

Dallas Museum of Art

Consolidated Financial Statements
and Supplementary Information
and Single Audit Reports and Schedules

June 30, 2022 and 2021



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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Dallas Museum of Art
Dallas, Texas

Opinion

We have audited the accompanying consolidated financial statements of Dallas Museum of Art, which comprise the consolidated statements of financial position as of June 30, 2022 and 2021, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Dallas Museum of Art as of June 30, 2022 and 2021, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis of Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Dallas Museum of Art and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 generally accepted auditing standards and *Government Auditing Standards* 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, including omissions, 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 generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 Dallas Museum of Art'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Dallas Museum of Art'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 consolidated financial statements as a whole. The information on pages 33 - 36 is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2022, on our consideration of Dallas Museum of Art's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Dallas Museum of Art's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Dallas Museum of Art's internal control over financial reporting and compliance.

Other Information Included in the Annual Report

Management is responsible for the other information included in the annual report. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.



Armanino^{LLP}
Dallas, Texas

December 2, 2022

Dallas Museum of Art
Consolidated Statements of Financial Position
June 30, 2022 and 2021

	2022	2021
ASSETS		
Cash	\$ 5,001,566	\$ 2,860,962
Investments, at fair value	18,111,488	17,087,881
Contributions receivable, net	4,707,222	6,512,313
Other receivables	1,688,609	1,321,238
Prepaid expenses and deposits	2,814,208	678,511
Other assets	238,140	197,463
Inventory, net	245,049	329,922
Contributions receivable for endowment, net	557,184	1,242,511
Investments held for endowment, at fair value	233,690,014	287,967,919
Property, equipment and books, net	8,879,987	9,618,017
Total assets	\$ 275,933,467	\$ 327,816,737
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 1,070,421	\$ 593,414
Accrued expenses	2,070,142	1,967,405
Revolving line of credit	-	1,136,051
Deferred revenue	289,288	338,771
Notes payable	5,083,280	6,295,746
Total liabilities	8,513,131	10,331,387
Net assets		
Without donor restrictions	20,183,542	27,658,560
With donor restrictions		
Restricted by purpose or time	86,768,570	130,578,239
Restricted in perpetuity	160,468,224	159,248,551
Total with donor restrictions	247,236,794	289,826,790
Total net assets	267,420,336	317,485,350
Total liabilities and net assets	\$ 275,933,467	\$ 327,816,737

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

Dallas Museum of Art
Consolidated Statement of Activities
For the Year Ended June 30, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues, gains (losses) and other support			
Contributions	\$ 5,460,356	\$ 10,531,696	\$ 15,992,052
In-kind goods and services	3,058,218	-	3,058,218
Government grants	2,964,321	20,000	2,984,321
Cultural organizations program	1,072,896	-	1,072,896
Auxiliary activities, net	3,495,806	-	3,495,806
Special events, net of \$629,152 direct benefit to donors	1,248,360	56,500	1,304,860
Education program	316,785	-	316,785
Net realized and unrealized losses	(3,700,963)	(53,475,176)	(57,176,139)
Interest and dividends, net	689,066	9,991,026	10,680,092
Loss on uncollectible contributions receivable	(4,703)	-	(4,703)
Other revenue	225,804	-	225,804
Net assets released from restriction	<u>6,860,592</u>	<u>(6,860,592)</u>	<u>-</u>
Total revenues, gains and other support	<u>21,686,538</u>	<u>(39,736,546)</u>	<u>(18,050,008)</u>
Functional expenses			
Program services			
Galleries and exhibitions	14,084,290	-	14,084,290
Collections	3,504,124	-	3,504,124
Education	<u>3,483,130</u>	<u>-</u>	<u>3,483,130</u>
Total program services	<u>21,071,544</u>	<u>-</u>	<u>21,071,544</u>
Supporting services			
General and administration	6,200,557	-	6,200,557
Fundraising	<u>3,860,197</u>	<u>-</u>	<u>3,860,197</u>
Total supporting services	<u>10,060,754</u>	<u>-</u>	<u>10,060,754</u>
Total functional expenses	<u>31,132,298</u>	<u>-</u>	<u>31,132,298</u>
Change in net assets from operations	<u>(9,445,760)</u>	<u>(39,736,546)</u>	<u>(49,182,306)</u>
Other income and expenses			
Gain on forgiveness of Paycheck Protection Program loan	2,000,000	-	2,000,000
Release for purchase of collection items	2,853,450	(2,853,450)	-
Collection items purchased	<u>(2,853,450)</u>	<u>-</u>	<u>(2,853,450)</u>
Loss on disposal of books, property, and equipment	<u>(29,258)</u>	<u>-</u>	<u>(29,258)</u>
Total other income and expenses	<u>1,970,742</u>	<u>(2,853,450)</u>	<u>(882,708)</u>
Change in net assets	(7,475,018)	(42,589,996)	(50,065,014)
Net assets, beginning of year	<u>27,658,560</u>	<u>289,826,790</u>	<u>317,485,350</u>
Net assets, end of year	<u>\$ 20,183,542</u>	<u>\$ 247,236,794</u>	<u>\$ 267,420,336</u>

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

Dallas Museum of Art
Consolidated Statement of Activities
For the Year Ended June 30, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues, gains (losses) and other support			
Contributions	\$ 6,727,767	\$ 5,193,078	\$ 11,920,845
In-kind goods and services	3,242,985	-	3,242,985
Government grants	637,000	-	637,000
Cultural organizations program	984,304	-	984,304
Auxiliary activities, net	919,951	-	919,951
Education program	187,584	-	187,584
Net realized and unrealized gains	3,596,953	54,560,447	58,157,400
Interest and dividends, net	240,298	3,591,629	3,831,927
Loss on uncollectible contributions receivable	-	(18,047)	(18,047)
Other revenue	339,708	-	339,708
Net assets released from restriction	<u>13,962,690</u>	<u>(13,962,690)</u>	<u>-</u>
Total revenues, gains and other support	<u>30,839,240</u>	<u>49,364,417</u>	<u>80,203,657</u>
Functional expenses			
Program services			
Galleries and exhibitions	8,060,146	-	8,060,146
Collections	4,373,976	-	4,373,976
Education	<u>3,470,189</u>	<u>-</u>	<u>3,470,189</u>
Total program services	<u>15,904,311</u>	<u>-</u>	<u>15,904,311</u>
Supporting services			
General and administration	7,153,653	-	7,153,653
Fundraising	<u>3,057,214</u>	<u>-</u>	<u>3,057,214</u>
Total supporting services	<u>10,210,867</u>	<u>-</u>	<u>10,210,867</u>
Total functional expenses	<u>26,115,178</u>	<u>-</u>	<u>26,115,178</u>
Change in net assets from operations	<u>4,724,062</u>	<u>49,364,417</u>	<u>54,088,479</u>
Other income and expenses			
Gain on forgiveness of Paycheck Protection			
Program loan	2,501,003	-	2,501,003
Proceeds on sale of collection items	-	983,333	983,333
Release for purchase of collection items	1,339,525	(1,339,525)	-
Collection items purchased	(1,339,525)	-	(1,339,525)
Decrease in deferred obligation for pension plan	<u>550,932</u>	<u>-</u>	<u>550,932</u>
Total other income and expenses	<u>3,051,935</u>	<u>(356,192)</u>	<u>2,695,743</u>
Change in net assets	7,775,997	49,008,225	56,784,222
Net assets, beginning of year	<u>19,882,563</u>	<u>240,818,565</u>	<u>260,701,128</u>
Net assets, end of year	<u>\$ 27,658,560</u>	<u>\$ 289,826,790</u>	<u>\$ 317,485,350</u>

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

Dallas Museum of Art
Consolidated Statements of Cash Flows
For the Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities		
Change in net assets	\$ (50,065,014)	\$ 56,784,222
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	1,195,192	1,165,755
Gain on forgiveness of Paycheck Protection Program note	(2,000,000)	(2,501,003)
Loss on uncollectible contributions receivable	4,703	18,047
Net realized and unrealized losses (gains) on investments	57,176,139	(58,157,400)
Value of contributed securities	(250,541)	(316,573)
Contributions restricted for endowment	(1,234,346)	(2,221,642)
Contributions restricted for long-term purposes	(4,742,255)	(256,915)
Collection items purchased	2,853,450	1,339,525
Proceeds from sales of art	-	(983,333)
Loss on sale of books, property, and equipment	29,258	-
Changes in operating assets and liabilities		
Contributions receivable, net	1,800,388	3,687,006
Other receivables	(367,371)	1,180,723
Prepaid expenses and deposits	(2,135,697)	61,689
Other assets	(40,677)	28,091
Inventory, net	84,873	57,295
Accounts payable	477,007	(89,160)
Accrued expenses	102,737	(248,972)
Deferred obligation for pension plan	-	(4,879,165)
Deferred revenue	(49,483)	(185,187)
Net cash provided by (used in) operating activities	<u>2,838,363</u>	<u>(5,516,997)</u>
Cash flows from investing activities		
Purchases of property, equipment and books	(486,420)	(558,346)
Purchases of investments	(11,996,624)	(23,453,963)
Proceeds from sales of investments	8,068,264	20,949,065
Proceeds from sales of contributed securities	257,060	321,160
Purchases of collection items	(2,853,450)	(1,339,525)
Proceeds from sales of art	-	983,333
Net cash used in investing activities	<u>(7,011,170)</u>	<u>(3,098,276)</u>
Cash flows from financing activities		
Cash collected on contributions restricted for endowment	1,919,673	3,254,975
Cash collected on contributions restricted for long-term purposes	4,742,255	256,915
Payments on revolving line of credit payable	-	(1,248,949)
Payments on notes payable	(348,517)	(681,739)
Proceeds from notes payable	-	6,644,049
Net cash provided by financing activities	<u>6,313,411</u>	<u>8,225,251</u>
Net increase (decrease) in cash	2,140,604	(390,022)
Cash, beginning of year	<u>2,860,962</u>	<u>3,250,984</u>
Cash, end of year	<u>\$ 5,001,566</u>	<u>\$ 2,860,962</u>

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

Dallas Museum of Art
Consolidated Statements of Cash Flows
For the Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Supplemental disclosure of cash flow information		
Cash paid during the year interest	\$ 115,300	\$ 173,019
Supplemental schedule of noncash investing and financing activities		
Line of credit extinguished through issuance of note payable	\$ 1,136,051	\$ -

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

Dallas Museum of Art
Notes to Consolidated Financial Statements
June 30, 2022 and 2021

1. NATURE OF OPERATIONS

The Dallas Museum of Art ("DMA") is a Texas nonprofit corporation serving the Dallas, Texas area by providing art exhibits, education services, lectures and other public programs to the community. DMA's mission is to promote research, dialogue and public participation to help reveal the insights of artists from every continent over the last 5,000 years. The Museum is primarily supported by contributions from the general public.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

DMA consolidates the accounts of the Dallas Museum of Art Leagues (the "Leagues"), Museum Services Corporation ("MSC"), and Art-Facts, Inc. ("Art-Facts"). The Leagues are exempt from federal income tax under DMA's determination letter from the Internal Revenue Service and are controlled by DMA. MSC and Art-Facts are wholly-owned taxable subsidiaries of DMA.

All significant intercompany accounts and transactions have been eliminated in consolidation. DMA and its subsidiaries are collectively referred to herein as the "Museum".

Basis of accounting and financial statement presentation

The consolidated financial statements of the Museum have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States ("U.S. GAAP").

Net assets and changes therein are classified and reported as follows:

- *Net assets without donor restrictions* - Net assets available for use in general operations and not subject to donor-imposed restrictions. The Museum's governing board may designate net assets without restrictions for specific purposes.
- *Net assets with donor restrictions* - Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Net assets with donor restrictions also include the portion of donor-restricted endowment funds that are not required to be maintained in perpetuity, until such funds are appropriated for expenditure by the Museum. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Dallas Museum of Art
Notes to Consolidated Financial Statements
June 30, 2022 and 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of accounting and financial statement presentation (continued)

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on assets and liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor restriction or by law. Expirations of restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as transfers between the applicable classes of net assets. Contributions with donor-imposed restrictions whose restriction are satisfied in the same reporting period as received are reported as net assets without donor restrictions.

Cash and cash equivalents

The Museum considers all highly liquid investments purchased with original maturities of three months or less to be cash equivalents. The Museum had no cash equivalents as of June 30, 2022 and 2021.

Investments

Investments are recorded at fair value as determined primarily by quoted prices in active markets. Investments received by donation are recorded at fair value at the date of donation. Net realized and unrealized gains or losses are classified as increases or decreases in net assets without donor restrictions, unless their use is restricted by explicit donor restriction or by law. Interest and dividend income is presented net of investment management fees.

Fair value measurements

The Museum applies the U.S. GAAP authoritative guidance for Fair Value Measurements and Disclosures, which defines fair value, establishes a framework for measuring fair value, and requires certain disclosures about fair value measurements. U.S. GAAP describes three levels of inputs that may be used to measure fair value:

- *Level 1* - Quoted prices in active markets for identical assets or liabilities. An active market is a market in which transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis.
- *Level 2* - Significant other observable inputs (other than Level 1 prices) such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data.
- *Level 3* - Unobservable inputs that are supported by little or no market activity, are significant to the fair value of the assets or liabilities and reflect management's assumptions and best estimates based on available data.

Dallas Museum of Art
Notes to Consolidated Financial Statements
June 30, 2022 and 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurements (continued)

The Museum holds alternative investments which are reported at the net asset value (NAV) per share (or its equivalent) as a practical expedient, to determine the fair value of investments in investment funds which (a) do not have a readily determinable fair value and (b) either have the attributes of an investment fund or prepare their financial statements consistent with the measurement principles of an investment fund.

The Museum holds corporate bonds and other debt securities which are reported as level 2 investments. The corporate bonds and other debt securities are measured on a recurring basis based on the cost of the investment plus accumulated fixed interest.

Valuation techniques used in fair value measurements need to maximize the use of observable inputs and minimize the use of unobservable inputs. A valuation method may produce a fair value measurement that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although management believes the valuation methods are appropriate and consistent with those used by other market participants, the use of different methodologies or assumptions could result in different fair value measurements at the reporting date.

Other receivables

At June 30, 2022 and 2021, other receivables include \$1,184,769 for litigation to protect the Museum's possession and matters related to disputes with foreign taxing authorities over various taxes on real estate formerly owned by the donor. These matters are complex and have been the subject of litigation for approximately 11 years. Management believes this receivable will be fully collected and has not established an allowance, but due to the complexities of these matters, is unable to predict the ultimate outcome or the amount that will be collected.

Inventory, net

Inventory, net consist of the Museum's store inventory and is recorded at the lower cost or net realizable value. Cost is determined by the first-in, first-out method. When evidence exists that the net realizable value of inventory is lower than its cost, the difference is recognized as a loss in the consolidated statements of activities in the period in which it occurs. No such losses occurred for the years ended June 30, 2022 and 2021. Management provides for an allowance for obsolete and slow-moving merchandise based on their assessment of historical sales and other relevant factors affecting inventory. The Museum has a reserve for slow-moving inventory of \$44,961 at June 30, 2022 and 2021.

Dallas Museum of Art
Notes to Consolidated Financial Statements
June 30, 2022 and 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, equipment and books, net

The Museum capitalizes all property, equipment and books with a cost greater than \$5,000 and an estimated useful life of three years or greater. Donations of property, equipment and books are recorded as contributions at their estimated fair value. Such donations are reported as contributions without donor restrictions unless the donor has restricted the donated assets to a specific purpose. Assets donated with explicit restrictions regarding their use, and contributions of cash that must be used to acquire long-lived assets are reported as net assets with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the Museum reports expirations of donor restrictions when the donated or acquired assets are placed in service. Minor repairs and maintenance are charged against earnings as incurred. Major repairs and maintenance that extend the useful life of the respective asset are capitalized.

Depreciation and amortization of property and equipment is computed using the straight-line method over the following estimated useful lives:

Software	3 years
Equipment and vehicles	5 years
Furniture and fixtures	10 years
Building improvements and books	20 years

Collections

All works of art acquired by the Museum either through purchase or gift on or after October 1, 1984 are owned by the Museum. All works of art acquired prior to October 1, 1984, are owned by the City of Dallas, Texas (the "City").

Dallas Museum of Art
Notes to Consolidated Financial Statements
June 30, 2022 and 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Collections (continued)

The Museum accounts for artistic and historic items as collection items if they meet the definition of a collection. The criteria states that to be a collection, the assets are (1) held for public exhibition, (2) protected and preserved, and (3) are subject to an organizational policy that requires proceeds from the sale of artifacts to be used to acquire other items for collections absent any donor-imposed restrictions or for the direct care of existing collections. The collections are made up of items of historical significance and art objects that are held for educational, research and curatorial purposes. Each of the items is cataloged, preserved, cared for and activities verifying their existence and assessing their condition are performed regularly. Accordingly, the Museum has a policy of not capitalizing the collection of artistic and historic items in its consolidated financial statements and therefore no collection items are recognized as assets, whether they are purchased or received as a donation. Purchases of works of art are recorded as decreases in net assets without donor restrictions in the year in which the items are acquired or as net assets with donor restrictions if the assets used to purchase the items are restricted by donors. Proceeds from deaccessions or insurance recoveries are reflected as increases in the appropriate net asset class. The Museum added through gifts, transfers or purchases, 101 individual objects to the collection during the year ended June 30, 2022 and 72 individual objects to the collection during the year ended June 30, 2021. The Museum purchased 50 individual items totaling \$2,853,450 during the year ended June 30, 2022 and 52 individual items totaling \$1,339,525 during the year ended June 30, 2021, respectively.

As of June 30, 2022 and 2021, management estimates the fair value of artwork acquired after October 1, 1984 to be approximately, \$746,000,000 (unaudited) and \$689,000,000 (unaudited), respectively. However, this does not include works of art on loan from private owners, the Foundation for the Arts, the Munger Fund, or the McDermott Art Fund. Pursuant to a contract between, the Foundation for the Arts and the Museum, the art owned by the Foundation for the Arts is for the sole use of the Museum. As of June 30, 2022 and 2021, management estimates the fair value of artifacts on loan that have not been recorded in the accompanying consolidated financial statements to be approximately \$432,000,000 (unaudited) and \$438,000,000 (unaudited), respectively.

Revenue recognition

The Museum generates revenue and support from multiple sources. Auxiliary activities revenue is derived from parking fees, cafe sales, store sales and box office sales. Parking fees and cafe and store sales are recognized at the point of sale. Box office sales are recognized when the event occurs. Auxiliary activities revenue is reported net of any sales tax charged to customers. Special events revenue is generated from fund-raising activities such as dinners and galas held to raise support for the Museum's mission. Special events revenue is recognized when the event is held and is reported net of any direct benefit to donor expenses. Education program represents revenue from various workshops, literary and performing arts series hosted by the Museum and is recognized as the event or service takes place.

Dallas Museum of Art
Notes to Consolidated Financial Statements
June 30, 2022 and 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions and promises to give

Contributions received are reported as net assets with or without donor restrictions, depending upon donor restrictions, if any.

Contributions, including unconditional promises to give, are recognized as revenues in the period the promise is received. Contributions of assets other than cash and works of art are recorded at their estimated fair value at the time the contribution is made or unconditionally pledged. Contributions that are promised in one year but are not expected to be collected until after the end of that year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of any such discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for doubtful contributions receivable is provided based upon management's judgment including such factors as prior collection history, type of contribution, nature of fundraising activity and other relevant factors. Management believes that all outstanding amounts are fully collectible. As such there is no allowance for doubtful accounts at June 30, 2022 and 2021.

Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. No material conditional promises to give existed as of June 30, 2022 and 2021. The Museum has been notified that it has been included in various wills. A receivable has not been recorded as the amounts from the estates are not known as of the date of the consolidated financial statements.

The Museum provides free general admission for all visitors and offers memberships to further visitor engagement. Membership provides individuals, corporations and foundations the ability to be part of the Museum's effort to deliver public access to its extensive collection and diverse public programs. The Museum considers all membership fees to be contributions and membership levels start at \$120 per year.

Cultural organizations program revenue represents a grant from the City of Dallas which is conditioned upon the Museum organizing exhibits and programming for the community. As of June 30, 2022 and 2021, the Museum recognized \$1,072,896 and \$984,304, respectively, as the barriers the grant was conditioned upon were met.

In-kind goods and services

In-kind goods are reflected in the accompanying consolidated statements at their estimated fair values at date of receipt. In-kind services are reflected in the consolidated financial statements at the fair value of the services received. Contributions of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. The Museum received \$102,701 and \$259,581 of contributed goods and services during the years ended June 30, 2022 and 2021, respectively.

Dallas Museum of Art
Notes to Consolidated Financial Statements
June 30, 2022 and 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In-kind goods and services (continued)

Under an agreement with the City of Dallas ("the City"), the land and building of the Museum are the property of the City and the City has granted the Museum the use of the Museum and building at no charge through May 1, 2023. In addition, the City has committed to provide building and grounds maintenance, utilities expenses and compensate a portion of the costs related to the upkeep of the works of art belonging to the City. Accordingly, the Museum recognized \$2,955,517 and \$2,983,404 of in-kind goods and services from the City for the years ended June 30, 2022 and 2021, respectively.

Government grants

Government grants represent government funding from local, state and federal sources. The grants are conditioned upon the Museum incurring allowable expenses in accordance with the grant program. As of June 30, 2022 and 2021, the Museum recognized \$2,984,321 and \$637,000, respectively, as the Museum incurred the qualifying expenses. During the year ended June 30, 2022 the Museum recognized expenses related to the Shuttered Venue Operators Grant ("SVOG") of \$2,755,664 (see Note 15). There were no expenses related to the SVOG program during the year ended June 30, 2021. Government grants with grant-imposed restrictions whose restrictions are satisfied in the same reporting period as received are reported as net assets without donor restrictions.

Functional expenses

The costs of providing program and other activities have been summarized on a functional basis in the consolidated statements of activities. Accordingly, certain expenses are allocated among the program and supporting services benefited. Facility related costs such as depreciation and amortization, security and landscape have been allocated based on an estimated usage of space by various departments. Salaries, wages and employee benefits have been allocated among program services and supporting services based upon employee's time and effort while expenses for software and hardware have been allocated based upon employee head count.

Advertising costs

The Museum expenses advertising costs as incurred. Advertising expense of \$1,062,210 and \$564,581 for the years ended June 30, 2022 and 2021, respectively, are recorded within services, supplies and other expenses on the accompanying consolidated statements of functional expenses.

Income tax status

DMA, the Leagues, and DMA's wholly-owned taxable subsidiaries are exempt from federal income tax under Section 501(a) of the Internal Revenue Code of 1986 ("IRC"), as amended, and as a public charity described in Section 501(c)(3) of the IRC. However, income generated from activities unrelated to the Museum's exempt purpose are subject to tax under the IRC Section 511.

Dallas Museum of Art
Notes to Consolidated Financial Statements
June 30, 2022 and 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax status (continued)

The Museum has concluded that it does not have any unrecognized tax benefits or obligations resulting from current or prior period tax positions. The Museum including its underlying subsidiaries, does not have any outstanding interest or penalties, and none have been recorded in the accompanying consolidated statements of activities for the years ended June 30, 2022 and 2021. The Museum does not have any significant uncertain tax positions for which a reserve would be considered necessary. However, the conclusions regarding accounting for uncertainty in income taxes are subject to review and may be adjusted at a later date based on factors including, but not limited to, ongoing analysis of tax laws regulations and interpretations thereof.

The Museum's tax returns are generally subject to examination for three years after the later of the due date or date of filing.

Use of estimates

The preparation of the consolidated financial statements in conformity with GAAP 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Uses of estimates include, but are not limited to, the estimated values of contributed goods and services, the allocation of expenses by function, the estimated useful lives of property, equipment and books, and the fair value of investments measured at net asset value as a practical expedient. Actual results could differ from those estimates.

Change in accounting principle

In September 2020, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2020-07, Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. This standard requires not-for-profit entities to present contributed nonfinancial assets as a separate line item in the consolidated statement of activities, apart from contributions of cash and other financial assets and to disclose contributed nonfinancial assets. The Museum implemented this standard effective July 1, 2021 and determined there was not a material impact on the valuation on contributed nonfinancial assets.

Reclassifications

Certain amounts presented in the prior year consolidated financial statements have been reclassified to conform to the current year presentation. Such reclassifications had no net effect on total assets, liabilities, net assets, changes in net assets, or cash flows from the amounts previously presented.

Dallas Museum of Art
Notes to Consolidated Financial Statements
June 30, 2022 and 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Subsequent events

The Museum has evaluated subsequent events through December 2, 2022, the date the consolidated financial statements were available to be issued. No subsequent events have occurred that would have a material impact on the presentation of the Museum's financial statements.

3. LIQUIDITY AND AVAILABILITY

As part of the Museum's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

As described in Note 8, the Museum maintains a revolving line of credit with a maximum borrowing limit of \$3,000,000, which could be accessed to provide additional liquidity as needed. In addition, to the Museum's available revolving line of credit, the Museum's board-designated endowment funds of \$17,155,727 could be made available for use by the Museum's Board of Trustees.

Dallas Museum of Art
Notes to Consolidated Financial Statements
June 30, 2022 and 2021

3. LIQUIDITY AND AVAILABILITY (continued)

The following is a quantitative disclosure which describes financial assets that are available within one year of June 30, 2022 to fund general expenditures and other obligations as they become due:

Financial assets:	
Cash	\$ 5,001,566
Investments, at fair value	18,111,488
Contributions receivable, net	4,707,222
Other receivables	1,688,609
Contributions receivable for endowment, net	557,184
Investments held for endowment, at fair value	<u>233,690,014</u>
	<u>263,756,083</u>
Less: amounts unavailable for general expenditure within one year	
Contributions receivable due beyond one year	(1,684,807)
Contributions receivable with additional donor-imposed restrictions	(2,240,998)
Donor-restricted endowment	(217,091,471)
Board-designated endowment	(17,155,727)
Other purpose restricted net assets	(25,438,101)
Litigation receivable	<u>(1,184,769)</u>
	<u>(264,795,873)</u>
Total financial assets available for general expenditures within one year	<u>(1,039,790)</u>
Liquidity resources:	
Bank lines of credit	<u>3,000,000</u>
	<u>3,000,000</u>
Total financial assets and liquidity resources available within one year	<u>\$ 1,960,210</u>

4. CONTRIBUTIONS RECEIVABLE

Contributions receivable consisted of the following:

	<u>2022</u>	<u>2021</u>
Contributions receivable, net	\$ 4,707,222	\$ 6,512,313
Contributions receivable for endowment, net	<u>557,184</u>	<u>1,242,511</u>
	<u>\$ 5,264,406</u>	<u>\$ 7,754,824</u>

Dallas Museum of Art
Notes to Consolidated Financial Statements
June 30, 2022 and 2021

4. CONTRIBUTIONS RECEIVABLE (continued)

A summary of contributions receivable as of June 30 is as follows:

	<u>2022</u>	<u>2021</u>
Due in less than one year	\$ 3,122,415	\$ 3,253,617
Due in one to five years	<u>2,229,999</u>	<u>4,665,645</u>
	5,352,414	7,919,262
Less: discount to net present value at rates ranging from 1.14% to 2.75%	<u>(88,008)</u>	<u>(164,438)</u>
	<u><u>\$ 5,264,406</u></u>	<u><u>\$ 7,754,824</u></u>

5. INVESTMENTS

A summary of investments as of June 30 is as follows:

	<u>2022</u>	<u>2021</u>
Investments	\$ 18,111,488	\$ 17,087,881
Investments held for endowment	<u>233,690,014</u>	<u>287,967,919</u>
	<u><u>\$ 251,801,502</u></u>	<u><u>\$ 305,055,800</u></u>

Investments consisted of the following:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 18,601,598	\$ 19,791,520
Equity securities	169,317,071	214,085,603
Fixed income mutual funds	23,454,006	24,615,296
Corporate bonds and other debt securities	13,934,221	14,394,542
Alternative investments	<u>26,494,606</u>	<u>32,168,839</u>
	<u><u>\$ 251,801,502</u></u>	<u><u>\$ 305,055,800</u></u>

Dallas Museum of Art
Notes to Consolidated Financial Statements
June 30, 2022 and 2021

6. FAIR VALUE MEASUREMENTS

The following table sets forth by level, within the fair value hierarchy, the Museum's assets at fair value as of June 30, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Equity securities	\$169,317,071	\$ -	\$ -	\$169,317,071
Fixed income mutual funds	23,454,006	-	-	23,454,006
Corporate bonds and other debt securities	<u>-</u>	<u>13,934,221</u>	<u>-</u>	<u>13,934,221</u>
	<u>\$192,771,077</u>	<u>\$ 13,934,221</u>	<u>\$ -</u>	206,705,298
 *Investments measured at net asset value				 26,494,606
 Cash and cash equivalents				 <u>18,601,598</u>
				<u>\$251,801,502</u>

The following table sets forth by level, within the fair value hierarchy, the Museum's assets at fair value as of June 30, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Equity securities	\$214,085,603	\$ -	\$ -	\$214,085,603
Fixed income mutual funds	24,615,296	-	-	24,615,296
Corporate bonds and other debt securities	<u>-</u>	<u>14,394,542</u>	<u>-</u>	<u>14,394,542</u>
	<u>\$238,700,899</u>	<u>\$ 14,394,542</u>	<u>\$ -</u>	253,095,441
 *Investments measured at net asset value				 32,168,839
 Cash and cash equivalents				 <u>19,791,520</u>
				<u>\$305,055,800</u>

*Certain investments that are measured at net asset value per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the accompanying consolidated statements of financial position.

Dallas Museum of Art
Notes to Consolidated Financial Statements
June 30, 2022 and 2021

6. FAIR VALUE MEASUREMENTS (continued)

The following table summarizes investments measured at fair value based on net asset value (NAV) per share as of June 30:

	<u>NAV in Funds</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice</u>
2022:				
Hedge funds (a)	\$ 26,494,606	\$ 3,500,000	Quarterly / Monthly	60 days; 90 days
2021:				
Hedge funds (a)	\$ 32,168,839	\$ -	Quarterly / Monthly	60 days; 90 days

(a) Hedge funds - funds that pursue multiple strategies to diversify risks and reduce volatility. Investment strategies include event driven, relative value, macroeconomic, and equity long/short.

7. PROPERTY, EQUIPMENT AND BOOKS, NET

Property, equipment and books, net consisted of the following:

	<u>2022</u>	<u>2021</u>
Furniture and fixtures	\$ 19,975,461	\$ 19,884,716
Equipment and vehicles	3,545,627	3,684,188
Books	1,802,328	1,747,577
Installation of software in progress	<u>240,038</u>	<u>126,411</u>
	25,563,454	25,442,892
Less: accumulated depreciation and amortization	<u>(16,683,467)</u>	<u>(15,824,875)</u>
	<u>\$ 8,879,987</u>	<u>\$ 9,618,017</u>

Depreciation and amortization expense was \$1,195,192 and \$1,165,755 for the years ended June 30, 2022 and 2021, respectively.

Dallas Museum of Art
Notes to Consolidated Financial Statements
June 30, 2022 and 2021

8. REVOLVING LINE OF CREDIT

The Museum had a revolving line of credit with a financial institution for \$3,000,000, which matured in June 2022. At the date of maturity, the outstanding balance was \$1,136,051. In June 2022, the Museum received a term loan to pay off the outstanding balance on the line of credit (see Note 9). When the balance was paid, the Museum closed the line of credit. All advances under the line were unsecured. Interest on the revolving line of credit was payable monthly at an amount equal to the the Bloomberg Short-Term Bank Yield Index Rate plus 1.45 basis points (effective rate of 3.85% at June 30, 2021). The revolving line of credit had an outstanding balance of \$1,136,051 as of June 30, 2021.

In June 2022, the Museum opened a \$3,000,000 revolving line of credit with a financial institution, which matures on June 30, 2023. Interest on outstanding borrowings under the line of credit is payable monthly at an amount equal to the Bloomberg Short-Term Bank Yield Index Rate plus 1.20 basis points. There was no outstanding balance on the line of credit as of June 30, 2022.

The Museum is subject to certain financial debt covenant requirements under the terms of the revolving line of credit. As of June 30, 2022 and 2021, the Museum was in compliance with required covenants.

9. NOTES PAYABLE

In June 2020, the Museum entered into a loan agreement with a financial institution to create a \$5,000,000 line of credit with a draw period of three months. At the conclusion of the three months no further advances are available, and the note converted to a term loan with equal quarterly payments of principal and interest, with a 10 year amortization schedule, maturing in September 2025. All advances under the line are secured by certain marketable securities. Interest charged on advances during the draw period were based on LIBOR. After the conversion, the rate is variable based on the internal index BOKF Tier 1 Cost of Funds rate plus 1.00% with a floor of 1.80% (effective rate of 2.71% and 1.80% at June 30, 2022 and 2021, respectively). During the three month draw period, the Museum received advances of \$4,644,049 that converted to a term loan to be used to settle obligations on the terminated defined benefit pension plan. The outstanding principal balance of the term loan as of June 30, 2022 and 2021 totaled \$3,831,341 and \$4,295,746, respectively.

In June 2022, the Museum received loan proceeds of \$1,135,838 from a promissory note issued by a financial institution to pay off the outstanding balance on a line of credit with another financial institution. The term on the loan is two years and the annual interest rate is the sum of the Bloomberg Short-Term Bank Yield Index plus 1.00% (effective rate of 0% at June 30, 2022). Payments of principal and interest are due on a monthly basis until the date of maturity, which is June 2024. The outstanding principal balance of the term loan as of June 30, 2022 totaled \$1,135,838. The Museum is subject to certain financial debt covenant requirements under the terms of the loan. As of June 30, 2022, the Museum was in compliance with required covenants.

Dallas Museum of Art
Notes to Consolidated Financial Statements
June 30, 2022 and 2021

9. NOTES PAYABLE (continued)

In April 2020, the Museum received loan proceeds of \$2,501,003 from a promissory note issued by a financial institution, under the Paycheck Protection Program ("PPP") which was established under the Coronavirus Aid, Relief, and Economic Security ("CARES") Act and is administered by the U.S. Small Business Administration ("SBA"). Under the terms of the CARES Act, PPP loan recipients can apply for and be granted forgiveness for all or a portion of the loans granted under the PPP. Such forgiveness is determined based on the use of the loan proceeds for payroll costs, rent and utility expenses and the maintenance of workforce and compensation levels with certain limitations. The Museum elected to record the loan under ASC 470, Debt. On May 3, 2021, the PPP loan was forgiven in full by the SBA. Forgiveness of the note totaled \$2,501,003, which is included as a gain on extinguishment of debt in the consolidated statements of activities for the year ended June 30, 2021.

On February 9, 2021, the Museum received loan proceeds of \$2,000,000 from a promissory note issued by a financial institution under the second round of PPP which was administered by the SBA. The term on the loan was five years and the annual interest rate was 1.00%. Payments of principal and interest were deferred for the first ten months of the loan. On July 19, 2021, the loan was forgiven in full by the SBA. The Museum elected to record the loan under ASC 470, Debt. Forgiveness of the note totaled \$2,000,000, which is included as a gain on extinguishment of debt in the consolidated statements of activities for the year ended June 30, 2022.

The future maturities of the notes payable are as follows:

<u>Year ending June 30,</u>	
2023	\$ 580,506
2024	464,406
2025	1,600,243
2026	<u>2,438,125</u>
	<u>\$ 5,083,280</u>

10. ENDOWMENT

The Museum's endowment consists of individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments without donor restrictions.

Dallas Museum of Art
Notes to Consolidated Financial Statements
June 30, 2022 and 2021

10. ENDOWMENT (continued)

Interpretation of relevant law

The Museum's Board of Trustees has interpreted the Texas enacted version of the Uniform Prudent Management of Institutional Funds Act ("Texas UPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Museum classifies as net assets with donor restrictions (a) the original value of gifts donated to the endowment in perpetuity, (b) the original value of subsequent gifts to the endowment in perpetuity, and (c) accumulations to the endowment explicitly requested to be held in perpetuity in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund is classified within net assets with donor restrictions, until those amounts are appropriated for expenditure by the Museum in a manner consistent with the standard of prudence prescribed by Texas UPMIFA.

In accordance with Texas 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 policies of the Museum

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. The objective of the investment program is to enhance the endowment's long-term viability by maximizing the value of the endowment while avoiding excessive risk. The Museum expects its endowment funds, over time, to provide a total investment return equal to or greater than the annual distribution rate plus the rate of inflation as measured by the Consumer Price Index.

Dallas Museum of Art
Notes to Consolidated Financial Statements
June 30, 2022 and 2021

10. ENDOWMENT (continued)

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.

Funds with deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or Texas UPMIFA requires the Museum to retain as a fund of perpetual duration. There were no such deficiencies as of June 30, 2022 and 2021.

Spending policy

The Museum has an initiative to reduce the annual distributable funds from the endowment from the 5% rate to a 4% rate. The distribution rate will be applied to the average end-of-quarter market value of the endowment for the previous twelve (12) quarters, to be determined at the end of each fiscal year for the ensuing fiscal year. Accordingly, the current spending policy for the years ended June 30, 2022 and 2021 is 4.67%, of the average end-of-quarter market value of the endowment for the previous twelve (12) quarters. Gifts received are subject to the averaging and distribution rules, unless the donor directs differently. New gifts received are withheld from the distributable funds calculation until they have been held by the Museum for four quarters. Specific gifts may be excluded from averaging and/or be subject to other distribution rules, as directed by the donors. This is consistent with the Museum's objective to maintain the purchasing power of the endowment assets held in perpetuity, as well as to provide additional real growth through new gifts and investment return.

Endowment composition

The Endowment consists of:

	2022	2021
Contributions receivable	\$ 557,184	\$ 1,242,511
Investments	233,690,014	287,967,919
	\$ 234,247,198	\$ 289,210,430

Dallas Museum of Art
Notes to Consolidated Financial Statements
June 30, 2022 and 2021

10. ENDOWMENT (continued)

Endowment composition (continued)

Endowment net asset composition by type of fund as of June 30, 2022 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Board-designated endowment funds	\$ 17,155,727	\$ -	\$ 17,155,727
Donor restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	160,468,224	160,468,224
Unexpended endowment earnings	<u>-</u>	<u>56,623,247</u>	<u>56,623,247</u>
	<u>-</u>	<u>217,091,471</u>	<u>217,091,471</u>
	<u>\$ 17,155,727</u>	<u>\$ 217,091,471</u>	<u>\$ 234,247,198</u>

Endowment net asset composition by type of fund as of June 30, 2021 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Board-designated endowment funds	\$ 20,632,832	\$ -	\$ 20,632,832
Donor restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	159,248,551	159,248,551
Unexpended endowment earnings	<u>-</u>	<u>109,329,047</u>	<u>109,329,047</u>
	<u>-</u>	<u>268,577,598</u>	<u>268,577,598</u>
	<u>\$ 20,632,832</u>	<u>\$ 268,577,598</u>	<u>\$ 289,210,430</u>

Dallas Museum of Art
Notes to Consolidated Financial Statements
June 30, 2022 and 2021

10. ENDOWMENT (continued)

Endowment composition (continued)

Changes in endowment net assets for the fiscal years ended June 30, 2022 and 2021 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Balance, June 30, 2020	\$ 15,299,739	\$ 216,302,205	\$ 231,601,944
Interest and dividends, net	240,298	3,591,629	3,831,927
Net realized and unrealized gains	3,596,953	54,560,447	58,157,400
Board designations/contributions	1,523,009	2,221,642	3,744,651
Appropriation of endowment earnings for expenditure	<u>(27,167)</u>	<u>(8,098,325)</u>	<u>(8,125,492)</u>
	<u>5,333,093</u>	<u>52,275,393</u>	<u>57,608,486</u>
Balance, June 30, 2021	<u>\$ 20,632,832</u>	<u>\$ 268,577,598</u>	<u>\$ 289,210,430</u>
Interest and dividends, net	689,066	9,991,026	10,680,092
Net realized and unrealized losses	(3,700,963)	(53,475,176)	(57,176,139)
Board designations/contributions	197,500	1,219,673	1,417,173
Appropriation of endowment earnings for expenditure	<u>(662,708)</u>	<u>(9,221,650)</u>	<u>(9,884,358)</u>
	<u>(3,477,105)</u>	<u>(51,486,127)</u>	<u>(54,963,232)</u>
Balance, June 30, 2022	<u>\$ 17,155,727</u>	<u>\$ 217,091,471</u>	<u>\$ 234,247,198</u>

11. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions for time and purpose consisted of the following:

	<u>2022</u>	<u>2021</u>
Endowment	\$ 217,091,471	\$ 268,577,598
Time restricted (excluding endowment)	4,707,222	6,512,313
Purpose restricted	<u>25,438,101</u>	<u>14,736,879</u>
	<u>\$ 247,236,794</u>	<u>\$ 289,826,790</u>

Dallas Museum of Art
Notes to Consolidated Financial Statements
June 30, 2022 and 2021

11. NET ASSETS WITH DONOR RESTRICTIONS (continued)

Net assets with donor restrictions released from restriction for operating purposes during the year were as follows:

	2022	2021
Appropriation of endowment earnings	\$ 9,221,650	\$ 8,098,325
Adjustment to purpose restrictions	(3,202,553)	3,202,553
Purpose restriction accomplished and/or time restriction expired	841,495	2,661,812
	\$ 6,860,592	\$ 13,962,690

Net assets with donor restrictions released from restriction for non-operating purposes during the year were as follows:

	2022	2021
Purchase of collection items	\$ 2,853,540	\$ 1,339,535

12. FUNCTIONAL EXPENSE ALLOCATION

The table below presents expenses by both their natural and functional classification as of June 30, 2022:

	Program Activities				Supporting Services			Total
	Galleries and Exhibitions	Collections	Education	Total Program Activities	General Administration	Fundraising	Direct benefit to donors	
Salaries and benefits	\$ 5,979,014	\$ 1,880,548	\$ 1,864,842	\$ 9,724,404	\$ 3,592,264	\$ 2,053,850	\$ -	\$ 15,370,518
Professional fees	1,838,234	48,204	95,309	1,981,747	1,325,870	376,082	-	3,683,699
Contributed services	886,655	1,182,207	443,328	2,512,190	365,157	180,872	-	3,058,219
Exhibitions and related programs	5,081,589	393,165	780,853	6,255,607	-	-	-	6,255,607
Services, supplies, and other	-	-	-	-	323,889	1,129,874	-	1,453,763
Depreciation and amortization	298,798	-	298,798	597,596	478,077	119,519	-	1,195,192
Special events	-	-	-	-	-	-	629,152	629,152
Interest	-	-	-	-	115,300	-	-	115,300
	14,084,290	3,504,124	3,483,130	21,071,544	6,200,557	3,860,197	629,152	31,761,450
Less: expenses included with revenues on the statement of activities								
Special events	-	-	-	-	-	-	(629,152)	(629,152)
	-	-	-	-	-	-	(629,152)	(629,152)
	\$ 14,084,290	\$ 3,504,124	\$ 3,483,130	\$ 21,071,544	\$ 6,200,557	\$ 3,860,197	\$ -	\$ 31,132,298

Dallas Museum of Art
Notes to Consolidated Financial Statements
June 30, 2022 and 2021

12. FUNCTIONAL EXPENSE ALLOCATION (continued)

The table below presents expenses by both their natural and functional classification as of June 30, 2021:

	<u>Program Activities</u>				<u>Supporting Services</u>		
	<u>Galleries and Exhibitions</u>	<u>Collections</u>	<u>Education</u>	<u>Total Program Activities</u>	<u>General Administration</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and benefits	\$ 5,212,561	\$ 2,078,723	\$ 2,135,049	\$ 9,426,333	\$ 3,802,713	\$ 2,146,164	\$ 15,375,210
Professional fees	436,839	26,745	62,778	526,362	1,466,609	89,181	2,082,152
Contributed services	1,413,575	883,646	492,262	2,789,483	284,079	169,423	3,242,985
Exhibitions and related programs	705,732	1,384,862	488,661	2,579,255	-	-	2,579,255
Services, supplies, and other	-	-	-	-	960,931	535,871	1,496,802
Depreciation and amortization	291,439	-	291,439	582,878	466,302	116,575	1,165,755
Interest	-	-	-	-	<u>173,019</u>	-	<u>173,019</u>
	<u>\$ 8,060,146</u>	<u>\$ 4,373,976</u>	<u>\$ 3,470,189</u>	<u>\$ 15,904,311</u>	<u>\$ 7,153,653</u>	<u>\$ 3,057,214</u>	<u>\$ 26,115,178</u>

13. COMMITMENTS AND CONTINGENCIES

Litigation

The Museum is involved in litigation surrounding the receipt of artifacts from the estate of a donor. As of June 30, 2022, it is not possible to determine if there is a loss potential. The Museum has retained legal counsel and is vigorously defending its claim. See Other Receivables footnote under Note 2 for further information.

14. RELATED PARTY

The Museum has received contributions of \$1,135,838 and \$2,227,388 for the years ended June 30, 2022 and 2021, respectively, from various related parties, which includes members of the Board of Trustees.

A member of the Board of Trustees is also on the Board of Trustees of an unrelated not-for-profit organization. The unrelated not-for-profit organization holds an annual art auction. During fiscal year 2022, a portion of the net proceeds were contributed to the Museum in the amount of \$3,930,000.

Certain board members are owners or directors of certain entities that are vendors to the Museum. During fiscal years 2022 and 2021, the Museum received contributed services of \$59,555 and \$254,245, respectively, from these vendors.

A member of the Board of Trustees is also the Managing Director at an affiliate of a financial institution where the Museum has an open line of credit and the Museum's operating account. The Museum utilized \$1,136,051 of the \$3,000,000 revolving line of credit granted in both fiscal years 2022 and 2021, respectively.

Dallas Museum of Art
Notes to Consolidated Financial Statements
June 30, 2022 and 2021

14. RELATED PARTY (continued)

A member of the Board of Trustees is also the Managing Director at an affiliate of a financial institution where the Museum has a term loan and a revolving line of credit. The term loan is disclosed in further detail in Note 9 above.

A member of the Board of Trustees is also an officer of an unrelated organization. This organization stored and shipped various pieces of art throughout the year for the Museum. During the years ended June 30, 2022 and 2021, \$476,086 and \$377,826, respectively, was paid to this organization for these services.

15. SHUTTERED VENUE OPERATORS GRANT

During the year ended June 30, 2022, the Museum was granted and received \$2,755,664 under the SVOG program implemented by the SBA under the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act, and amended by the American Rescue Plan Act. The SVOG program was created to prevent widespread closures of venues that were devastated by the loss of revenue due to the COVID-19 pandemic. The SVOG program provides eligible applicants with grants equal to 45% of their gross earned revenue, up to a maximum of \$10,000,000. SVOG recipients had until June 30, 2022 to use grant funds to reimburse themselves for allowable expenses of the program. The Museum has recorded the funds received as government grant revenue in the statement of activities as the qualifying expenditures have been met.

16. CREDIT RISKS AND CONCENTRATIONS

At times, the Museum may maintain cash and cash equivalent balances in financial institutions in excess of the Federal Deposit Insurance Corporation ("FDIC") insured limits. The Museum invests with financial institutions with strong credit ratings and has not experienced any such losses. Management believes the Museum is not exposed to any significant credit risk related to cash and cash equivalent balances.

The Museum has investments in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the Museum's account balances and the amounts reported in the consolidated statements of financial position.

Within other receivables, approximately 70% and 90% of the amount owed to the Museum at June 30, 2022 and 2021, respectively, relates to the advance of legal costs stemming from shared joint expenses in defending claims to works of art. Approximately 36% of gross contributions receivable at June 30, 2022 are from three donors and approximately 11% of gross contributions receivable at June 30, 2021 are from one donor. Approximately 25% of total contributions at June 30, 2022 are from one donor and approximately 33% of total contributions at June 30, 2021 are from two donors.

Dallas Museum of Art
Notes to Consolidated Financial Statements
June 30, 2022 and 2021

17. RETIREMENT PLAN

Effective April 1, 2015, the Museum offered a 401(k) retirement plan (the "Plan"). The Plan covers full-time employees immediately upon hire. Employees contribute 3% upon eligibility. After one year of service, the Museum matches the employee contributions up to 3% plus an automatic 1% profit sharing for a total of 4%. The Museum's contribution for the Plan for the years ended June 30, 2022 and 2021, was \$460,864 and \$367,369, respectively.

SUPPLEMENTARY INFORMATION

Dallas Museum of Art
Schedule of Endowment Funds
June 30, 2022

Endowment funds include both donor-restricted and board-designated funds and earnings thereon which have not yet been expended for the purposes stipulated by the donor or board. The endowment funds are comprised of the following as of June 30, 2022:

	Endowment
Acquisitions Endowment Funds	
Marguerite and Robert Hoffman Endowment	\$ 15,607,800
Cecil and Ida Green Art Acquisition Fund	4,640,513
Amelia Lay Hodges Acquisition fund	3,998,192
Decorative Arts Discretionary Endowment Fund	3,008,378
General Acquisitions Endowment Fund	2,741,184
Roberta Coke Camp Endowment Fund	1,915,353
African Art Acquisitions Endowment Fund	1,578,824
Gayle and Paul Stoffel Fund for Contemporary Art Acquisition	1,432,361
Textile Acquisitions Endowment Fund	1,076,392
The Stanley & Linda Marcus Endowment for the Acquisition of Latin American Art	962,185
Otis and Velma Davis Dozier Endowment Fund	540,759
Beatrice M. and Patrick E. Haggerty Endowment Fund	469,429
Mary Margaret Munson Wilcox Fund	379,861
Charron and Peter Denker Fund for Contemporary Texas Art	363,034
E.E. Fogelson and Greer Garson Fogelson Charitable Fund	340,211
Theodore and Iva Hochstim Endowment Fund	217,452
Texas Artists Endowment Fund	194,050
Laura and Walter Elcock Contemporary Art Endowment Fund	140,335
Susan Mead Contemporary Art Acquisition Fund	136,481
	39,742,794
Exhibition, Curatorial, and Conservation Endowment Funds	
Exhibition Endowment Fund	18,380,900
William B. Jordan and Robert Dean Brownlee Endowment	6,102,276
The Hoffman Family Senior Curator of Contemporary Art	5,760,924
Freeman Family Exhibition Fund	4,222,153
Marguerite and Robert Hoffman Operating Fund	3,843,326
Modern and Contemporary Sculpture Endowment Fund	3,479,558
Lupe Murchison Curator of Contemporary Art Endowment Fund	3,311,549
The Allen and Kelli Questrom Curator of Works on Paper	3,207,936
Marcus-Rose Family Deputy Director Endowment Fund	3,017,659
Cecil and Ida Green Curator of Ancient and South Asian Art	2,973,869
The Ellen and Harry S. Parker III Curator of the Arts of the Americas and the Pacific	2,945,402
Pauline G. Sullivan Curator of American Art Endowment Fund	2,868,770
Margaret McDermott Curator of African Art Endowment Fund	2,637,795
The Nancy & Tim Hanley Associate Curator of Contemporary Art	2,260,574
Melba Davis Whatley Endowment Fund	2,050,044
NEH Chief Conservator	1,701,052
Margot B. Perot Curator of Decorative Arts and Design Fund	1,506,091

Dallas Museum of Art
Schedule of Endowment Funds
June 30, 2022

Barbara Thomas Lemmon Curator of European Art Endowment Fund	1,472,460
Lillian Clark Curatorship for Paintings and Sculpture	1,434,903
The John Wilcox Contemporary Art Exhibition Endowment Fund	1,308,284
McDermott Conservation Endowment	1,041,375
Rosine Foundation Decorative Art Endowment Fund	716,555
Conservation Endowment Fund	638,632
Howard and Fanchon Hallam Endowment for Contemporary Art	570,035
Steven G. Alpert and Family Indonesian Art Fund	566,531
Charles Dee Mitchell Fund for Acquisitions, Exhibitions, and Conservation of Works on Paper	190,546
Jean and Bill Booziotis Fund for Design and Architecture	154,637
Exhibitionists Endowment Fund	152,429
	<hr style="border-top: 1px solid black;"/>
	<u>78,516,265</u>
Education Endowment Funds	
McDermott Education Endowment Fund	4,103,888
The Allen and Kelli Questrom Center for Creative Connections Education Director	3,173,885
Office of Digital Archivist	3,147,534
DMA League Director of Education Endowment Fund	3,089,313
Mayer Library Endowment Fund	2,869,619
Anonymous Program Endowment Fund	2,167,964
The Bonnie Pitman Education Endowment to Do Something New	1,711,254
Education Endowment Fund for Interpretation	1,553,640
Pollock Foundation Education Endowment Fund	1,386,126
The Alex, Charlie, Grey, Jack and Rosey Fund	1,380,756
Mildred R. and Frederick M. Mayer Librarian Endowment Fund	1,375,343
Robert J. O'Donnell Endowment Fund	978,144
Gayle Hysinger Endowment Fund for Education	736,487
Freeman Family Endowment Fund	708,409
Jeffrey A. Marcus Education Endowment Fund	701,426
Anonymous Endowment Fund	698,323
Nancy Cain Marcus Education Endowment Fund	693,322
Boshell Lecture Series Endowment Fund	654,268
Prothro Education Endowment Fund	643,463
Rosewood Corporation Teacher Education Fund	635,809
The Martha McCarty Kimmerling Fund for Education	624,783
William Randolph Hearst Endowment Fund	492,397
Christopher and Sue Bancroft Education Endowment Fund	461,417
Marilyn R. and Leo F. Corrigan, Jr. Endowment Fund	396,467
Dr. Anson L. Clark Endowment Fund	381,705
Bank of America Education and Outreach Endowment Fund	367,120
Arch and Anne Giles Kimbrough Endowment Fund	365,686
Andrea Brenner-McMullen Arts Support Endowment Fund	294,626
Selma Parrill Children's Education Endowment Fund	278,125
Kay Cattarulla Endowment Fund for Literary and Performing Arts	269,523
Clara and Leo Corrigan, Sr. Endowment Fund	257,811

Dallas Museum of Art
Schedule of Endowment Funds
June 30, 2022

JC Penney Teaching Resource Center Endowment Fund	226,243
Albert and Minnie Susman Education Endowment Fund	220,596
King Foundation Education Endowment Fund	217,699
Jane Du Pont and Barron U. Kidd Endowment	194,577
Dozier Travel Endowment Fund	190,344
Bromberg Endowment Fund	179,464
Brettell Lecture Series Endowment Fund	167,398
Shirley Philipson Pollock Internship in Art Librarianship Endowment	165,533
DeGolyer Endowment Fund	162,932
Levy Endowment Fund for Music	153,743
Education Endowment Fund	148,728
Nancy and Jeffrey Marcus Endowment Fund	143,531
Karen and Richard Pollock Endowment Fund	141,186
Collins Lecture Series Endowment Fund	137,273
Hobson Education Endowment Fund	136,491
Betty Moroney Norsworthy Endowment Fund	134,396
Arthur Andersen Education Endowment Fund	120,459
McGee Endowment for Arts & Letters Live	115,596
Rick and Diana Strauss Special Education Endowment	36,443
Gateway Gallery Endowment Fund	28,327
Print and Drawing Endowment Fund	19,438
	39,639,030
Operations and Other Specified Purpose Endowment Funds	
Expansion Campaign Endowment Fund	15,411,764
Family Fund Endowment Fund	10,958,939
The Eugene McDermott Director's Endowment	6,685,957
General Operations Endowment Fund	5,546,180
Anonymous	4,849,142
Edward W. and Deedie Rose Endowment	4,789,774
Fannie and Stephen Kahn Fund	3,861,720
Edmund J. and Louise W. Kahn Endowment Fund	3,589,487
Anonymous Endowment Fund	2,677,688
Gayle David Fogelson Endowment Fund	2,701,454
McDermott Challenge Endowment	2,077,960
Board Designated Reserve	2,265,638
Program Endowment Fund	1,398,943
Anonymous Endowment Fund	1,321,906
McDermott Garden Endowment Fund	1,240,704
Sarah M. & Charles E. Seay Fund in honor of Jack R. Munger	980,657
Anne Marie & Thomas Walker Fund	967,120
NEA Challenge Grant Endowment Fund	790,085
DMA League Museum Beautification Endowment Fund	723,178
The Clarence and Ruth Roy Endowment Fund	577,088
Anonymous Director's Assistants Endowment Fund	553,790
Ernest and Irene Wadel Endowment Fund	481,451
Frank and Binswanger Fresh Flower Fund	438,188

Dallas Museum of Art
Schedule of Endowment Funds
June 30, 2022

S. T. Harris Endowment Fund	412,672
Fay and Newt Walker Endowment Fund	361,907
Shirley Pollock Endowment Fund	260,762
Harry and Ellen Parker Endowment Fund	248,091
Patsy Nasher Endowment Fund	141,478
Fleischner Courtyard Maintenance Endowment Fund	35,386
	<u>76,349,109</u>
	<u>\$ 234,247,198</u>

SINGLE AUDIT REPORTS AND SCHEDULES

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Trustees
Dallas Museum of Art
Dallas, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Dallas Museum of Art (the "Museum"), which comprise the consolidated statements of financial position as of June 30, 2022, and the related consolidated statements of activities and cash flows for the year then ended and the related notes to the consolidated financial statements, and have issued our report thereon dated December 2, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Museum's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Museum's internal control. Accordingly, we do not express an opinion on the effectiveness of the Museum's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies.

Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Museum's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Museum's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Museum's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Armanino^{LLP}
Dallas, Texas

December 2, 2022

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM, INTERNAL CONTROL OVER COMPLIANCE, AND ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

Board of Trustees
Dallas Museum of Art
Dallas, Texas

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Dallas Museum of Art (the "Museum")'s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Museum's major federal programs for the year ended June 30, 2022. The Museum's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Museum complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Museum and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Museum's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Museum's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Museum's compliance based on our audit. 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 generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Museum's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Museum's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Museum's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Museum's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weakness or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the consolidated financial statements of the Museum as of and for the year ended June 30, 2022, and have issued our report thereon dated December 2, 2022, which contained an unmodified opinion on those consolidated financial statements. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the consolidated financial statements as a whole.



Armanino^{LLP}
Dallas, Texas

December 2, 2022

Dallas Museum of Art
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2022

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
<u>Expenditures of Federal Awards</u>			
U.S. Small Business Administration Shuttered Venue Operators Grant	59.075	N/A	\$ <u>2,755,664</u>
Total Expenditures of Federal Awards			\$ <u><u>2,755,664</u></u>

The accompanying notes to the Schedule of Expenditures of Federal Awards
 are an integral part of this schedule.

Dallas Museum of Art
Notes to Schedule of Expenditures of Federal Awards
June 30, 2022

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Dallas Museum of Art (the "Museum") under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Museum, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Museum.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or limited as to reimbursement. Pass-through entity identifying numbers are presented where available and applicable.

3. INDIRECT COST RATE

The Museum has elected not to use the 10 percent de minimis indirect cost rate allowed under Uniform Guidance.

Dallas Museum of Art
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2022

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No

Identification of major programs:

<u>Name of Federal Program or Cluster</u>	<u>Assistance Listing Number</u>
Shuttered Venue Operators Grant Program	59.075
Dollar threshold used to distinguish between Type A and Type B programs	\$750,000
Auditee qualified as low-risk auditee?	No

Dallas Museum of Art
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022

SECTION II - SUMMARY OF FINANCIAL STATEMENT FINDINGS

There are no financial statement findings to be reported.

SECTION III - SUMMARY OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There are no federal award findings to be reported.

Dallas Museum of Art
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2022

There were no prior year findings.