

Dallas Museum of Art

Consolidated Financial Statements
and Supplementary Information

June 30, 2023 and 2022



TABLE OF CONTENTS

	<u>Page No.</u>
Independent Auditor's Report	1 - 2
Consolidated Statements of Financial Position	3
Consolidated Statements of Activities	4 - 5
Consolidated Statements of Cash Flows	6 - 7
Notes to Consolidated Financial Statements	8 - 29
Supplementary Information	
Schedule of Endowment Funds	31 - 34



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, 2023 and 2022, 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, 2023 and 2022, 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 for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 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 consolidated financial statements.

In performing an audit in accordance with generally accepted 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 31 - 34 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.



Armanino^{LLP}
Dallas, Texas

November 15, 2023

Dallas Museum of Art
Consolidated Statements of Financial Position
June 30, 2023 and 2022

	2023	2022
ASSETS		
Cash	\$ 541,433	\$ 5,001,566
Investments, at fair value	14,544,571	18,111,488
Contributions receivable, net	2,288,288	4,707,222
Other receivables	2,363,087	1,688,609
Prepaid expenses and deposits	1,515,933	2,814,208
Other assets	536,757	238,140
Inventory, net	283,113	245,049
Contributions receivable for endowment, net	363,646	557,184
Investments held for endowment, at fair value	254,360,538	233,690,014
Property, equipment and books, net	7,711,042	8,879,987
Total assets	\$ 284,508,408	\$ 275,933,467
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 150,091	\$ 1,070,421
Accrued expenses	2,528,599	2,070,142
Deferred revenue	322,864	289,288
Notes payable	4,502,774	5,083,280
Total liabilities	7,504,328	8,513,131
Net assets		
Without donor restrictions	20,815,245	20,183,542
With donor restrictions		
Restricted by purpose or time	95,610,972	86,768,570
Restricted in perpetuity	160,577,863	160,468,224
Total with donor restrictions	256,188,835	247,236,794
Total net assets	277,004,080	267,420,336
Total liabilities and net assets	\$ 284,508,408	\$ 275,933,467

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, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Operating revenue and support			
Revenue			
Auxiliary activities, net	\$ 3,156,783	\$ -	\$ 3,156,783
Education program	662,191	-	662,191
Cultural organizations program	1,073,896	-	1,073,896
Other revenue	315,760	-	315,760
Total revenue	<u>5,208,630</u>	<u>-</u>	<u>5,208,630</u>
Support			
Contributions	6,462,699	2,136,174	8,598,873
In-kind goods and services	3,060,528	-	3,060,528
Government grants	184,000	-	184,000
Special events, net of \$709,226 direct benefit to donors	1,109,219	75,000	1,184,219
Loss on uncollectible contributions receivable	(66,874)	-	(66,874)
Endowment appropriation transferred for special purposes	36,009	971,836	1,007,845
Endowment appropriation transferred for operations	572,067	6,661,971	7,234,038
Net assets released from restriction	<u>16,537,033</u>	<u>(16,537,033)</u>	<u>-</u>
Total support	<u>27,894,681</u>	<u>(6,692,052)</u>	<u>21,202,629</u>
Total revenue and support	<u>33,103,311</u>	<u>(6,692,052)</u>	<u>26,411,259</u>
Functional expenses			
Program services			
Galleries and exhibitions	15,972,684	-	15,972,684
Collections	3,811,320	-	3,811,320
Education	4,015,598	-	4,015,598
Total program services	<u>23,799,602</u>	<u>-</u>	<u>23,799,602</u>
Supporting services			
General and administration	6,360,889	-	6,360,889
Fundraising	3,083,025	-	3,083,025
Total supporting services	<u>9,443,914</u>	<u>-</u>	<u>9,443,914</u>
Total functional expenses	<u>33,243,516</u>	<u>-</u>	<u>33,243,516</u>
Change in net assets from operations	<u>(140,205)</u>	<u>(6,692,052)</u>	<u>(6,832,257)</u>
Non-operating support, other income, and gains (losses)			
Collections activity			
Contributions restricted for acquisition of collection items	-	4,679,590	4,679,590
Endowment appropriation transferred for acquisitions	110,280	1,866,493	1,976,773
Release for purchase of collection items	9,679,476	(9,679,476)	-
Collection items purchased	(10,199,476)	-	(10,199,476)
Endowment activity			
Endowment contributions	-	109,640	109,640
Net realized and unrealized gains	1,651,724	23,572,658	25,224,382
Interest and dividends, net	319,187	4,595,488	4,914,675
Endowment appropriation transferred to operating and collections activity	(718,356)	(9,500,300)	(10,218,656)
Other gains and losses			
Loss on disposal of books, property, and equipment	<u>(70,927)</u>	<u>-</u>	<u>(70,927)</u>
Change in net assets from non-operating support, other income, and gains (losses)	<u>771,908</u>	<u>15,644,093</u>	<u>16,416,001</u>
Change in net assets	631,703	8,952,041	9,583,744
Net assets, beginning of year	<u>20,183,542</u>	<u>247,236,794</u>	<u>267,420,336</u>
Net assets, end of year	<u>\$ 20,815,245</u>	<u>\$ 256,188,835</u>	<u>\$ 277,004,080</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, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenue and support			
Revenue			
Auxiliary activities, net	\$ 3,495,806	\$ -	\$ 3,495,806
Education program	316,785	-	316,785
Cultural organizations program	1,072,896	-	1,072,896
Other revenue	225,804	-	225,804
Total revenue	<u>5,111,291</u>	<u>-</u>	<u>5,111,291</u>
Support			
Contributions	5,460,356	4,509,768	9,970,124
In-kind goods and services	3,058,218	-	3,058,218
Government grants	2,964,321	20,000	2,984,321
Special events, net of \$629,152 direct benefit to donors	1,248,360	56,500	1,304,860
Loss on uncollectible contributions receivable	(4,703)	-	(4,703)
Endowment appropriation transferred for special purposes	35,742	986,636	1,022,378
Endowment appropriation transferred for operations	512,589	6,452,646	6,965,235
Net assets released from restriction	6,860,592	(6,860,592)	-
Total support	<u>20,135,475</u>	<u>5,164,958</u>	<u>25,300,433</u>
Total revenue and support	<u>25,246,766</u>	<u>5,164,958</u>	<u>30,411,724</u>
Functional expenses			
Program services			
Galleries and exhibitions	15,807,179	-	15,807,179
Collections	3,689,746	-	3,689,746
Education	3,805,888	-	3,805,888
Total program services	<u>23,302,813</u>	<u>-</u>	<u>23,302,813</u>
Supporting services			
General and administration	4,573,241	-	4,573,241
Fundraising	3,256,244	-	3,256,244
Total supporting services	<u>7,829,485</u>	<u>-</u>	<u>7,829,485</u>
Total functional expenses	<u>31,132,298</u>	<u>-</u>	<u>31,132,298</u>
Change in net assets from operations	<u>(5,885,532)</u>	<u>5,164,958</u>	<u>(720,574)</u>
Non-operating support, other income, and gains (losses)			
Collections activity			
Contributions restricted for acquisition of collection items	-	4,802,255	4,802,255
Endowment appropriation transferred for acquisitions	109,458	1,782,368	1,891,826
Release for purchase of collection items	2,853,450	(2,853,450)	-
Collection items purchased	(2,853,450)	-	(2,853,450)
Endowment activity			
Endowment contributions	-	1,219,673	1,219,673
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
Endowment appropriation transferred to operating and collections activity	(657,789)	(9,221,650)	(9,879,439)
Other gains and losses			
Gain on forgiveness of Paycheck Protection Program loan	2,000,000	-	2,000,000
Loss on disposal of books, property, and equipment	(29,258)	-	(29,258)
Change in net assets from non-operating support, other income, and gains (losses)	<u>(1,589,486)</u>	<u>(47,754,954)</u>	<u>(49,344,440)</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 Statements of Cash Flows
For the Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities		
Change in net assets	\$ 9,583,744	\$ (50,065,014)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	1,186,410	1,195,192
Gain on forgiveness of Paycheck Protection Program note	-	(2,000,000)
Loss on uncollectible contributions receivable	66,874	4,703
Net realized and unrealized (gains) losses on investments	(25,224,382)	57,176,139
Value of contributed securities	(86,289)	(250,541)
Contributions restricted for endowment	(109,640)	(1,219,673)
Contributions restricted for acquisition of art for collections	(4,679,590)	(4,802,255)
Collection items purchased	10,199,476	2,853,450
Loss on sale of books, property, and equipment	70,927	29,258
Changes in operating assets and liabilities		
Contributions receivable, net	2,345,598	1,785,715
Other receivables	(674,478)	(367,371)
Prepaid expenses and deposits	1,298,275	(2,135,697)
Other assets	(298,617)	(40,677)
Inventory, net	(38,064)	84,873
Accounts payable	(920,330)	477,007
Accrued expenses	458,457	102,737
Deferred revenue	33,576	(49,483)
Net cash provided by (used in) operating activities	<u>(6,788,053)</u>	<u>2,778,363</u>
Cash flows from investing activities		
Purchases of property, equipment and books	(98,392)	(486,420)
Proceeds from sale of property, equipment and books	10,000	-
Purchases of investments	(34,840,818)	(11,996,624)
Proceeds from sales of investments	42,961,857	8,068,264
Proceeds from sales of contributed securities	86,025	257,060
Purchases of collection items	(10,199,476)	(2,853,450)
Net cash used in investing activities	<u>(2,080,804)</u>	<u>(7,011,170)</u>
Cash flows from financing activities		
Cash collected on contributions restricted for endowment	309,640	1,919,673
Cash collected on contributions restricted for acquisition of art for collections	4,679,590	4,802,255
Payments on notes payable	(580,506)	(348,517)
Net cash provided by financing activities	<u>4,408,724</u>	<u>6,373,411</u>
Net increase (decrease) in cash	(4,460,133)	2,140,604
Cash, beginning of year	<u>5,001,566</u>	<u>2,860,962</u>
Cash, end of year	<u>\$ 541,433</u>	<u>\$ 5,001,566</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, 2023 and 2022

	<u>2023</u>		<u>2022</u>
Supplemental disclosure of cash flow information			
Cash paid during the year for interest	\$ 127,595	\$	115,300
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, 2023 and 2022

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 DMA 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, 2023 and 2022

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.

Cash and cash equivalents

The Museum considers all highly liquid investments purchased with original maturities of three months or less to be cash equivalents. Cash and cash equivalents held temporarily by a custodian for investment purposes are included with investments on the statements of financial position. The Museum had no cash equivalents as of June 30, 2023 and 2022 held outside of investments.

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, 2023 and 2022

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, 2023 and 2022, 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 a 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 consists 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, 2023 and 2022. 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 recorded a reserve for slow-moving inventory of \$37,421 and \$44,961 as of June 30, 2023 and 2022, respectively.

Dallas Museum of Art
Notes to Consolidated Financial Statements
June 30, 2023 and 2022

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

Whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recovered, the Museum, using its best estimates and projections, reviews for impairment the carrying value of long-lived identifiable assets to be held and used in the future. The Museum will record impairment losses when determined. No indicators of impairment existed at June 30, 2023 and 2022.

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, 2023 and 2022

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, 126 individual items to the collection during the year ended June 30, 2023 and 101 individual items to the collection during the year ended June 30, 2022. The Museum purchased 92 individual items totaling \$10,199,476 during the year ended June 30, 2023 and 50 individual items totaling \$2,853,450 during the year ended June 30, 2022, respectively.

As of June 30, 2023 and 2022, management estimates the fair value of artwork acquired after October 1, 1984 to be approximately, \$763,000,000 (unaudited) and \$746,000,000 (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, 2023 and 2022, management estimates the fair value of artifacts on loan that have not been recorded in the accompanying consolidated financial statements to be approximately \$445,000,000 (unaudited) and \$432,000,000 (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. 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. 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.

Dallas Museum of Art
Notes to Consolidated Financial Statements
June 30, 2023 and 2022

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 of June 30, 2023, the Museum had an allowance for doubtful accounts of \$35,730, There is no allowance for doubtful accounts at June 30, 2022.

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. Material conditional promises to give as of June 30, 2023 and 2022, include government grants and cultural organizations programs described below. Management is not aware of any additional conditional promises to give as of June 30, 2023 and 2022. 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 and any conditions not yet met 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, 2023 and 2022, the Museum recognized \$1,073,896 and \$1,072,896, respectively, as the barriers the grant was conditioned upon were met.

Dallas Museum of Art
Notes to Consolidated Financial Statements
June 30, 2023 and 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 \$403,749 and \$102,701 of contributed goods and services that were utilized during the years ended June 30, 2023 and 2022, respectively.

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, 2025. In addition, the City has committed to provide building and grounds maintenance, utilities expenses and to compensate a portion of the costs related to the upkeep of the works of art belonging to the City. Accordingly, the Museum recognized \$2,656,779 and \$2,955,517 from the City for in-kind goods and services utilized for the years ended June 30, 2023 and 2022, 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. During the years ended June 30, 2023 and 2022, the Museum recognized \$184,000 and \$2,984,321, respectively, as the Museum incurred the qualifying expenses under the grant. Included in the amount of government grants recognized during the year ended June 30, 2022, is \$2,755,664 (see Note 15) related to the Shuttered Venue Operators Grant ("SVOG"). There were no expenses or related revenues related to the SVOG program during the year ended June 30, 2023. 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.

Dallas Museum of Art
Notes to Consolidated Financial Statements
June 30, 2023 and 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measure of operations

The Museum includes in its measure of operations all revenue and expenses that are integral to its programs and supporting activities. Amounts not included in the measure of operations consists of endowment activity including contributions restricted in perpetuity, and net endowment gains (losses); changes in net assets pertaining to acquisition and deaccession of collection items; gains/(losses) on disposal or sale of fixed assets. The amount appropriated from the endowment, excluding appropriations for the purchase of collections, is shown as a transfer from non-operating to operating on the consolidated statement of activities.

Advertising costs

The Museum expenses advertising costs as incurred. Advertising expense of \$927,725 and \$1,062,210 for the years ended June 30, 2023 and 2022 , respectively, are recorded within Program services 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 unrelated business income tax under the IRC Section 511.

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, 2023 and 2022. 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.

Dallas Museum of Art
Notes to Consolidated Financial Statements
June 30, 2023 and 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of estimates

The preparation of the consolidated financial statements in conformity with U.S. 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 and nature, 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 February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-02, Leases (Topic 842). This standard requires lessees to recognize a lease liability and a lease asset for all leases, including operating leases, with a term greater than 12 months on its balance sheet. The Museum adopted this guidance effective July 1, 2022, using the modified retrospective approach, which eliminated the requirement to restate amounts presented prior to July 1, 2022. The Museum implemented the standard and concluded that the value of its lease asset and liability obligations under the standard are not material to the consolidated financial statements to disclosed.

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.

Subsequent events

The Museum has evaluated subsequent events through November 15, 2023, 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 consolidated 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.

Dallas Museum of Art
Notes to Consolidated Financial Statements
June 30, 2023 and 2022

3. LIQUIDITY AND AVAILABILITY (continued)

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, net of the approved appropriation for the year ended June 30, 2024, of \$17,361,852 could be made available for use by the Museum's Board of Trustees.

The following is a quantitative disclosure which describes financial assets that are available within one year of June 30, 2023 to fund general expenditures and other obligations as they become due:

Financial assets:	
Cash	\$ 541,433
Investments, at fair value	14,544,571
Contributions receivable, net	2,288,288
Other receivables	2,363,087
Contributions receivable for endowment, net	363,646
Investments held for endowment, at fair value	<u>254,360,538</u>
	<u>274,461,563</u>
Less: amounts unavailable for general expenditure within one year	
Contributions receivable due beyond one year	(925,303)
Contributions receivable with additional donor-imposed restrictions	(1,235,000)
Donor-restricted endowment (less amount approved for appropriation for the year ending June 30, 2024 of \$7,599,106)	(228,269,851)
Board-designated endowment (less amount approved for appropriation for the year ending June 30, 2024 of \$1,500,000)	(17,361,852)
Other purpose restricted net assets	(18,031,592)
Litigation receivable	<u>(1,184,769)</u>
	<u>(267,008,367)</u>
Total financial assets available for general expenditures within one year	<u>7,453,196</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>\$ 10,453,196</u>

Dallas Museum of Art
Notes to Consolidated Financial Statements
June 30, 2023 and 2022

4. CONTRIBUTIONS RECEIVABLE, NET

Contributions receivable, net consisted of the following:

	<u>2023</u>	<u>2022</u>
Contributions receivable, net	\$ 2,288,288	\$ 4,707,222
Contributions receivable for endowment, net	<u>363,646</u>	<u>557,184</u>
	<u>\$ 2,651,934</u>	<u>\$ 5,264,406</u>

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

	<u>2023</u>	<u>2022</u>
Due in less than one year	\$ 1,499,527	\$ 3,122,415
Due in one to five years	<u>1,196,769</u>	<u>2,229,999</u>
	2,696,296	5,352,414
Less: discount to net present value at rates ranging from 1.14% to 3.07%	<u>(44,362)</u>	<u>(88,008)</u>
	<u>\$ 2,651,934</u>	<u>\$ 5,264,406</u>

5. INVESTMENTS

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

	<u>2023</u>	<u>2022</u>
Investments	\$ 14,544,571	\$ 18,111,488
Investments held for endowment	<u>254,360,538</u>	<u>233,690,014</u>
	<u>\$ 268,905,109</u>	<u>\$ 251,801,502</u>

Investments as of June 30 consisted of the following:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 9,087,801	\$ 18,601,598
Equity securities	191,580,028	169,317,071
Fixed income mutual funds	9,418,477	23,454,006
Corporate bonds and other debt securities	25,000,285	13,934,221
Alternative investments	<u>33,818,518</u>	<u>26,494,606</u>
	<u>\$ 268,905,109</u>	<u>\$ 251,801,502</u>

Dallas Museum of Art
Notes to Consolidated Financial Statements
June 30, 2023 and 2022

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, 2023:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Equity securities	\$191,580,028	\$ -	\$ -	\$191,580,028
Fixed income mutual funds	9,418,477	-	-	9,418,477
Corporate bonds and other debt securities	<u>-</u>	<u>25,000,285</u>	<u>-</u>	<u>25,000,285</u>
	<u>\$200,998,505</u>	<u>\$ 25,000,285</u>	<u>\$ -</u>	225,998,790
 *Alternative investments measured at net asset value				 33,818,518
 Cash and cash equivalents				 <u>9,087,801</u>
				<u>\$268,905,109</u>

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
 *Alternative investments measured at net asset value				 26,494,606
 Cash and cash equivalents				 <u>18,601,598</u>
				<u>\$251,801,502</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, 2023 and 2022

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>
2023:				
Hedge funds (a)	\$ 33,818,518	\$ 12,320,000	Quarterly / Monthly	60 days; 90 days
2022:				
Hedge funds (a)	\$ 26,494,606	\$ 3,500,000	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>2023</u>	<u>2022</u>
Furniture and fixtures	\$ 19,975,461	\$ 19,975,461
Equipment and vehicles	3,717,820	3,545,627
Books	1,851,678	1,802,328
Installation of software in progress	-	240,038
	<u>25,544,959</u>	<u>25,563,454</u>
Less: accumulated depreciation and amortization	<u>(17,833,917)</u>	<u>(16,683,467)</u>
	<u>\$ 7,711,042</u>	<u>\$ 8,879,987</u>

Depreciation and amortization expense was \$1,186,410 and \$1,195,192 for the years ended June 30, 2023 and 2022, respectively.

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 \$1,135,838. 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, 2022).

Dallas Museum of Art
Notes to Consolidated Financial Statements
June 30, 2023 and 2022

8. REVOLVING LINE OF CREDIT (continued)

In June 2022, the Museum opened a \$3,000,000 revolving line of credit with a financial institution, which matures on June 30, 2024. 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, 2023 and 2022.

The Museum is subject to certain financial debt covenant requirements under the terms of the revolving line of credit. As of June 30, 2023 and 2022, 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 were 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 conversion, on September 29, 2020, the rate of interest was fixed at 1.80%. 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, 2023 and 2022 totaled \$3,366,936 and \$3,947,442, respectively.

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 the Paycheck Protection Program ("PPP") which was administered by the U.S. Small Business Administration ("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.

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 6.17% at June 30, 2023). Payments of 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, 2023 totaled \$1,135,838. The Museum is subject to certain financial debt covenant requirements under the terms of the loan. As of June 30, 2023, the Museum was in compliance with required covenants.

Dallas Museum of Art
Notes to Consolidated Financial Statements
June 30, 2023 and 2022

9. NOTES PAYABLE (continued)

The future maturities of the notes payable are as follows:

<u>Year ending June 30,</u>	
2024	\$ 1,600,243
2025	464,405
2026	<u>2,438,126</u>
	<u><u>\$ 4,502,774</u></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.

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

Dallas Museum of Art
Notes to Consolidated Financial Statements
June 30, 2023 and 2022

10. ENDOWMENT (continued)

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.

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, 2023 and 2022.

Spending policy

The Museum has an initiative to reduce its annual distributable funds from the endowment from a 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, 2023 and 2022 is 4.52% and 4.67%, respectively, 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.

Dallas Museum of Art
Notes to Consolidated Financial Statements
June 30, 2023 and 2022

10. ENDOWMENT (continued)

Endowment composition

The Endowment consists of:

	2023	2022
Contributions receivable	\$ 369,571	\$ 557,184
Investments	254,360,538	233,690,014
	\$ 254,730,109	\$ 234,247,198

Endowment net asset composition by type of fund as of June 30, 2023 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 18,861,852	\$ -	\$ 18,861,852
Donor restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	160,577,863	160,577,863
Unexpended endowment earnings	-	75,290,394	75,290,394
	-	235,868,257	235,868,257
	\$ 18,861,852	\$ 235,868,257	\$ 254,730,109

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

	Without Donor Restrictions	With Donor Restrictions	Total
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	-	56,623,247	56,623,247
	-	217,091,471	217,091,471
	\$ 17,155,727	\$ 217,091,471	\$ 234,247,198

Dallas Museum of Art
Notes to Consolidated Financial Statements
June 30, 2023 and 2022

10. ENDOWMENT (continued)

Endowment composition (continued)

Changes in endowment net assets for the fiscal years ended June 30, 2023 and 2022 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Balance, June 30, 2021	\$ 20,632,832	\$ 268,577,598	\$ 289,210,430
Board designations/contributions	197,500	1,219,673	1,417,173
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
Appropriation of endowment earnings for operations	(662,708)	(6,452,646)	(7,115,354)
Appropriation of endowment earnings for other purposes	<u>-</u>	<u>(2,769,004)</u>	<u>(2,769,004)</u>
Balance, June 30, 2022	\$ 17,155,727	\$ 217,091,471	\$ 234,247,198
Board designations/contributions	452,870	109,640	562,510
Net realized and unrealized gains	1,651,724	23,572,658	25,224,382
Interest and dividends, net	319,187	4,595,488	4,914,675
Appropriation of endowment earnings for operations	(718,356)	(6,661,972)	(7,380,328)
Appropriation of endowment earnings for other purposes	<u>-</u>	<u>(2,838,328)</u>	<u>(2,838,328)</u>
Balance, June 30, 2023	<u>\$ 18,861,152</u>	<u>\$ 235,868,957</u>	<u>\$ 254,730,109</u>

11. NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2023</u>	<u>2022</u>
Endowment	\$ 235,868,957	\$ 217,091,471
Time restricted (excluding endowment)	2,288,288	4,707,222
Purpose restricted	8,280,603	12,078,994
Acquisitions	<u>9,750,987</u>	<u>13,359,107</u>
	<u>\$ 256,188,835</u>	<u>\$ 247,236,794</u>

Dallas Museum of Art
Notes to Consolidated Financial Statements
June 30, 2023 and 2022

11. NET ASSETS WITH DONOR RESTRICTIONS (continued)

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

	2023	2022
Expiration of time with no additional purpose	\$ 1,185,545	\$ 854,693
Endowment appropriation for operations	6,661,971	6,452,646
Endowment appropriation for fulfilled special purpose	230,530	341,240
Additional purpose restrictions fulfilled	7,988,670	2,414,566
Adjustment to purpose restrictions	-	(3,202,553)
Property and equipment	470,317	-
	\$ 16,537,033	\$ 6,860,592

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

	2023	2022
Collection items purchased	\$ 9,679,476	\$ 2,853,540

12. FUNCTIONAL EXPENSE ALLOCATION

The table below presents expenses by both their natural and functional classification as of June 30, 2023:

	Program Activities				Supporting Services			
	Galleries and Exhibitions	Collections	Education	Total Program Activities	General Administration	Fundraising	Direct Benefit to Donors	
Salaries and benefits	\$ 7,549,381	\$ 1,964,829	\$ 2,153,267	\$ 11,667,477	\$ 3,412,206	\$ 1,618,929	\$ -	\$ 16,698,612
Professional fees	2,980,424	126,528	149,964	3,256,916	789,806	443,123	-	4,489,845
Contributed services	624,587	1,235,159	398,517	2,258,263	635,479	163,219	-	3,056,961
Services	895,940	50,929	395,458	1,342,327	740	225,736	-	1,568,803
Supplies and other	3,556,022	419,139	603,459	4,578,620	1,048,094	488,577	-	6,115,291
Depreciation and amortization	296,602	-	296,602	593,204	474,564	118,641	-	1,186,409
Special events	-	-	-	-	-	-	709,226	709,226
Interest	69,728	14,736	18,331	102,795	-	24,800	-	127,595
	15,972,684	3,811,320	4,015,598	23,799,602	6,360,889	3,083,025	709,226	33,952,742
Less: expenses included with revenues on the statement of activities								
Special events	-	-	-	-	-	-	(709,226)	(709,226)
	-	-	-	-	-	-	(709,226)	(709,226)
	\$ 15,972,684	\$ 3,811,320	\$ 4,015,598	\$ 23,799,602	\$ 6,360,889	\$ 3,083,025	\$ -	\$ 33,243,516

Dallas Museum of Art
Notes to Consolidated Financial Statements
June 30, 2023 and 2022

12. FUNCTIONAL EXPENSE ALLOCATION (continued)

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	\$ 7,227,602	\$ 1,985,439	\$ 2,028,348	\$ 11,241,389	\$ 2,541,528	\$ 1,587,601	\$ -	\$ 15,370,518
Professional fees	2,130,628	92,638	166,055	2,389,321	821,989	430,740	-	3,642,050
Contributed services	886,655	1,182,207	443,328	2,512,190	365,157	180,872	-	3,058,219
Services	991,417	55,906	356,249	1,403,572	11,261	257,935	-	1,672,768
Supplies and other	4,224,265	365,089	499,912	5,089,266	326,342	662,643	-	6,078,251
Depreciation and amortization	298,798	-	298,798	597,596	478,077	119,519	-	1,195,192
Special events	-	-	-	-	-	-	629,152	629,152
Interest	47,814	8,467	13,198	69,479	28,887	16,934	-	115,300
	<u>15,807,179</u>	<u>3,689,746</u>	<u>3,805,888</u>	<u>23,302,813</u>	<u>4,573,241</u>	<u>3,256,244</u>	<u>629,152</u>	<u>31,761,450</u>
Less: expenses included with revenues on the statement of activities								
Special events	-	-	-	-	-	-	(629,152)	(629,152)
	-	-	-	-	-	-	(629,152)	(629,152)
	<u>\$ 15,807,179</u>	<u>\$ 3,689,746</u>	<u>\$ 3,805,888</u>	<u>\$ 23,302,813</u>	<u>\$ 4,573,241</u>	<u>\$ 3,256,244</u>	<u>\$ -</u>	<u>\$ 31,132,298</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, 2023, 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 \$1,702,154 and \$3,160,151 for the years ended June 30, 2023 and 2022, respectively, from various related parties, which include 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 years 2023 and 2022, a portion of the net proceeds were contributed to the Museum in the amount of \$3,777,400 and \$3,930,000, respectively.

Certain board members are owners or directors of certain entities that are vendors to the Museum. During fiscal years 2023 and 2022, the Museum received contributed services of \$29,179 and \$52,264, respectively, from these vendors.

Dallas Museum of Art
Notes to Consolidated Financial Statements
June 30, 2023 and 2022

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 its operating account and had an open line of credit that was closed in 2022. The Museum utilized \$1,136,051 of the \$3,000,000 revolving line of credit granted in 2022.

A member of the Board of Trustees is also the Regional President at an affiliate of a financial institution where the Museum has a term loan and a revolving line of credit that was opened in June 2022. The term loan is disclosed in further detail in Note 9 above. The Museum did not utilize the line of credit in either 2023 or 2022.

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, 2023 and 2022, \$876,494 and \$476,086, 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 Coronavirus disease ("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 recorded the funds received as government grant revenue in the statement of activities during the year ended June 30, 2022, as the qualifying expenditures had 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.

Dallas Museum of Art
Notes to Consolidated Financial Statements
June 30, 2023 and 2022

16. CREDIT RISKS AND CONCENTRATIONS (continued)

Within other receivables, approximately 51% and 70% of the amount owed to the Museum at June 30, 2023 and 2022, respectively, relates to the advance of legal costs stemming from shared joint expenses in defending claims to works of art. Approximately 65% of gross contributions receivable at June 30, 2023 are from four donors and approximately 36% of gross contributions receivable at June 30, 2022 are from three donors. Approximately 30% of total contributions at June 30, 2023 are from one donor and approximately 25% of total contributions at June 30, 2022 are from one donor.

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 contribution up to 3% plus an automatic 1% profit sharing for a total of 4%. A participant is 100 percent vested after three years of credited service. The Museum's contributions for the Plan for the years ended June 30, 2023 and 2022, was \$338,900 and \$460,864, respectively.

SUPPLEMENTARY INFORMATION

Dallas Museum of Art
Schedule of Endowment Funds
June 30, 2023

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, 2023:

	Endowment
Acquisitions Endowment Funds	
Marguerite and Robert Hoffman Endowment	\$ 16,875,093
Cecil and Ida Green Art Acquisition Fund	5,017,305
Amelia Lay Hodges Acquisition fund	4,248,961
Decorative Arts Discretionary Endowment Fund	3,252,915
General Acquisitions Endowment Fund	2,963,759
Roberta Coke Camp Endowment Fund	2,070,872
African Art Acquisitions Endowment Fund	1,707,018
Gayle and Paul Stoffel Fund for Contemporary Art Acquisition	1,548,663
Textile Acquisitions Endowment Fund	1,163,717
The Stanley & Linda Marcus Endowment for the Acquisition of Latin American Art	1,010,184
Otis and Velma Davis Dozier Endowment Fund	584,666
Beatrice M. and Patrick E. Haggerty Endowment Fund	507,545
Charron and Peter Denker Fund for Contemporary Texas Art	426,137
Mary Margaret Munson Wilcox Fund	410,704
E.E. Fogelson and Greer Garson Fogelson Charitable Fund	367,834
Theodore and Iva Hochstim Endowment Fund	235,109
Texas Artists Endowment Fund	209,806
Laura and Walter Elcock Contemporary Art Endowment Fund	151,730
Susan Mead Contemporary Art Acquisition Fund	147,562
	42,899,580
Exhibition, Curatorial, and Conservation Endowment Funds	
Exhibition Endowment Fund	19,873,216
William B. Jordan and Robert Dean Brownlee Endowment	6,707,449
The Hoffman Family Senior Curator of Contemporary Art	6,371,724
Freeman Family Exhibition Fund	4,605,099
Marguerite and Robert Hoffman Operating Fund	4,359,451
Modern and Contemporary Sculpture Endowment Fund	3,762,071
The Allen and Kelli Questrom Curator of Works on Paper	3,625,834
Lupe Murchison Curator of Contemporary Art Endowment Fund	3,601,143
Cecil and Ida Green Curator of Ancient and South Asian Art	3,262,236
Marcus-Rose Family Deputy Director Endowment Fund	3,229,034
The Ellen and Harry S. Parker III Curator of the Arts of the Americas and the Pacific	3,240,601
Pauline G. Sullivan Curator of American Art Endowment Fund	3,142,466
Margaret McDermott Curator of African Art Endowment Fund	2,851,996
The Nancy & Tim Hanley Associate Curator of Contemporary Art	2,540,652
Melba Davis Whatley Endowment Fund	2,216,500
NEH Chief Conservator	1,822,112
Margot B. Perot Curator of Decorative Arts and Design Fund	1,628,599

Dallas Museum of Art
Schedule of Endowment Funds
June 30, 2023

Lillian Clark Curatorship for Paintings and Sculpture	1,597,042
Barbara Thomas Lemmon Curator of European Art Endowment Fund	1,592,019
The John Wilcox Contemporary Art Exhibition Endowment Fund	1,414,507
McDermott Conservation Endowment	1,135,827
Rosine Foundation Decorative Art Endowment Fund	776,554
Conservation Endowment Fund	690,487
Steven G. Alpert and Family Indonesian Art Fund	656,041
Howard and Fanchon Hallam Endowment for Contemporary Art	616,318
Charles Dee Mitchell Fund for Acquisitions, Exhibitions, and Conservation of Works on Paper	197,957
Jean and Bill Booziotis Fund for Design and Architecture	175,323
Exhibitionists Endowment Fund	164,805
The Graham Williford Foundation for American Art Endowment	131
	<hr/> <u>85,857,194</u>
 Education Endowment Funds	
McDermott Education Endowment Fund	4,437,108
DMA League Director of Education Endowment Fund	3,490,286
The Allen and Kelli Questrom Center for Creative Connections Education Director	3,431,503
Office of Digital Archivist	3,440,079
Mayer Library Endowment Fund	3,102,760
Anonymous Program Endowment Fund	2,343,988
The Bonnie Pitman Education Endowment to Do Something New	1,850,201
Education Endowment Fund for Interpretation	1,679,753
Pollock Foundation Education Endowment Fund	1,498,674
The Alex, Charlie, Grey, Jack and Rosey Fund	1,492,868
Mildred R. and Frederick M. Mayer Librarian Endowment Fund	1,487,015
Robert J. O'Donnell Endowment Fund	1,057,563
Gayle Hysinger Endowment Fund for Education	796,284
Freeman Family Endowment Fund	765,948
Jeffrey A. Marcus Education Endowment Fund	758,363
Anonymous Endowment Fund	755,043
Nancy Cain Marcus Education Endowment Fund	749,618
Boshell Lecture Series Endowment Fund	707,392
Prothro Education Endowment Fund	695,727
Rosewood Corporation Teacher Education Fund	687,434
The Martha McCarty Kimmerling Fund for Education	668,895
William Randolph Hearst Endowment Fund	532,377
Christopher and Sue Bancroft Education Endowment Fund	498,881
Marilyn R. and Leo F. Corrigan, Jr. Endowment Fund	428,659
Dr. Anson L. Clark Endowment Fund	412,698
Bank of America Education and Outreach Endowment Fund	396,929
Arch and Anne Giles Kimbrough Endowment Fund	395,378
Andrea Brenner-McMullen Arts Support Endowment Fund	318,548
Selma Parrill Children's Education Endowment Fund	300,708
Kay Cattarulla Endowment Fund for Literary and Performing Arts	291,407

Dallas Museum of Art
Schedule of Endowment Funds
June 30, 2023

Clara and Leo Corrigan, Sr. Endowment Fund	278,744
JC Penney Teaching Resource Center Endowment Fund	244,614
Albert and Minnie Susman Education Endowment Fund	238,507
King Foundation Education Endowment Fund	235,375
Jane Du Pont and Barron U. Kidd Endowment	210,375
Dozier Travel Endowment Fund	205,800
Bromberg Endowment Fund	194,036
Shirley Philipson Pollock Internship in Art Librarianship Endowment	187,128
Brettell Lecture Series Endowment Fund	180,990
DeGolyer Endowment Fund	176,161
Levy Endowment Fund for Music	166,225
Education Endowment Fund	160,803
Nancy and Jeffrey Marcus Endowment Fund	155,182
Karen and Richard Pollock Endowment Fund	152,654
Collins Lecture Series Endowment Fund	148,418
Hobson Education Endowment Fund	147,573
Betty Moroney Norsworthy Endowment Fund	145,308
Arthur Andersen Education Endowment Fund	130,240
McGee Endowment for Arts & Letters Live	124,983
Rick and Diana Strauss Special Education Endowment	39,402
Gateway Gallery Endowment Fund	30,627
Print and Drawing Endowment Fund	21,014
	43,046,246
Operations and Other Specified Purpose Endowment Funds	
Expansion Campaign Endowment Fund	16,663,140
Family Fund Endowment Fund	11,846,191
The Eugene McDermott Director's Endowment	7,229,684
General Operations Endowment Fund	6,474,009
Anonymous	5,242,874
Edward W. and Deedie Rose Endowment	5,178,685
Fannie and Stephen Kahn Fund	4,175,277
Edmund J. and Louise W. Kahn Endowment Fund	3,880,939
Anonymous Endowment Fund	2,894,926
Gayle David Fogelson Endowment Fund	2,982,887
McDermott Challenge Endowment	2,246,683
Board Designated Reserve	2,265,638
Program Endowment Fund	1,512,532
Anonymous Endowment Fund	1,429,239
McDermott Garden Endowment Fund	1,341,444
Sarah M. & Charles E. Seay Fund in honor of Jack R. Munger	1,060,282
Anne Marie & Thomas Walker Fund	1,045,646
NEA Challenge Grant Endowment Fund	854,237
DMA League Museum Beautification Endowment Fund	806,898
The Clarence and Ruth Roy Endowment Fund	623,946
Anonymous Director's Assistants Endowment Fund	598,755
Ernest and Irene Wadel Endowment Fund	520,543

Dallas Museum of Art
Schedule of Endowment Funds
June 30, 2023

Frank and Binswanger Fresh Flower Fund	473,767
S. T. Harris Endowment Fund	446,179
Fay and Newt Walker Endowment Fund	391,293
Shirley Pollock Endowment Fund	281,935
Harry and Ellen Parker Endowment Fund	268,235
Patsy Nasher Endowment Fund	152,965
Fleischner Courtyard Maintenance Endowment Fund	<u>38,260</u>
	<u>82,927,089</u>
	<u>\$ 254,730,109</u>