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Eli Broad Misses MOCA Payment in Museum's Murky Finances

By Katya Kazakina and Christopher Palmeri on August 09, 2012

Billionaire philanthropist Eli Broad hasn't made scheduled payments to the Museum of Contemporary Art in Los Angeles because the institution has \$2.1 million in grants it hasn't put toward exhibitions.

"Once our unspent exhibition funds have been used, we will make additional payments," said Karen Denne, spokeswoman for the 79-year-old founder of KB Home ([KBH](#)), in an e-mail.

The missed payments come at a time when concerns over finances at the museum have resurfaced after four prominent artists quit MOCA's board last month.

Four other trustees recently wrote a letter to the Los Angeles Times critical of how the museum has been managed under Jeffrey Deitch, the former New York gallery owner who became its director in June 2010. Older board members have criticized newer ones for not being involved, partly reflecting a two-tiered fee system for board membership.

A turnaround that began in 2008 with financial support from Broad appears to have stalled under Deitch, 59, although attendance has doubled to more than 400,000 last year.

While MOCA has added wealthy art collectors to the board -- including Peter Brant, Steven Cohen, Victor Pinchuk and Laurence Graff -- contributions and grants to the museum fell 21.5 percent to \$14.6 million in the fiscal year that ended June 30, 2011, the most recent full year for which data are available.

The museum's operating profits have declined and matching funds have gone unmatched while expenses rose 10.7 percent to \$17.5 million in the period.

Broad's Gift

When MOCA's endowment hit a low of \$5 million in late 2008 Broad agreed to give \$15 million to replenish it, provided matching funds could be obtained. He has paid \$6.25 million of that, according to Denne, and the endowment currently stands at \$20 million. The museum hasn't matched more of Broad's funds.

"We made a conservative, near-term decision this year to maintain maximum flexibility in our operations by keeping cash in reserve rather than increasing the endowment," said David G. Johnson, MOCA board co-chairman, in a March statement.

Another \$15 million of Broad's pledge was to go toward exhibitions. The billionaire agreed to give \$750,000 per quarter in 20 installments, according to the agreement. A January budget update obtained by

Bloomberg said Broad hasn't made the October and January payments.

Income Shrinkage

The museum has lowered its projected income and raised its expense estimates in the past year, according to the January budget update. MOCA was expected to show a \$1.2 million deficit for the 2012 fiscal year, based on income of \$15.5 million and costs of \$16.7 million, according to the update. The museum had a \$5.4 million surplus for the fiscal year that ended June 2010.

An Aug. 6 letter from the board's executive committee to other trustees says the museum expects to secure more than \$17 million in revenue for its 2012 fiscal year, approximately the same as 2011.

"The newer members aren't into what's going on that much," said Audrey Irmas, one of the four trustees who wrote to the L.A. Times. "They don't know the blood, sweat and tears that went into getting the museum to be so great. I used to drive around and collect checks to fix the roof at the museum. They are just there for the cachet of being a trustee."

"I am here in New York," said developer Edward J. Minskoff, who joined the board in 2010. "I don't get involved with the daily minutia." Cohen declined to comment, Brant didn't return calls for comment, and Pinchuk and Graff couldn't be reached.

New Directors

The museum will soon be naming two "significant" new directors, Deitch told the Los Angeles Times.

MOCA has a two-tiered system for board member contributions. Los Angeles residents pay a one-time fee of \$250,000 to join, and out-of-towners pay \$150,000. The required annual contribution for everyone is \$75,000, according to Lyn Winter, the museum's communications director.

Broad's \$30 million pledge also has affected fundraising because of the perception that he exerts too much influence on the museum he co-founded in 1979. The spouses of four MOCA trustees serve on the boards of Broad-related charities.

There has been speculation that Broad will merge MOCA with a private museum he is building nearby. MOCA agreed to stay at its present downtown location and not merge with another local museum for 10 years, according to the funding agreement with Broad.

Taking Control

"There's a resistance," said Frederick M. Nicholas, a former chairman of the board and one of the four trustees who wrote to the L.A. Times. "People feel that Eli has taken control over the museum, over the exhibitions. Some of the people who have pledged money aren't giving it because they are concerned about the future of the museum and how it's being directed."

Unlike museums that can rely on government support or large endowments, MOCA doesn't have a steady source of funds, according to Charles Young, former chancellor of the University of California, Los Angeles. An institution Moca's size should have a \$100 million endowment throwing off income, he said. The recent departure of artists and board members will hurt efforts to build up the endowment.

“Mr. Broad stepped up when no one else would,” Denne said. He “would like nothing but for others to step up and support MOCA financially.”

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