

Dallas Museum of Art

Consolidated Financial Statements
and Supplementary Information

June 30, 2024 and 2023



TABLE OF CONTENTS

	<u>Page No.</u>
Independent Auditor's Report	1 - 2
Consolidated Statements of Financial Position	3
Consolidated Statements of Activities	4 - 6
Consolidated Statements of Cash Flows	7 - 8
Notes to Consolidated Financial Statements	9 - 30
Supplementary Information	
Schedule of Endowment Funds	32 - 35



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 (a Texas nonprofit corporation), which comprise the consolidated statements of financial position as of June 30, 2024 and 2023, 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, 2024 and 2023, 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 32 - 35 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

December 2, 2024

Dallas Museum of Art
Consolidated Statements of Financial Position
June 30, 2024 and 2023

	2024	2023
ASSETS		
Cash and cash equivalents	\$ 5,539,260	\$ 541,433
Investments, at fair value	13,742,611	14,544,571
Contributions receivable, net	1,498,223	2,288,288
Other receivables, net of allowance of \$5,776 in 2024 and \$2,403 in 2023	1,324,655	2,363,087
Prepaid expenses and deposits	1,187,614	1,515,933
Other assets	537,041	536,757
Inventory, net	351,427	283,113
Cash restricted for capital project	6,914,572	-
Property, equipment and books, net	6,987,521	7,711,042
Contributions receivable for endowment, net	363,646	363,646
Investments held for endowment, at fair value	280,193,543	254,360,538
Total assets	\$ 318,640,113	\$ 284,508,408
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 794,479	\$ 150,091
Accrued expenses	2,208,746	2,528,599
Deferred revenue	547,746	322,864
Notes payable	4,038,369	4,502,774
Total liabilities	7,589,340	7,504,328
Net assets		
Without donor restrictions	25,271,732	20,815,245
With donor restrictions		
Restricted by purpose or time	125,122,602	95,616,896
Restricted in perpetuity	160,656,439	160,571,939
Total with donor restrictions	285,779,041	256,188,835
Total net assets	311,050,773	277,004,080
Total liabilities and net assets	\$ 318,640,113	\$ 284,508,408

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, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenue and support			
Revenue			
Auxiliary activities, net	\$ 2,797,905	\$ -	\$ 2,797,905
Education program	668,657	-	668,657
Cultural organizations program	1,073,896	-	1,073,896
Other revenue	<u>354,402</u>	-	<u>354,402</u>
Total revenue	<u>4,894,860</u>	<u>-</u>	<u>4,894,860</u>
Support			
Contributions	5,379,030	4,141,024	9,520,054
In-kind goods and services	2,889,965	-	2,889,965
Government grants	4,635,170	-	4,635,170
Special events, net of \$730,905 direct benefit to donors	1,009,910	-	1,009,910
Loss on uncollectible contributions receivable	-	(200,000)	(200,000)
Release for capital project expenditures transferred to operating	-	3,747,779	3,747,779
Endowment appropriation transferred for special purposes	37,300	1,266,088	1,303,388
Endowment appropriation transferred for operations	625,635	7,121,124	7,746,759
Net assets released from restriction	<u>16,267,982</u>	<u>(16,267,982)</u>	<u>-</u>
Total support	<u>30,844,992</u>	<u>(191,967)</u>	<u>30,653,025</u>
Total revenue and support	<u>35,739,852</u>	<u>(191,967)</u>	<u>35,547,885</u>
Functional expenses			
Program services			
Galleries and exhibitions	14,145,210	-	14,145,210
Collections	4,506,208	-	4,506,208
Education	<u>3,668,317</u>	-	<u>3,668,317</u>
Total program services	<u>22,319,735</u>	<u>-</u>	<u>22,319,735</u>
Supporting services			
General and administration	6,686,141	-	6,686,141
Fundraising	<u>3,796,596</u>	-	<u>3,796,596</u>
Total supporting services	<u>10,482,737</u>	<u>-</u>	<u>10,482,737</u>
Total functional expenses	<u>32,802,472</u>	<u>-</u>	<u>32,802,472</u>
Change in net assets from operations	<u>2,937,380</u>	<u>(191,967)</u>	<u>2,745,413</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, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Non-operating support, other income and gains (losses)			
Collections activity			
Contributions restricted for acquisition of collection items	-	2,759,994	2,759,994
Endowment appropriation transferred for acquisitions	112,936	1,777,645	1,890,581
Release for purchase of collection items	5,190,410	(5,190,410)	-
Collection items purchased	(5,390,410)	-	(5,390,410)
Endowment activity			
Endowment contributions	-	84,500	84,500
Net realized and unrealized gains	2,121,243	30,175,581	32,296,824
Interest and dividends, net	288,574	4,087,499	4,376,073
Endowment appropriation transferred to operating and collections activity	(775,871)	(10,164,857)	(10,940,728)
Capital project activity			
Contributions restricted for capital project	-	10,000,000	10,000,000
Release for capital project expenditures transferred to operating	-	(3,747,779)	(3,747,779)
Other income and gains (losses)			
Loss on disposal of property, equipment and books	(27,775)	-	(27,775)
Change in net assets from non-operating support, other income and gains (losses)	<u>1,519,107</u>	<u>29,782,173</u>	<u>31,301,280</u>
Change in net assets	4,456,487	29,590,206	34,046,693
Net assets, beginning of year	<u>20,815,245</u>	<u>256,188,835</u>	<u>277,004,080</u>
Net assets, end of year	<u>\$ 25,271,732</u>	<u>\$ 285,779,041</u>	<u>\$ 311,050,773</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, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
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	5,208,630	-	5,208,630
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	16,470,159	(16,470,159)	-
Total support	27,894,681	(6,692,052)	21,202,629
Total revenue and support	33,103,311	(6,692,052)	26,411,259
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	23,799,602	-	23,799,602
Supporting services			
General and administration	6,360,889	-	6,360,889
Fundraising	3,083,025	-	3,083,025
Total supporting services	9,443,914	-	9,443,914
Total functional expenses	33,243,516	-	33,243,516
Change in net assets from operations	(140,205)	(6,692,052)	(6,832,257)
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 income and gains (losses)			
Loss on disposal of property, equipment and books	(70,927)	-	(70,927)
Change in net assets from non-operating support, other income and gains (losses)	771,908	15,644,093	16,416,001
Change in net assets	631,703	8,952,041	9,583,744
Net assets, beginning of year	20,183,542	247,236,794	267,420,336
Net assets, end of year	\$ 20,815,245	\$ 256,188,835	\$ 277,004,080

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, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Cash flows from operating activities		
Change in net assets	\$ 34,046,693	\$ 9,583,744
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation and amortization	1,030,700	1,186,410
Provision for expected credit losses on other receivables	3,373	-
Loss on uncollectible contributions receivable	200,000	66,874
Net realized and unrealized gains on investments	(32,296,824)	(25,224,382)
Value of contributed securities	(135,102)	(86,289)
Contributions restricted for capital project	(10,000,000)	-
Contributions restricted for endowment	(84,500)	(109,640)
Contributions restricted for acquisition of art for collections	(2,759,994)	(4,679,590)
Collection items purchased	5,390,410	10,199,476
Loss on sale of property, equipment and books	27,775	70,927
Changes in operating assets and liabilities		
Contributions receivable, net	590,065	2,345,598
Other receivables, net	1,035,059	(674,478)
Prepaid expenses and deposits	328,319	1,298,275
Other assets	(284)	(298,617)
Inventory, net	(68,314)	(38,064)
Accounts payable	644,388	(920,330)
Accrued expenses	(319,853)	458,457
Deferred revenue	<u>224,882</u>	<u>33,576</u>
Net cash used in operating activities	<u>(2,143,207)</u>	<u>(6,788,053)</u>
Cash flows from investing activities		
Purchases of property, equipment and books	(335,954)	(98,392)
Proceeds from sale of property, equipment and books	1,000	10,000
Purchases of investments	(16,153,688)	(34,840,818)
Proceeds from sales of investments	23,420,828	42,961,857
Proceeds from sales of contributed securities	133,741	86,025
Purchases of collection items	<u>(5,390,410)</u>	<u>(10,199,476)</u>
Net cash provided by (used in) investing activities	<u>1,675,517</u>	<u>(2,080,804)</u>
Cash flows from financing activities		
Payments on notes payable	(464,405)	(580,506)
Cash collected on contributions restricted for capital project	10,000,000	-
Cash collected on contributions restricted for endowment	84,500	309,640
Cash collected on contributions restricted for acquisition of art for collections	<u>2,759,994</u>	<u>4,679,590</u>
Net cash provided by financing activities	<u>12,380,089</u>	<u>4,408,724</u>
Net increase (decrease) in cash, cash equivalents and restricted cash	11,912,399	(4,460,133)
Cash, cash equivalents and restricted cash, beginning of year	<u>541,433</u>	<u>5,001,566</u>
Cash, cash equivalents and restricted cash, end of year	<u>\$ 12,453,832</u>	<u>\$ 541,433</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, 2024 and 2023

	2024	2023
Cash, cash equivalents and restricted cash consisted of the following:		
Cash and cash equivalents	\$ 5,539,260	\$ 541,433
Cash restricted for capital project	6,914,572	-
	\$ 12,453,832	\$ 541,433
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	\$ 130,654	\$ 127,595

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

Dallas Museum of Art
Notes to Consolidated Financial Statements
June 30, 2024 and 2023

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, 2024 and 2023

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.

New accounting pronouncements

In June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments (ASC 326)*. This standard replaced the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss ("CECL") methodology. CECL requires an estimate of expected credit losses for the remaining estimated life of the financial asset using historical experience, current conditions and reasonable and supportable forecasts. The financial assets held by the Museum that are subject to the guidance in FASB ASC 326 are other receivables.

The Museum adopted the standard effective July 1, 2023. The adoption of this standard did not have a material impact on the Museum's consolidated financial statements.

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 consolidated statements of financial position.

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.

Dallas Museum of Art
Notes to Consolidated Financial Statements
June 30, 2024 and 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurements (continued)

- *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.

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.

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.

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.

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. Cash designated for purchases of investments is included within the investment balance as presented in the accompanying consolidated statements of financial position.

Other receivables

At June 30, 2024 and 2023, 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 12 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.

Dallas Museum of Art
Notes to Consolidated Financial Statements
June 30, 2024 and 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Other receivables (continued)

Additionally, other receivables, net includes a receivable from the City of Dallas as well as various other Museum related receivables. The Museum uses the allowance method to account for doubtful receivables. The allowance for expected credit losses ("AECL") related to other receivables is based on historical collection experience and expectations of future cash flows based on the evaluation of the outstanding receivables at the end of the year. Bad debt recoveries are included in income as realized. Receivables are written-off as a charge to the AECL for other receivables when it is probable that the underlying receivable will not be collected. At June 30, 2024 and 2023, the AECL was \$5,776 and \$2,403, respectively.

Inventory, net

Inventory, net consists of the Museum's store inventory and is recorded at the lower of 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, 2024 and 2023. 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 \$24,239 and \$37,421 as of June 30, 2024 and 2023, respectively.

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:

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

Dallas Museum of Art
Notes to Consolidated Financial Statements
June 30, 2024 and 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, equipment and books, net (continued)

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, 2024 and 2023.

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").

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, 85 individual items to the collection during the year ended June 30, 2024 and 126 individual items to the collection during the year ended June 30, 2023. The Museum purchased 69 individual items totaling \$5,390,410 during the year ended June 30, 2024 and 92 individual items totaling \$10,199,476 during the year ended June 30, 2023, respectively.

As of June 30, 2024 and 2023, management estimates the fair value of artwork acquired after October 1, 1984 to be approximately, \$867,000,000 (unaudited) and \$763,000,000 (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, 2024 and 2023, management estimates the fair value of artifacts on loan that have not been recorded in the accompanying consolidated financial statements to be approximately \$559,000,000 (unaudited) and \$445,000,000 (unaudited), respectively.

Dallas Museum of Art
Notes to Consolidated Financial Statements
June 30, 2024 and 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 revenue 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, both earned and unearned, is recognized when the event is held and is reported net of any direct benefit to donor expenses.

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, 2024 and 2023, the Museum had an allowance for doubtful contributions of \$35,730.

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, 2024 and 2023, include government grants and cultural organizations programs described below. Management is not aware of any additional conditional promises to give as of June 30, 2024 and 2023. As of June 30, 2024 and 2023, the Museum has \$268,474 and \$4,196,434 of conditional funding related to government grants and cultural organizations. 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.

Dallas Museum of Art
Notes to Consolidated Financial Statements
June 30, 2024 and 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions and promises to give (continued)

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, 2024 and 2023, the Museum recognized \$1,073,896, 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. The Museum hosted their annual fundraising events during the years ended June 30, 2024 and 2023 and received \$117,990 and \$79,800 from items contributed and monetized through an auction, respectively. 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 \$89,709 and \$403,749 of contributed goods and services that were utilized during the years ended June 30, 2024 and 2023, 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 \$2,800,256 and \$2,656,779 from the City for in-kind goods and services utilized for the years ended June 30, 2024 and 2023, 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, 2024 and 2023, the Museum recognized \$4,635,170 and \$184,000, 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, 2024, is \$4,366,670 (see Note 15) related to the employee retention credits ("ERC"). 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.

Dallas Museum of Art
Notes to Consolidated Financial Statements
June 30, 2024 and 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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; contributions restricted for capital project, equipment and books; and 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 \$617,528 and \$927,725 for the years ended June 30, 2024 and 2023, respectively.

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, 2024 and 2023. 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, 2024 and 2023

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, allowance for expected credit losses on other receivables, allowance of doubtful contributions receivable, 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.

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.

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, net of the approved appropriation for the year ended June 30, 2024, of \$20,511,434, could be made available for use by the Museum's Board of Trustees.

Dallas Museum of Art
Notes to Consolidated Financial Statements
June 30, 2024 and 2023

3. LIQUIDITY AND AVAILABILITY (continued)

The following is a quantitative disclosure which describes financial assets that are available within one year of June 30, 2024 to fund general expenditures and other obligations as they become due:

Financial assets:

Cash and cash equivalents	\$ 5,539,260
Investments, at fair value	13,742,611
Contributions receivable, net	1,498,223
Other receivables, net of allowance of \$5,776 in 2024	1,324,655
Cash restricted for capital project	6,914,572
Contributions receivable for endowment, net	363,646
Investments held for endowment, at fair value	<u>280,193,543</u>
	<u>309,576,510</u>
Less: amounts unavailable for general expenditure within one year	
Contributions receivable due beyond one year	(856,250)
Contributions receivable with additional donor-imposed restrictions	(401,654)
Cash restricted for capital project	(6,914,572)
Donor-restricted endowment (less amount approved for appropriation for the year ending June 30, 2025 of \$8,380,825)	(251,664,930)
Board-designated endowment (less amount approved for appropriation for the year ending June 30, 2025 of \$912,091)	(19,599,343)
Other purpose restricted net assets	(17,320,491)
Litigation receivable	<u>(1,184,769)</u>
	<u>(297,942,009)</u>
Total financial assets available for general expenditures within one year	<u>11,634,501</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>\$ 14,634,501</u>

4. CONTRIBUTIONS RECEIVABLE, NET

Contributions receivable, net consisted of the following:

	2024	2023
Contributions receivable, net	\$ 1,498,223	\$ 2,288,288
Contributions receivable for endowment, net	<u>363,646</u>	<u>363,646</u>
	<u>\$ 1,861,869</u>	<u>\$ 2,651,934</u>

Dallas Museum of Art
Notes to Consolidated Financial Statements
June 30, 2024 and 2023

4. CONTRIBUTIONS RECEIVABLE, NET (continued)

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

	<u>2024</u>	<u>2023</u>
Due in less than one year	\$ 790,711	\$ 1,499,527
Due in one to five years	<u>1,151,250</u>	<u>1,232,499</u>
	1,941,961	2,732,026
Less: discount to net present value at rates ranging from 1.14% to 3.07%	(44,362)	(44,362)
Less: allowance for doubtful contributions receivable	<u>(35,730)</u>	<u>(35,730)</u>
	<u><u>\$ 1,861,869</u></u>	<u><u>\$ 2,651,934</u></u>

5. INVESTMENTS

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

	<u>2024</u>	<u>2023</u>
Investments	\$ 13,742,611	\$ 14,544,571
Investments held for endowment	<u>280,193,543</u>	<u>254,360,538</u>
	<u><u>\$ 293,936,154</u></u>	<u><u>\$ 268,905,109</u></u>

Investments as of June 30 consisted of the following:

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 5,185,040	\$ 9,087,801
Equity securities	201,818,545	191,580,028
Fixed income mutual funds	3,014,161	9,418,477
Corporate bonds and other debt securities	41,523,972	25,000,285
Alternative investments	<u>42,394,436</u>	<u>33,818,518</u>
	<u><u>\$ 293,936,154</u></u>	<u><u>\$ 268,905,109</u></u>

Dallas Museum of Art
Notes to Consolidated Financial Statements
June 30, 2024 and 2023

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, 2024:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Equity securities	\$201,818,545	\$ -	\$ -	\$201,818,545
Fixed income mutual funds	3,041,161	-	-	3,041,161
Corporate bonds and other debt securities	<u>-</u>	<u>41,523,972</u>	<u>-</u>	<u>41,523,972</u>
	<u>\$204,859,706</u>	<u>\$ 41,523,972</u>	<u>\$ -</u>	246,383,678
 *Alternative investments measured at NAV				 42,394,436
 Cash and cash equivalents held within investments				 <u>5,185,040</u>
				<u>\$293,963,154</u>

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 NAV				 33,818,518
 Cash and cash equivalents held within investments				 <u>9,087,801</u>
				<u>\$268,905,109</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, 2024 and 2023

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>
2024:				
Hedge funds (a)	\$42,394,436	\$ 15,950,000	Quarterly / Monthly	60 days; 90 days
2023:				
Hedge funds (a)	\$33,818,518	\$ 12,320,000	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>2024</u>	<u>2023</u>
Furniture and fixtures	\$ 1,371,936	\$ 1,371,936
Equipment, software and vehicles	3,676,890	3,717,820
Building improvements	18,603,525	18,603,525
Books	1,875,943	1,851,678
Construction in progress	<u>294,175</u>	<u>-</u>
	25,822,469	25,544,959
Less: accumulated depreciation and amortization	<u>(18,834,948)</u>	<u>(17,833,917)</u>
	<u>\$ 6,987,521</u>	<u>\$ 7,711,042</u>

Depreciation and amortization expense was \$1,030,700 and \$1,186,410 for the years ended June 30, 2024 and 2023, respectively.

8. REVOLVING LINE OF CREDIT

In June 2022, the Museum opened a \$3,000,000 revolving line of credit with a financial institution, which matured 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, 2024 and 2023. Subsequent to fiscal year end, the Museum amended the revolving line of credit in July 2024 as discussed in Note 18.

Dallas Museum of Art
Notes to Consolidated Financial Statements
June 30, 2024 and 2023

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, 2024 and 2023 totaled \$2,902,531 and \$3,366,936, 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 6.39% and 6.17% at June 30, 2024 and 2023, respectively). Payments of interest are due on a monthly basis until the date of maturity. The outstanding principal balance of the term loan as of June 30, 2024 and 2023 totaled \$1,135,838. Subsequent to fiscal year end, the Museum amended the loan in July 2024 as discussed in Note 18.

The Museum is subject to certain financial debt covenant requirements under the terms of the loan. As of June 30, 2024 and 2023, the Museum was in compliance with required covenants.

The future maturities of the notes payable are as follows:

<u>Year ending June 30,</u>	
2025	\$ 464,405
2026	2,438,126
2027	<u>1,135,838</u>
	<u>\$ 4,038,369</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, 2024 and 2023

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, 2024 and 2023

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, 2024 and 2023.

Spending policy

The endowment distribution rate is recommended by the Investment Committee and approved by the Board on an annual basis. The approved distribution rate is 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, 2024 and 2023 is 4.52% 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:

	2024	2023
Contributions receivable	\$ 363,646	\$ 363,646
Investments	280,193,543	254,360,538
	\$ 280,557,189	\$ 254,724,184

Dallas Museum of Art
Notes to Consolidated Financial Statements
June 30, 2024 and 2023

10. ENDOWMENT (continued)

Endowment composition (continued)

Endowment net asset composition by type of fund as of June 30, 2024 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 20,511,434	\$ -	\$ 20,511,434
Donor restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	160,656,439	160,656,439
Unexpended endowment earnings	-	99,389,316	99,389,316
	-	260,045,755	260,045,755
	\$ 20,511,434	\$ 260,045,755	\$ 280,557,189

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	\$ 18,861,152	\$ -	\$ 18,861,152
Donor restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	160,571,939	160,571,939
Unexpended endowment earnings	-	75,291,093	75,291,093
	-	235,863,032	235,863,032
	\$ 18,861,152	\$ 235,863,032	\$ 254,724,184

Dallas Museum of Art
Notes to Consolidated Financial Statements
June 30, 2024 and 2023

10. ENDOWMENT (continued)

Endowment composition (continued)

Changes in endowment net assets for the fiscal years ended June 30, 2024 and 2023 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Balance, June 30, 2022	\$ 17,155,727	\$ 217,085,546	\$ 234,241,273
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	\$ 18,861,152	\$ 235,863,032	\$ 254,724,184
Board designations/contributions	16,336	84,500	100,836
Net realized and unrealized gains	2,121,243	30,175,581	32,296,824
Interest and dividends, net	288,574	4,087,499	4,376,073
Appropriation of endowment earnings for operations	(775,871)	(7,121,124)	(7,896,995)
Appropriation of endowment earnings for other purposes	<u>-</u>	<u>(3,043,733)</u>	<u>(3,043,733)</u>
Balance, June 30, 2024	<u>\$ 20,511,434</u>	<u>\$ 260,045,755</u>	<u>\$ 280,557,189</u>

11. NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2024</u>	<u>2023</u>
Endowment	\$ 260,045,755	\$ 235,863,032
Time restricted (excluding endowment)	1,498,223	2,288,288
Special purpose restricted	8,222,275	8,286,528
Property and equipment	6,914,572	-
Acquisitions	<u>9,098,216</u>	<u>9,750,987</u>
	<u>\$ 285,779,041</u>	<u>\$ 256,188,835</u>

Dallas Museum of Art
Notes to Consolidated Financial Statements
June 30, 2024 and 2023

11. NET ASSETS WITH DONOR RESTRICTIONS (continued)

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

	2024	2023
Expiration of time with no additional purpose	\$ 605,046	\$ 1,185,545
Endowment appropriation for operations	7,121,124	6,661,971
Endowment appropriation for fulfilled special purpose	326,055	230,530
Additional purpose restrictions fulfilled	4,467,978	7,921,796
Capital project	3,747,779	470,317
	\$ 16,267,982	\$ 16,470,159

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

	2024	2023
Collection items purchased	\$ 5,190,410	\$ 9,679,476

12. FUNCTIONAL EXPENSE ALLOCATION

The table below presents expenses by both their natural and functional classification as of June 30, 2024:

	Program Activities				Supporting Services			
	Galleries and Exhibitions	Collections	Education	Total Program Activities	General Administration	Fundraising	Direct Benefit to Donors	
Salaries and benefits	\$ 6,638,431	\$ 1,988,238	\$ 2,091,707	\$ 10,718,376	\$ 3,243,537	\$ 2,626,638	\$ -	\$ 16,588,551
Professional fees	1,031,545	133,339	112,669	1,277,553	552,899	135,573	-	1,966,025
Contributed services	11,985	1,960,179	420,038	2,392,202	301,578	162,343	-	2,856,123
Services	42,253	68,920	329,620	440,793	518,157	215,687	-	1,174,637
Supplies and other	3,123,167	339,839	435,441	3,898,447	864,870	501,731	-	5,265,048
Special events	-	-	-	-	-	-	730,905	730,905
Depreciation and amortization	257,675	-	257,675	515,350	412,280	103,070	-	1,030,700
Interest	68,977	15,693	21,167	105,837	24,817	-	-	130,654
Facilities master planning	2,971,177	-	-	2,971,177	768,003	51,554	-	3,790,734
	14,145,210	4,506,208	3,668,317	22,319,735	6,686,141	3,796,596	730,905	33,533,377
Less: expenses included with revenues on the statement of activities								
Special events	-	-	-	-	-	-	(730,905)	(730,905)
	-	-	-	-	-	-	(730,905)	(730,905)
	\$ 14,145,210	\$ 4,506,208	\$ 3,668,317	\$ 22,319,735	\$ 6,686,141	\$ 3,796,596	\$ -	\$ 32,802,472

Dallas Museum of Art
Notes to Consolidated Financial Statements
June 30, 2024 and 2023

12. FUNCTIONAL EXPENSE ALLOCATION (continued)

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

	Program Activities				Supporting Services			Total
	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
Special events	-	-	-	-	-	-	709,226	709,226
Depreciation and amortization	296,602	-	296,602	593,204	474,564	118,641	-	1,186,409
Interest	69,728	14,736	18,331	102,795	-	24,800	-	127,595
	<u>15,972,684</u>	<u>3,811,320</u>	<u>4,015,598</u>	<u>23,799,602</u>	<u>6,360,889</u>	<u>3,083,025</u>	<u>709,226</u>	<u>33,952,742</u>
Less: expenses included with revenues on the statement of activities								
Special events	-	-	-	-	-	-	(709,226)	(709,226)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(709,226)</u>	<u>(709,226)</u>
	<u>\$ 15,972,684</u>	<u>\$ 3,811,320</u>	<u>\$ 4,015,598</u>	<u>\$ 23,799,602</u>	<u>\$ 6,360,889</u>	<u>\$ 3,083,025</u>	<u>\$ -</u>	<u>\$ 33,243,516</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, 2024, 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 \$1,523,180 and \$1,702,154 for the years ended June 30, 2024 and 2023, 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 2024 and 2023, a portion of the net proceeds were contributed to the Museum in the amount of \$2,597,492 and \$3,777,400, respectively.

Certain board members are owners or directors of certain entities that are vendors to the Museum. During fiscal years 2024 and 2023, the Museum received contributed services of \$17,028 and \$29,179, respectively, from these vendors.

Dallas Museum of Art
Notes to Consolidated Financial Statements
June 30, 2024 and 2023

14. RELATED PARTY (continued)

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 2024 or 2023.

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, 2024 and 2023, \$855,690 and \$876,494, respectively, was paid to this organization for these services.

15. EMPLOYEE RETENTION CREDIT

During the year ended June 30, 2023, the Museum submitted for \$4,366,670 in funding from the federal government in association with ERC. ERCs were authorized under the Coronavirus Aid, Relief, and Economic Security Act ("CARES") and Consolidated Appropriations Act and represent a refundable credit that businesses could claim on qualified wages paid to employees during the calendar years 2020 and 2021, as eligible. Employers qualified for ERCs based on experience with either a full or partial suspension during a calendar quarter in 2020 or 2021 because of governmental orders limiting commerce, travel or group meetings due to COVID-19, or significant declines in gross receipts for a calendar quarter in 2020 or 2021. The Museum conservatively elected to treat the submission of ERC revenue during the year ended June 30, 2023 as a conditional contribution due to the standards of qualification and approval by the Internal Revenue Service ("IRS"). Accordingly, the Museum recognized the \$4,366,670 as government grant revenue in the accompanying consolidated statement of activities during the year ended June 30, 2024, when the submission was accepted and paid by the IRS and the barrier was considered to be overcome.

The ERC program is subject to inspection and audit by the IRS. The purpose of such audits is to determine whether entities met eligibility requirements under the program and that funds were used in accordance with guidelines and regulations. While management believes the Museum met the ERC requirements, it is possible that ERC funds recognized could ultimately be disallowed. The ultimate liability, if any, which may result from a governmental audit cannot be reasonably estimated and, accordingly, no provision for the possible disallowance of ERC funds has been recorded on the Museum's consolidated financial statements.

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.

Dallas Museum of Art
Notes to Consolidated Financial Statements
June 30, 2024 and 2023

16. CREDIT RISKS AND CONCENTRATIONS (continued)

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 89% and 51% of the amount owed to the Museum at June 30, 2024 and 2023, respectively, relates to the advance of legal costs stemming from shared joint expenses in defending claims to works of art. For the year ended June 30, 2024, contributions from two donors represented approximately 53% of total contribution revenue. For the year ended June 30, 2023, contributions from one donor represented approximately 30% of total contribution revenue. At June 30, 2024, approximately 84% of contributions receivable are due from five donors. At June 30, 2023, approximately 65% of contributions receivable are due from four donors.

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, 2024 and 2023, was \$422,092 and \$338,900, respectively.

18. SUBSEQUENT EVENTS

The Museum has evaluated subsequent events through December 2, 2024, the date the consolidated financial statements were available to be issued.

In July 2024, the Museum amended their revolving line of credit to bear an interest rate of one-month Secured Overnight Financing Rate Index plus 1.35 basis points that matures in July 2025.

In July 2024, the Museum amended their loan to bear an interest rate of one-month Secured Overnight Financing Rate Index plus 1.85 basis points that matures in July 2026. Payments of interest are due on a monthly basis until the date of maturity.

Management determined that no additional disclosures were required.

SUPPLEMENTARY INFORMATION

Dallas Museum of Art
Schedule of Endowment Funds
June 30, 2024

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, 2024:

	Endowment
Acquisitions Endowment Funds	
Marguerite and Robert Hoffman Endowment	\$ 18,555,591
Cecil and Ida Green Art Acquisition Fund	5,516,950
Amelia Lay Hodges Acquisition fund	4,757,937
Decorative Arts Discretionary Endowment Fund	3,576,851
General Acquisitions Endowment Fund	3,258,902
Roberta Coke Camp Endowment Fund	2,277,099
African Art Acquisitions Endowment Fund	1,877,011
Gayle and Paul Stoffel Fund for Contemporary Art Acquisition	1,702,886
Textile Acquisitions Endowment Fund	1,279,524
The Stanley & Linda Marcus Endowment for the Acquisition of Latin American Art	1,074,940
Otis and Velma Davis Dozier Endowment Fund	642,890
Beatrice M. and Patrick E. Haggerty Endowment Fund	558,089
Charron and Peter Denker Fund for Contemporary Texas Art	507,138
Mary Margaret Munson Wilcox Fund	451,604
E.E. Fogelson and Greer Garson Fogelson Charitable Fund	404,465
Theodore and Iva Hochstim Endowment Fund	258,522
Texas Artists Endowment Fund	230,700
Laura and Walter Elcock Contemporary Art Endowment Fund	166,840
Susan Mead Contemporary Art Acquisition Fund	162,257
	47,260,196
Exhibition, Curatorial, and Conservation Endowment Funds	
Exhibition Endowment Fund	21,841,638
William B. Jordan and Robert Dean Brownlee Endowment	7,375,304
The Hoffman Family Senior Curator of Contemporary Art	7,164,587
Freeman Family Exhibition Fund	5,084,275
Marguerite and Robert Hoffman Operating Fund	4,794,519
The Allen and Kelli Questrom Curator of Works on Paper	4,154,727
Modern and Contemporary Sculpture Endowment Fund	4,134,700
The Ellen and Harry S. Parker III Curator of the Arts of the Americas and the Pacific	3,631,325
Cecil and Ida Green Curator of Ancient and South Asian Art	3,585,418
Pauline G. Sullivan Curator of American Art Endowment Fund	3,504,096
Marcus-Rose Family Deputy Director Endowment Fund	3,476,971
Margaret McDermott Curator of African Art Endowment Fund	3,159,749
Lupe Murchison Curator of Contemporary Art Endowment Fund	2,979,378
The Nancy & Tim Hanley Associate Curator of Contemporary Art	2,833,930
Melba Davis Whatley Endowment Fund	2,437,229
NEH Chief Conservator	1,980,924
Margot B. Perot Curator of Decorative Arts and Design Fund	1,789,901

Dallas Museum of Art
Schedule of Endowment Funds
June 30, 2024

Lillian Clark Curatorship for Paintings and Sculpture	1,762,044
Barbara Thomas Lemmon Curator of European Art Endowment Fund	1,749,706
The John Wilcox Contemporary Art Exhibition Endowment Fund	1,554,612
McDermott Conservation Endowment	1,259,201
Lupe Murchison Curator of Contemporary Art Match Fund	1,012,484
Rosine Foundation Decorative Art Endowment Fund	841,001
Conservation Endowment Fund	758,879
Steven G. Alpert and Family Indonesian Art Fund	768,171
Howard and Fanchon Hallam Endowment for Contemporary Art	677,364
Charles Dee Mitchell Fund for Acquisitions, Exhibitions, and Conservation of Works on Paper	209,592
Jean and Bill Booziotis Fund for Design and Architecture	201,328
Exhibitionists Endowment Fund	181,129
The Graham Williford Foundation for American Art Endowment	213
	94,904,395
 Education Endowment Funds	
McDermott Education Endowment Fund	4,878,975
DMA League Director of Education Endowment Fund	3,931,808
Office of Digital Archivist	3,780,653
The Allen and Kelli Questrom Center for Creative Connections Education Director	3,771,393
Mayer Library Endowment Fund	3,407,686
Anonymous Program Endowment Fund	2,576,157
The Bonnie Pitman Education Endowment to Do Something New	2,033,467
Education Endowment Fund for Interpretation	1,846,132
Pollock Foundation Education Endowment Fund	1,647,116
The Alex, Charlie, Grey, Jack and Rosey Fund	1,640,735
Mildred R. and Frederick M. Mayer Librarian Endowment Fund	1,636,259
Robert J. O'Donnell Endowment Fund	1,162,314
Gayle Hysinger Endowment Fund for Education	875,156
Freeman Family Endowment Fund	841,814
Jeffrey A. Marcus Education Endowment Fund	833,478
Anonymous Endowment Fund	829,829
Nancy Cain Marcus Education Endowment Fund	823,866
Boshell Lecture Series Endowment Fund	780,641
Prothro Education Endowment Fund	764,638
Rosewood Corporation Teacher Education Fund	755,523
The Martha McCarty Kimmerling Fund for Education	727,946
William Randolph Hearst Endowment Fund	585,109
Christopher and Sue Bancroft Education Endowment Fund	548,295
Marilyn R. and Leo F. Corrigan, Jr. Endowment Fund	471,117
Dr. Anson L. Clark Endowment Fund	453,575
Bank of America Education and Outreach Endowment Fund	436,244
Arch and Anne Giles Kimbrough Endowment Fund	434,751
Andrea Brenner-McMullen Arts Support Endowment Fund	350,099
Selma Parrill Children's Education Endowment Fund	330,492

Dallas Museum of Art
Schedule of Endowment Funds
June 30, 2024

Kay Cattarulla Endowment Fund for Literary and Performing Arts	320,427
Clara and Leo Corrigan, Sr. Endowment Fund	306,353
JC Penney Teaching Resource Center Endowment Fund	269,943
Albert and Minnie Susman Education Endowment Fund	262,131
King Foundation Education Endowment Fund	258,689
Education Endowment Fund	231,651
Jane Du Pont and Barron U. Kidd Endowment	231,326
Dozier Travel Endowment Fund	226,294
Bromberg Endowment Fund	214,128
Shirley Philipson Pollock Internship in Art Librarianship Endowment	208,771
Brettell Lecture Series Endowment Fund	199,731
DeGolyer Endowment Fund	193,704
Levy Endowment Fund for Music	182,689
Nancy and Jeffrey Marcus Endowment Fund	170,553
Karen and Richard Pollock Endowment Fund	167,774
Collins Lecture Series Endowment Fund	163,119
Hobson Education Endowment Fund	162,190
Betty Moroney Norsworthy Endowment Fund	159,701
Arthur Andersen Education Endowment Fund	143,140
McGee Endowment for Arts & Letters Live	137,429
Rick and Diana Strauss Special Education Endowment	43,305
Gateway Gallery Endowment Fund	33,661
Print and Drawing Endowment Fund	23,191
	47,465,168
Operations and Other Specified Purpose Endowment Funds	
Expansion Campaign Endowment Fund	18,313,606
Family Fund Endowment Fund	13,016,752
The Eugene McDermott Director's Endowment	7,945,746
General Operations Endowment Fund	7,114,427
Anonymous	5,762,174
Edward W. and Deedie Rose Endowment	5,691,628
Fannie and Stephen Kahn Fund	4,588,833
Edmund J. and Louise W. Kahn Endowment Fund	4,265,342
Gayle David Fogelson Endowment Fund	3,293,144
Anonymous Endowment Fund	3,181,666
McDermott Challenge Endowment	2,469,214
Board Designated Reserve	2,265,638
Program Endowment Fund	1,662,347
Anonymous Endowment Fund	1,570,804
McDermott Garden Endowment Fund	1,474,313
Sarah M. & Charles E. Seay Fund in honor of Jack R. Munger	1,165,302
Anne Marie & Thomas Walker Fund	1,149,217
NEA Challenge Grant Endowment Fund	938,848
DMA League Museum Beautification Endowment Fund	886,320
The Clarence and Ruth Roy Endowment Fund	685,747
Anonymous Director's Assistants Endowment Fund	658,061

Dallas Museum of Art
Schedule of Endowment Funds
June 30, 2024

Ernest and Irene Wadel Endowment Fund	572,102
Frank and Binswanger Fresh Flower Fund	520,947
S. T. Harris Endowment Fund	490,373
Fay and Newt Walker Endowment Fund	430,050
Shirley Pollock Endowment Fund	309,861
Harry and Ellen Parker Endowment Fund	294,803
Patsy Nasher Endowment Fund	168,116
Fleischner Courtyard Maintenance Endowment Fund	42,049
	<u>90,927,430</u>
	<u>\$ 280,557,189</u>