investments	153,058,809	136,659,263
Total financial assets	166,088,984	167,892,738
Less those unavailable for general expenditures within one year:		
Net assets with noncurrent donor restrictions	(39,415,210)	(48,047,718)
Private equity investment	(24,964,048)	(20,151,111)
Limited partnership	(1,371,138)	(1,408,000)
Financial assets available to meet general expenditures within one year over the next 12 months	<u>\$ 100,338,588</u>	<u>\$ 98,285,909</u>

As part of its liquidity plan, excess cash is invested in short-term investments, such as money markets, which can be drawn down when additional cash is required to meet operational needs. The Museum also has available borrowings on a line of credit that are available to meet short-term needs (see Note 11).

Note 4. Contributions Receivable

Included in contributions receivable are several unconditional promises to give generated from a capital campaign. They are included as follows as of June 30, 2024 and 2023:

	2024	2023
Amounts to be collected in:		
Less than one year	\$ 2,969,325	\$ 3,364,587
One to five years	574,855	511,362
Total contributions receivable	3,544,180	3,875,949
Less:		
Allowance for uncollectable contributions	(100,000)	-
Present value discount	(63,770)	(7,305)
Net contributions receivable	<u>\$ 3,380,410</u>	<u>\$ 3,868,644</u>

The discount rate used in determining the fair value of contributions receivable ranged from 3.81% to 5.03% for the years ended June 30, 2024 and 2023.

Museum of Contemporary Art

Notes to Financial Statements

Note 5. Fair Value Measurements

The Museum follows accounting principles generally accepted in the United States of America (U.S. GAAP) on fair value measurements and disclosures, which defines fair value as the price 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. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined as assumptions market participants would use in pricing an asset or liability. The three levels of the fair value hierarchy are described below:

Level 1: Quoted prices are available in active markets for identical assets or liabilities as of the report date. A quoted price for an identical asset or liability in an active market provides the most reliable fair value measurement because it is directly observable to the market.

Level 2: Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the report date. The nature of these securities includes investments for which quoted prices are available, but which are traded less frequently and investments that are fairly valued using other securities, the parameters of which can be directly observed.

Level 3: Securities that have little to no pricing observability as of the report date. These securities are measured using management's best estimate of fair value, where the inputs into the determination of fair value are not observable and require significant management judgment or estimation.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes observable data requires significant judgment by the Museum. The Museum considers observable data to be market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. The categorization of a financial instrument within the fair value hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the Museum's perceived risk of that instrument.

Investments with values that are based on quoted market prices in active markets are classified within Level 1 of the hierarchy. These include investments in money market funds, U.S. treasuries, common stock, and certain mutual funds.

The fair value of the Museum's investments in certain equity funds, hedge funds, and absolute return funds generally represents the amount the Museum would expect to receive if it were to liquidate its investments in funds excluding any redemption charges that may apply. The fair value of these funds is based on the applicable percentage ownership of the underlying funds' net assets as of the measurement date, as determined by the fund manager or the Museum. In determining fair value, the Museum utilizes valuations provided by the underlying investment funds. The underlying investment funds value securities and other financial instruments on a fair value basis of accounting. The estimated fair values of certain investments of the underlying investment funds are determined by the managers of the investment fund. Investments in these funds have certain restrictions on liquidation and may have underlying investments in private placements or other securities for which prices are not readily available. For these investments, the Museum uses the practical expedient. The practical expedient represents the applicable percentage ownership of the underlying funds' net assets as of the measurement date or net asset value (NAV).

Museum of Contemporary Art

Notes to Financial Statements

Note 5. Fair Value Measurements (Continued)

Investments in private equity are in the form of limited partnership interests, which typically invest in private securities for which there is no readily determinable market value. In these cases, market value is determined by external managers based on a combination of discounted cash flow analysis, industry comparables, and outside appraisals. The value of the limited partnership interests is held at the manager's reported NAV as a practical expedient.

The Museum has one limited partnership investment that is reported at cost using its appraised value as of the gift date, less returns of capital distributions, adjusted for impairment and observable price changes for identical or similar investments (measurement alternative). The Museum does not have significant influence over this limited partnership and is unable to determine its fair value. Based on qualitative assessment, no indicators of impairment were noted for the investment during the years ended June 30, 2024 and 2023, as the Museum continues to receive annual dividends from this investment. There were no upward or downward adjustments due to observable price changes.

The following tables present information about the Museum's assets and liabilities measured at fair value on a recurring basis at June 30, 2024 and 2023, and the valuation techniques used by the Museum to determine those fair values:

	2024				
	Fair Value Measurement Using				
	Quoted Prices in				
	Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value	Total
Assets					
Money market funds	\$ 761,226	\$ -	\$ -	\$ -	\$ 761,226
U.S. government securities	22,308,918	-	-	-	22,308,918
Common stock:					
Domestic	9,369,045	-	-	-	9,369,045
International	4,211,003	-	-	-	4,211,003
Mutual funds:					
Fixed income	8,944,360	-	-	6,699,011	15,643,371
Large-cap equities	6,285,483	-	-	-	6,285,483
International equities	3,332,945	-	-	-	3,332,945
Commingled trusts:					
Small-cap equities	-	-	-	13,694,045	13,694,045
Large-cap equities	-	-	-	3,619,895	3,619,895
International equities	-	-	-	29,089,179	29,089,179
Hedge funds	-	-	-	12,361,088	12,361,088
Absolute return funds	-	-	-	6,047,425	6,047,425
Private equity	-	-	-	24,964,048	24,964,048
Total Investments, fair value	55,212,980	-	-	96,474,691	151,687,671
Limited partnership, cost					1,371,138
Total Investments	55,212,980	-	-	96,474,691	153,058,809
Interest rate swap	-	772,400	-	-	772,400
Total assets	\$ 55,212,980	\$ 772,400	\$ -	\$ 96,474,691	\$ 153,831,209

Museum of Contemporary Art

Notes to Financial Statements

Note 5. Fair Value Measurements (Continued)

	2023				
	Fair Value Measurement Using				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value	Total
Assets					
Mutual funds:					
Fixed income	\$ 11,008,722	\$ -	\$ -	\$ 5,951,210	\$ 16,959,932
Large-cap equities	16,767,091	-	-	-	16,767,091
Commingled trusts:					
Small-cap equities	-	-	-	8,255,736	8,255,736
Large-cap equities	-	-	-	5,014,477	5,014,477
International equities	-	-	-	27,540,501	27,540,501
Hedge funds	-	-	-	12,754,269	12,754,269
Absolute return funds	-	-	-	24,654,530	24,654,530
Private equity	-	-	-	20,151,111	20,151,111
Total Investments	27,775,813	-	-	104,321,834	132,097,647
Interest rate swap	-	940,206	-	-	940,206
Total assets	<u>\$ 27,775,813</u>	<u>\$ 940,206</u>	<u>\$ -</u>	<u>\$ 104,321,834</u>	<u>\$ 133,037,853</u>

Not included in the above table is cash and cash equivalents of \$3,153,616 as of June 30, 2023, and an investment in a real estate investment limited partnership of \$1,408,000 for the year ended June 30, 2023, which is recorded at cost.

Museum of Contemporary Art

Notes to Financial Statements

Note 5. Fair Value Measurements (Continued)

At year-end, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

	Investments Held—June 30, 2024			
	Net Asset Value	Unfunded Commitments	Redemption Frequency, (If Eligible)	Redemption Notice Period
Mutual funds—fixed income	\$ 6,699,011	\$ -	Daily	10 days
Commingled trusts:				
Small-cap equities	8,650,798	-	Daily	10 days
Small-cap equities	3,870,263	-	Quarterly	30-90 days
Small-cap equities	1,172,984	-	Annually	45-90 days
Large-cap equities	3,619,895	-	Semimonthly	0-90 days
International equities	10,216,616	-	Weekly	Wednesday
International equities	3,688,928	-	Monthly	45 days
International equities	15,183,635	-	Semimonthly	0-90 days
Hedge funds	1,458,307	-	Daily	10 days
Hedge funds	2,684,993	-	Monthly	45 days
Hedge funds	2,644,832	-	Quarterly	45-90 days
Hedge funds	5,572,956	-	Annually	45-90 days
Absolute return funds	2,749,138	-	Quarterly	30-90 days
Absolute return funds	3,298,287	-	Annually	45-90 days
Private equity	24,964,048	12,085,455	Not eligible	N/A
	<u>\$ 96,474,691</u>	<u>\$ 12,085,455</u>		
Investments Held—June 30, 2023				
	Net Asset Value	Unfunded Commitments	Redemption Frequency, (If Eligible)	Redemption Notice Period
Mutual funds—fixed income	\$ 5,951,210	\$ -	Daily	10 days
Commingled trusts:				
Small-cap equities	8,255,736	-	Annually	45-90 days
Large-cap equities	5,014,477	-	Semimonthly	0-90 days
International equities	27,540,501	-	Semimonthly	0-90 days
Hedge funds	2,136,759	-	Daily	10 days
Hedge funds	1,189,648	-	Quarterly	45-90 days
Hedge funds	9,427,862	-	Annually	45-90 days
Absolute return funds	3,780,743	-	Monthly	45 days
Absolute return funds	14,935,959	-	Quarterly	30-90 days
Absolute return funds	5,937,828	-	Annually	45-90 days
Private equity	20,151,111	9,101,000	Not eligible	N/A
	<u>\$ 104,321,834</u>	<u>\$ 9,101,000</u>		

Mutual funds—fixed income: Include investments in a bond fund which invests primarily in investment-grade fixed income securities, including obligations issued or guaranteed by the U.S. government, its agencies, or instrumentalities.

Museum of Contemporary Art

Notes to Financial Statements

Note 5. Fair Value Measurements (Continued)

Commingled trusts: Includes investments in funds that focus on long-only domestic and international equities. The valuations were based on net asset values of the funds, whose investments were traded on an active market.

Hedge funds-equities (long/short): This category includes investments in hedge funds that invest both long and short primarily in U.S. common stocks. Management of the hedge funds has the ability to shift investments between value and growth strategies, between small and large capitalization stakes, and between a net long position and a net short position. The investments are predominately exposed to the U.S. market but will also take advantage of investment opportunities in Europe, Asia and emerging markets. The fair values of the investments in this category have been estimated using net asset value per share of the hedge funds.

Absolute return funds: This category includes multistrategy absolute return funds focused on analyzing the probability-adjusted returns of individual securities and assets and capturing the alpha in mispriced assets/securities across conventional and alternative financial strategies. Fund management initiates long and short positions targeting solid absolute risk-adjusted returns. The fair values of the absolute return funds in this category have been estimated using net asset value per share of the investments.

Private equity: This strategy invests in long-dated investment partnership vehicles, which may include private equity, venture capital, secondary interests in funds and distressed strategies.

Note 6. Property and Equipment

Property and equipment as of June 30, 2024 and 2023, is summarized as follows:

	Depreciable Useful Lives	2024	2023
Land		\$ 3,523,258	\$ 3,523,258
Building improvements	15-40	71,590,376	72,954,641
Furniture and fixtures	5	7,648,151	8,625,127
Computer equipment and software	3-5	904,619	1,922,572
Construction in progress		540,061	-
Total cost		84,206,465	87,025,598
Accumulated depreciation		(46,700,325)	(48,610,525)
Net property and equipment		<u>\$ 37,506,140</u>	<u>\$ 38,415,073</u>

Depreciation and amortization expense for the years ended June 30, 2024 and 2023, was \$2,097,301 and \$1,817,465, respectively.

Construction in progress consists primarily of new website development and building improvements. The total remaining cost to complete these projects at June 30, 2024, is expected to be approximately \$500,000.

Museum of Contemporary Art

Notes to Financial Statements

Note 7. Sale of Real Estate and Use Agreement

Museums in the Park is a program of the Chicago Park District, which provides monetary and other benefits to members whose cultural facilities are located on land owned by CPD. In addition, members are eligible to receive certain state funds and benefits, subject to availability. The Museum and CPD agreed to enter into an agreement of sale and purchase so that the Museum may avail itself of the benefits of the Museums in the Park program and so that CPD may benefit from the addition of the Museum to this program while also extending the current boundaries of Lake Shore Park, which is located just east of the Museum. Under the agreement of purchase and sale, dated February 11, 2005, the Museum conveyed title to its land at 220 East Chicago Avenue, excluding the building, its contents, and other improvements on the property, to CPD for \$1. As a condition of closing, the Museum and CPD entered into a use agreement, which grants the Museum the exclusive right to occupy and use the land for a period of 99 years, with the opportunity to extend the term for an additional 99 years. Under conditions defined in the use agreement and Special Warranty Deed, the Museum has the option to terminate the use agreement at any time through the earlier of the receipt of a certain level of CPD funding or January 1, 2030. Should the Museum exercise this option, title to the property shall revert to the Museum. Accordingly, as of June 30, 2024 and 2023, the Museum's land rights are valued at \$3,448,054, which is the same amount as reported for this land in prior fiscal years.

Note 8. Leases

The Museum is obligated under two operating leases for storage space, expiring in January 2026 and January 2030. The right-of-use asset and related lease liability have been calculated using risk-free discount rates ranging from 3.75% to 3.79%. The leases require the Museum to pay taxes, insurance, utilities, and maintenance costs. The remaining lease terms do not reflect any renewal options, as the Museum has not determined it to be reasonably certain. Total rent expense under these leases for the years ended June 30, 2024 and 2023, was \$975,718 and \$406,549, respectively.

Future minimum annual commitments under these operating leases are as follows:

Years ending June 30:	
2025	\$ 938,372
2026	886,336
2027	799,816
2028	823,111
2029	847,270
Thereafter	576,350
	4,871,255
Less amount representing interest	(485,025)
Less current obligations	(785,649)
Long-term obligations under leases	\$ 3,600,581

Museum of Contemporary Art

Notes to Financial Statements

Note 8. Leases (Continued)

Other information related to these leases for the years ended June 30, 2024 and 2023, consists of the following:

	2024	2023
Cash paid for amounts included in measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 911,474	\$ 375,980
Right-of-use assets obtained in exchange for new operating lease liabilities	-	5,363,969
Weighted-average remaining lease term	5.4 Years	6.2 Years
Weighted-average discount rate	2.88%	3.80%

Note 9. Bonds Payable

On October 1, 2016, the Museum entered into a bond and loan agreement in the amount of \$30,000,000 with a principal maturity date of February 1, 2029, with Bank of America Public Capital Corp. The funds were used to refund and redeem the outstanding Illinois Development Finance Authority Variable/Fixed Rate Demand Revenue Bonds, Series 1994, which were paid in full on December 1, 2016. The total remaining principal balance of the bonds was \$30,000,000 for both years ended June 30, 2024 and 2023. The bonds bear interest at a variable rate based on 1-month term Secured Overnight Finance Rate (SOFR). During the years ended June 30, 2024 and 2023, the weighted-average interest rate was 5.27% and 4.77%, respectively. The Museum utilizes an interest rate swap with periodic settlements, as defined in Note 10.

Total interest expense, including the interest payments made under the swap agreement, for the years ended June 30, 2024 and 2023, was \$1,105,499 and \$1,137,257, respectively.

As of June 30, 2024 and 2023, the bond is reported net of unamortized discount and debt issuance costs of \$39,957 and \$59,936 for an ending balance of \$29,960,043 and \$29,940,064, respectively.

Note 10. Interest Rate Swap

On October 27, 2016, the Museum entered into an interest rate swap transaction and has an interest rate swap with Bank of America, N.A. to hedge the interest rate risk associated with \$25,000,000 of the Museum's \$30,000,000 debt with Bank of America Public Capital Corp. The purpose of the swap is to fix interest rates on variable debt and to reduce certain exposures to interest rate fluctuation. For the years ended June 30, 2024 and 2023, the interest rate swap has an interest rate of 2.477% and matures on November 1, 2026. The Museum will pay Bank of America, N.A. at the fixed rate as noted, and Bank of America, N.A. will pay the Museum interest at a variable rate equal to 85.162% of the one-month term SOFR.

Museum of Contemporary Art

Notes to Financial Statements

Note 10. Interest Rate Swap (Continued)

The following table presents the amounts and the locations of the amounts relating to the Museum's interest rate swap in the Museum's financial statements as of and for the years ended June 30, 2024 and 2023:

	2024	2023
Statement of financial position—interest rate swaps asset	\$ 772,400	\$ 940,206
Statement of activities information:		
Change in fair value of interest rate swap	\$ (167,806)	\$ 1,114,059
Periodic settlement recoveries included in bond interest and fees	569,907	149,037

The Museum is exposed to credit-related losses in the event of nonperformance to this financial instrument. However, the counterparty to this agreement is Bank of America, N.A., and the risk of loss due to nonperformance is considered by management to be minimal. The Museum does not hold or issue interest rate swaps for trading purposes.

Note 11. Line of Credit

During the years ended June 30, 2024 and 2023, the Museum had an unsecured revolving line of credit with available borrowings of \$7,000,000 that matured on July 11, 2024. Interest is payable monthly either at a rate of 1.00% above the daily SOFR or the greater of the Prime Rate and 0.50% above the Federal Funds Rate. No borrowings have been made on the line of credit, and no interest expense incurred during fiscal years 2024 and 2023. The agreement was subsequently renewed through July 10, 2026.

Note 12. Net Assets with Donor Restrictions

Net assets with donor restrictions include contributions for which donor-imposed restrictions stipulate that they be maintained in perpetuity by the Museum. Net assets with donor restrictions in perpetuity as of June 30, 2024 and 2023, the earnings on which may be appropriated for the following purposes as follows:

	2024	2023
Subject to expenditures for a specified purpose:		
Education programs	\$ 4,454,559	\$ 4,454,559
Exhibitions	10,450,000	10,450,000
Art acquisitions	100,000	100,000
Operations	2,547,990	2,547,990
	<u>\$ 17,552,549</u>	<u>\$ 17,552,549</u>

Museum of Contemporary Art

Notes to Financial Statements

Note 12. Net Assets with Donor Restrictions (Continued)

Net assets with donor restrictions include contributions for which donor-imposed restrictions have not been met and for which the proceeds are not restricted in perpetuity, as well as collection deaccessions for which the proceeds have not yet been used for collection accessions. Net assets with donor restrictions as of June 30, 2024 and 2023, are available for the following purposes:

	2024	2023
Future exhibitions and performances	\$ 2,633,630	\$ 3,737,572
Education programs	244,035	170,385
Special events	260,716	441,284
Permanent collection, accessions:		
Funded by deaccessions	10,213,412	11,931,791
Funded by gifts	2,755,536	2,645,054
Endowment earnings	6,466,846	4,647,434
MCA vision campaign	7,156,348	10,195,972
MCA annual fund	348,187	2,491,167
Time or purpose restricted—other	278,333	446,043
	<u>\$ 30,357,043</u>	<u>\$ 36,706,702</u>

Investment income earned on net assets with donor restrictions in perpetuity, noted above as endowment earnings, is restricted for educational programs, exhibition funds, and art acquisition. This investment income is released from restrictions when appropriated as related education or exhibition expenses are incurred and/or art is acquired.

Net assets were released from restrictions by incurring expenses to satisfy the purpose specified by donor and grant agreements for the years ended June 30, 2024 and 2023, as follows:

	2024	2023
Future exhibitions and performances	\$ 2,551,305	\$ 2,528,434
Education programs	170,385	81,846
Special events	281,284	316,700
Permanent collection	2,249,800	1,376,985
Earnings appropriated for expenditures on endowments	888,986	839,499
MCA vision campaign	4,283,533	3,195,324
MCA annual fund	2,330,905	372,500
Time or purpose restricted—other	167,710	606,080
	<u>\$ 12,923,908</u>	<u>\$ 9,317,368</u>

Museum of Contemporary Art

Notes to Financial Statements

Note 13. Donor-Restricted Endowments

The Museum's endowment consists of 18 individual donor-restricted endowment funds established for a variety of reasons. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. There are no board-designated endowment funds.

Interpretation of relevant law: The Museum is subject to the Illinois Uniform Prudent Management of Institutional Funds Act (UPMIFA) and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the board of trustees appropriates such amounts for expenditures. Most of those net assets also are subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The board of trustees of the Museum had interpreted UPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary.

As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Museum considers a fund to be underwater if the fair value of the fund is less than the sum of: (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Museum has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law.

Additionally, in accordance with UPMIFA, the Museum considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purpose of the Museum and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Museum
- The investment policies of the Museum

Museum of Contemporary Art

Notes to Financial Statements

Note 13. Donor-Restricted Endowments (Continued)

The Museum's endowment net asset composition by type of fund is as follows for the years ended June 30, 2024 and 2023:

	Donor-Restricted Endowment Net Asset Composition by Type of Fund	
	2024	2023
Donor-restricted endowment funds:		
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by the donor	\$ 17,552,549	\$ 17,552,549
Accumulated investment gains	6,466,846	4,647,434
	<u>\$ 24,019,395</u>	<u>\$ 22,199,983</u>

The changes in endowment net assets were as follows for the years ended June 30, 2024 and 2023:

	Changes in Donor-Restricted Endowment Net Assets	
	2024	2023
Endowment net assets, beginning	\$ 22,199,983	\$ 21,056,006
Investment return, net	2,708,398	1,983,476
Appropriation of endowment assets for expenditure	(888,986)	(839,499)
Change in endowment net assets	1,819,412	1,143,977
Endowment net assets, ending	<u>\$ 24,019,395</u>	<u>\$ 22,199,983</u>

Underwater endowment funds: As of June 30, 2024 and 2023, there were no funds with deficiencies.

Return objectives and risk parameters: The Museum has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Museum must hold in perpetuity or for a donor-specified period. Under the policy, as approved by the board of trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of various benchmark indices, including the S&P 500, Russell MidCap, Russell 2000 Growth, MSCI EAFE, InvestorForce Total PE net median, and the Merrill Lynch one-three Year Treasury index, while assuming a moderate level of investment risk. The Museum expects its endowment funds, over time, to provide an average rate of return, net of all fees, of approximately 5.5% plus the secular rate of inflation annually. Actual returns in any given year may vary from this amount.

Strategies employed for achieving objectives: To satisfy its long-term rate-of-return objectives, the Museum relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Museum targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending policy and how the investment objectives relate to spending policy: The board of trustees has adopted a spending policy of 5% of the fair value of investments, excluding those restricted to art acquisition, based on a rolling 12-quarter average for support of current operations. The remainder is retained to support operations of future years and to offset potential market declines.

Museum of Contemporary Art

Notes to Financial Statements

Note 14. Related-Party Transactions

The Museum maintains a conflict of interest policy, which applies to all trustees and members of standing committees, as well as senior management and other designated members of staff. The policy requires that each person to whom the policy applies complete an annual disclosure statement to identify any business, financial or personal interest in matters relating to the Museum.

The policy forbids such individuals from voting on or using their personal influence in connection with such matters. In the event the Museum does conduct business with a related party, the financial terms of those relationships are reported annually to the audit committee, whose members must be independent per the terms of its charter.

Total contribution revenue received from trustees and board members for the years ended June 30, 2024 and 2023 was \$4,514,664 and \$3,151,917, respectively, of which \$1,687,700 and \$1,030,156 was still collectible as of June 30, 2024 and 2023, respectively.

Note 15. Retirement Plans

The Museum sponsors a money purchase defined contribution 401(a) plan for all eligible employees. The Museum has made discretionary contributions equal to 5% of eligible employees' compensation. Discretionary contribution to the defined contribution plan totaled \$376,239 and \$339,478 for the years ended June 30, 2024 and 2023, respectively.

Additionally, the Museum sponsors a defined contribution 403(b) plan and a deferred compensation 457(b) plan for all eligible employees. Employer contributions to the plans are discretionary. No contributions were made to the plans for the years ended June 30, 2024 and 2023, respectively.

Note 16. Employment Agreement

Effective July 1, 2022, the Museum extended the employment agreement with its current director for an additional five years. Employment under this employment agreement is through June 30, 2027. If the Museum terminates this agreement without cause, the Museum will continue to pay the director's current base salary for 12 months from the date of termination.