

**Dallas Museum of Art**

Consolidated Financial Statements  
and Supplementary Information

June 30, 2021 and 2020



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## INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Dallas Museum of Art  
Dallas, Texas

We have audited the accompanying consolidated financial statements of Dallas Museum of Art and its subsidiaries (collectively, the "Museum"), which comprise the consolidated statement of financial position as of June 30, 2021, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements.

### **Management's Responsibility 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; this includes 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.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

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, 2021, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matter**

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.

## **Prior Period Financial Statements**

The consolidated financial statements of Dallas Museum of Art as of June 30, 2020, were audited by other auditors whose report dated November 10, 2020, expressed an unmodified opinion on those statements.



Armanino<sup>LLP</sup>  
Dallas, Texas

November 4, 2021

Dallas Museum of Art  
Consolidated Statements of Financial Position  
June 30, 2021 and 2020

	2021	2020
ASSETS		
Cash	\$ 2,860,962	\$ 3,250,984
Investments	17,087,881	15,055,089
Contributions receivable, net	6,512,313	10,234,266
Other receivables	1,321,238	2,501,961
Prepaid expenses and deposits	678,511	740,200
Other assets	197,463	225,554
Inventory, net	329,922	387,217
Contributions receivable for endowment, net	1,242,511	2,258,944
Investments held for endowment	287,967,919	229,343,000
Property, equipment and books, net	9,618,017	10,225,426
Total assets	\$ 327,816,737	\$ 274,222,641
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 593,414	\$ 682,574
Accrued expenses	1,967,405	2,216,377
Deferred obligation for pension plan	-	4,879,165
Revolving line of credit	1,136,051	2,385,000
Deferred revenue	338,771	523,958
Notes payable	6,295,746	2,834,439
Total liabilities	10,331,387	13,521,513
Net assets		
Without donor restrictions	27,658,560	19,882,563
With donor restrictions		
Restricted by purpose or time	130,578,239	83,791,657
Restricted in perpetuity	159,248,551	157,026,908
Total with donor restrictions	289,826,790	240,818,565
Total net assets	317,485,350	260,701,128
Total liabilities and net assets	\$ 327,816,737	\$ 274,222,641

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

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

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains (losses) and other support			
Contributions	\$ 6,727,767	\$ 5,193,078	\$ 11,920,845
In-kind goods and services	3,242,985	-	3,242,985
Government grants	637,000	-	637,000
Cultural organizations program	984,304	-	984,304
Auxiliary activities, net	919,951	-	919,951
Education program	187,584	-	187,584
Net realized and unrealized gains	3,596,953	54,560,447	58,157,400
Interest and dividends, net	240,298	3,591,629	3,831,927
Loss on uncollectible contributions receivable	-	(18,047)	(18,047)
Other revenue	339,708	-	339,708
Net assets released from restriction	<u>13,962,690</u>	<u>(13,962,690)</u>	<u>-</u>
Total revenues, gains and other support	<u>30,839,240</u>	<u>49,364,417</u>	<u>80,203,657</u>
Functional expenses			
Program services			
Galleries and exhibitions	6,958,128	-	6,958,128
Collections	4,278,408	-	4,278,408
Education	<u>3,170,439</u>	-	<u>3,170,439</u>
Total program services	<u>14,406,975</u>	<u>-</u>	<u>14,406,975</u>
Supporting services			
General and administration	7,346,912	-	7,346,912
Fundraising	<u>4,361,291</u>	-	<u>4,361,291</u>
Total supporting services	<u>11,708,203</u>	<u>-</u>	<u>11,708,203</u>
Total functional expenses	<u>26,115,178</u>	<u>-</u>	<u>26,115,178</u>
Change in net assets from operations	<u>4,724,062</u>	<u>49,364,417</u>	<u>54,088,479</u>
Other income and expenses			
Gain on forgiveness of note payable	2,501,003	-	2,501,003
Proceeds from sales of collection items	-	983,333	983,333
Collection items purchased	-	(1,339,525)	(1,339,525)
Decrease in deferred obligation for pension plan	<u>550,932</u>	-	<u>550,932</u>
Total other income and expenses	<u>3,051,935</u>	<u>(356,192)</u>	<u>2,695,743</u>
Change in net assets	7,775,997	49,008,225	56,784,222
Net assets, beginning of year	<u>19,882,563</u>	<u>240,818,565</u>	<u>260,701,128</u>
Net assets, end of year	<u>\$ 27,658,560</u>	<u>\$ 289,826,790</u>	<u>\$ 317,485,350</u>

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

Dallas Museum of Art  
Consolidated Statement of Activities  
For the Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains (losses) and other support			
Contributions	\$ 10,652,127	\$ 16,315,428	\$ 26,967,555
In-kind goods and services	3,122,145	-	3,122,145
Government grants	274,861	-	274,861
Cultural organizations program	1,069,896	-	1,069,896
Exhibition support	55,000	-	55,000
Auxiliary activities, net	3,784,326	-	3,784,326
Education program	557,190	-	557,190
Net realized and unrealized gains	191,599	2,781,111	2,972,710
Interest and dividends, net	192,474	3,975,564	4,168,038
Loss on uncollectible contributions receivable	-	(894,305)	(894,305)
Other revenue	65,423	58,057	123,480
Net assets released from restriction	<u>20,905,775</u>	<u>(20,905,775)</u>	<u>-</u>
Total revenues, gains and other support	<u>40,870,816</u>	<u>1,330,080</u>	<u>42,200,896</u>
Functional expenses			
Program services			
Galleries and exhibitions	10,682,081	-	10,682,081
Collections	4,093,577	-	4,093,577
Education	<u>3,505,936</u>	<u>-</u>	<u>3,505,936</u>
Total program services	<u>18,281,594</u>	<u>-</u>	<u>18,281,594</u>
Supporting services			
General and administration	6,692,182	-	6,692,182
Fundraising	<u>4,967,388</u>	<u>-</u>	<u>4,967,388</u>
Total supporting services	<u>11,659,570</u>	<u>-</u>	<u>11,659,570</u>
Total functional expenses	<u>29,941,164</u>	<u>-</u>	<u>29,941,164</u>
Change in net assets from operations	<u>10,929,652</u>	<u>1,330,080</u>	<u>12,259,732</u>
Other income and expenses			
Collection items purchased	-	(4,809,419)	(4,809,419)
Increase in deferred obligation for pension plan	<u>(1,090,354)</u>	<u>-</u>	<u>(1,090,354)</u>
Total other income and expenses	<u>(1,090,354)</u>	<u>(4,809,419)</u>	<u>(5,899,773)</u>
Change in net assets	9,839,298	(3,479,339)	6,359,959
Net assets, beginning of year	<u>10,043,265</u>	<u>244,297,904</u>	<u>254,341,169</u>
Net assets, end of year	<u>\$ 19,882,563</u>	<u>\$ 240,818,565</u>	<u>\$ 260,701,128</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, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities		
Change in net assets	\$ 56,784,222	\$ 6,359,959
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	1,165,755	1,012,631
Gain on forgiveness of notes payable	(2,501,003)	-
Loss on uncollectible contributions receivable	18,047	894,305
Net realized and unrealized gains on investments	(58,157,400)	(2,972,710)
Value of contributed securities	(316,573)	-
Contributions restricted for endowment	(2,221,642)	(9,548,527)
Contributions restricted for long-term purposes	(256,915)	(3,706,700)
Collection items purchased	1,339,525	4,809,419
Proceeds from sales of art	(983,333)	-
Changes in operating assets and liabilities		
Contributions receivable	3,687,006	2,628,192
Other receivables	1,180,723	385,729
Prepaid expenses and deposits	61,689	1,877,600
Other assets	28,091	29,721
Inventories, net	57,295	(33,176)
Accounts payable	(89,160)	(1,566,946)
Accrued expenses	(248,972)	1,414,951
Deferred obligation for pension plan	(4,879,165)	-
Deferred revenue	(185,187)	(101,065)
Liability on annuity contracts	-	(207,852)
Net cash provided by (used in) operating activities	<u>(5,516,997)</u>	<u>1,275,531</u>
Cash flows from investing activities		
Purchases of property, equipment and books	(558,346)	(183,876)
Purchases of investments	(23,453,963)	(20,991,350)
Proceeds from sales of investments	20,949,065	9,713,629
Proceeds from sales of contributed securities	321,160	-
Purchases of collection items	(1,339,525)	(4,809,419)
Proceeds from sales of art	983,333	-
Net cash used in investing activities	<u>(3,098,276)</u>	<u>(16,271,016)</u>
Cash flows from financing activities		
Cash collected on contributions restricted for endowment	3,254,975	9,548,527
Cash collected on contributions restricted for long-term purposes	256,915	3,706,700
Payments on revolving line of credit payable	(1,248,949)	-
Payments on notes payable	(681,739)	(137,995)
Proceeds from notes payable	6,644,049	2,501,003
Net cash provided by financing activities	<u>8,225,251</u>	<u>15,618,235</u>
Net increase (decrease) in cash	(390,022)	622,750
Cash, beginning of year	<u>3,250,984</u>	<u>2,628,234</u>
Cash, end of year	<u>\$ 2,860,962</u>	<u>\$ 3,250,984</u>

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



Dallas Museum of Art  
Notes to Consolidated Financial Statements  
June 30, 2021 and 2020

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.

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 of America ("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, 2021 and 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of accounting and financial statement presentation (continued)

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

Cash and cash equivalents

The Museum considers all highly liquid investments purchased with original maturities of three months or less to be cash equivalents. The Museum had no cash equivalents as of June 30, 2021 and 2020.

Investments

Investments are recorded at fair value. 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 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. 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, 2021 and 2020

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

Other receivables include \$1,184,769 and \$2,433,718 for legal fees incurred as of June 30, 2021 and 2020, respectively, for litigation to protect the Museum's possession and matters related to disputes with foreign taxing authorities over various taxes on real estate formerly owned by the donor. These matters are complex and have been the subject of litigation for approximately 10 years. Management believes this receivable will be fully collected, but due to the complexities of these matters, is unable to predict the ultimate outcome or the amount that will be collected.

Inventory, net

Inventory, net consist of the Museum's store inventory and are 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, 2021 and 2020. Management provides for an allowance for obsolete and slow-moving merchandise based on their assessment of historical sales and other relevant factors affecting inventory. The Museum has a reserve for slow-moving inventory of \$44,961 at June 30, 2021 and 2020.

Dallas Museum of Art  
Notes to Consolidated Financial Statements  
June 30, 2021 and 2020

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 greater than three years. 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 is computed on the straight-line method over the estimated useful lives of the assets, ranging from 3 to 20 years.

Collections

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

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, 72 individual objects to the collection during the year ended June 30, 2021 and 248 individual objects to the collection during the year ended June 30, 2020. The Museum purchased 52 individual items totaling \$1,339,525 during the year ended June 30, 2021 and 63 individual items totaling \$4,809,419 during the year ended June 30, 2020, respectively.

Dallas Museum of Art  
Notes to Consolidated Financial Statements  
June 30, 2021 and 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Collections (continued)

As of June 30, 2021 and 2020, management estimates the fair value of artwork acquired after October 1, 1984 to be approximately, \$689,000,000 (unaudited) and \$666,000,000 (unaudited). 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, 2021 and 2020, management estimates the fair value of artifacts on loan that have not been recorded in the accompanying consolidated financial statements to be approximately \$438,000,000 (unaudited) and \$423,000,000 (unaudited).

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 and is recognized at the point of sale. 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.

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. Conditional promises to give are not recognized until they become unconditional; that is when the donor-imposed barriers have been met by the Museum and there is no longer a right of return or release. Contributions of assets other than cash and works of art are recorded at their estimated fair value at the time the contribution is made or unconditionally pledged. Contributions that are promised in one year but are not expected to be collected until after the end of that year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of any such discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for doubtful contributions receivable is provided based upon management's judgment including such factors as prior collection history, type of contribution, nature of fundraising activity and other relevant factors. Management believes that all outstanding amounts are fully collectible. As such there is no allowance for doubtful accounts at June 30, 2021 and 2020.

Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. No material conditional promises to give existed as of June 30, 2021 and 2020. The Museum has been notified that it has been included in various wills. A receivable has not been recorded as the amounts from the estate are not known as of the date of the consolidated financial statements.

Dallas Museum of Art  
Notes to Consolidated Financial Statements  
June 30, 2021 and 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions and promises to give (continued)

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 \$100 per year.

Government grants represent government funding from local, state and federal sources. The grants are conditioned upon the Museum incurring allowable expenses in accordance with the grant program. As of June 30, 2021 and 2020, the Museum recognized \$637,000 and \$274,861, respectively, as the Museum incurred the qualifying expenses.

Cultural organizations program revenue represents a grant from the City of Dallas which is conditioned upon the Museum organizing and presenting specific exhibits. As of June 30, 2021 and 2020, the Museum recognized \$984,304 and \$1,069,896, respectively, as the barriers the grant was conditioned upon were met.

In-kind goods and services

In-kind goods are reflected in the accompanying consolidated statements at their estimated fair values at date of receipt. In-kind services are reflected in the consolidated financial statements at the fair value of the services received. Contributions of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. The Museum received \$259,581 and \$320,405 of contributed goods and services during the years ended June 30, 2021 and 2020, 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, 2023. In addition, the City has committed to provide building and grounds maintenance, utilities expenses and compensate a portion of the costs related to the upkeep of the works of art belonging to the City. Accordingly, the Museum recognized \$2,983,404 and \$2,801,740 of in-kind goods and services from the City for the years ended June 30, 2021 and 2020, respectively.

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.

Dallas Museum of Art  
Notes to Consolidated Financial Statements  
June 30, 2021 and 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Advertising costs

The Museum expenses advertising costs as incurred. Advertising expense of \$564,581 and \$731,150 for the years ended June 30, 2021 and 2020, respectively, are recorded within services, supplies and other expenses on the accompanying consolidated statements of functional expenses.

Income tax status

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

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, 2021 and 2020. The Museum does not have any significant uncertain tax positions for which a reserve would be considered necessary. However, the conclusions regarding accounting for uncertainty in income taxes are subject to review and may be adjusted at a later date based on factors including, but not limited to, ongoing analysis of tax laws regulations and interpretations thereof.

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

Use of estimates

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

Dallas Museum of Art  
Notes to Consolidated Financial Statements  
June 30, 2021 and 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Change in accounting principle

In May 2014, the FASB issued Accounting Standard Update ("ASU") No. 2014-09 ("ASU 2014-09"), Revenue from Contracts with Customers (Topic 606), which provides a five-step analysis of contracts to determine when and how revenue is recognized and replaces most existing revenue recognition guidance in GAAP. The core principle of the new guidance is that an entity should recognize revenue to reflect the transfer of goods and services to customers in an amount equal to the consideration the entity receives or expects to receive. ASU 2014-09 is effective for annual reporting periods beginning after December 15, 2019. The Museum adopted the standard with a date of the initial application of July 1, 2019 using a full retrospective method. The adoption of the new standard did not have a significant impact on the Museum's consolidated financial statements.

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 payable with a maximum borrowing limit of \$3,000,000, which could be accessed to provide additional liquidity as needed. As of June 30, 2021, the Museum had \$1,863,949 available to be drawn down on the line of credit payable. In the event of an unanticipated liquidity need that exceeds the maximum borrowing limit of the Museum's revolving line of credit payable, the Museum's board-designated endowment funds totaling \$20,632,832 could be made available for use.



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3. LIQUIDITY AND AVAILABILITY (continued)

The following is a quantitative disclosure which describes financial assets that are available within one year of June 30, 2021 to fund general expenditures and other obligations as they become due:

Financial assets:	
Cash	\$ 2,860,962
Investments	17,087,881
Contributions receivable, net	6,512,313
Other receivables	1,321,238
Contributions receivable for endowment, net	1,242,511
Investments held for endowment	<u>287,967,919</u>
	<u>316,992,824</u>
Less: amounts unavailable for general expenditure within one year	
Contributions receivable due beyond one year	(3,258,696)
Contributions receivable with additional donor-imposed restrictions	(2,623,617)
Donor-restricted endowment	(268,577,598)
Board-designated endowment	(20,632,832)
Other purpose restricted net assets	(14,736,879)
Litigation receivable	<u>(1,184,769)</u>
	<u>(311,014,391)</u>
Total financial assets available for general expenditures within one year	<u>5,978,433</u>
Liquidity resources:	
Bank lines of credit	<u>1,863,949</u>
	<u>1,863,949</u>
Total financial assets and liquidity resources available within one year	<u><u>\$ 7,842,382</u></u>

4. CONTRIBUTIONS RECEIVABLE

Contributions receivable consisted of the following:

	2021	2020
Contributions receivable, net	\$ 6,512,313	\$ 10,234,266
Contributions receivable for endowment, net	<u>1,242,511</u>	<u>2,258,944</u>
	<u><u>\$ 7,754,824</u></u>	<u><u>\$ 12,493,210</u></u>

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4. CONTRIBUTIONS RECEIVABLE (continued)

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

	<u>2021</u>	<u>2020</u>
Due in less than one year	\$ 3,253,617	\$ 5,612,728
Due in one to five years	4,665,645	6,933,750
Due in greater than five years	<u>-</u>	<u>293,750</u>
	7,919,262	12,840,228
Less: discount to net present value at rates ranging from 1.73% to 3.07%	<u>(164,438)</u>	<u>(347,018)</u>
	<u>\$ 7,754,824</u>	<u>\$ 12,493,210</u>

5. INVESTMENTS

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

	<u>2021</u>	<u>2020</u>
Investments	\$ 17,087,881	\$ 15,055,089
Investments held for endowment	<u>287,967,919</u>	<u>229,343,000</u>
	<u>\$ 305,055,800</u>	<u>\$ 244,398,089</u>

Investments consisted of the following:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 19,791,520	\$ 13,065,972
Equity securities	214,085,603	142,907,722
Fixed income mutual funds	24,615,296	28,046,997
Corporate bonds and other debt securities	14,394,542	14,015,776
Alternative investments	<u>32,168,839</u>	<u>46,361,622</u>
	<u>\$ 305,055,800</u>	<u>\$ 244,398,089</u>

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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, 2021:

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

The following table sets forth by level, within the fair value hierarchy, the Museum's assets at fair value as of June 30, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Equity securities	\$142,907,722	\$ -	\$ -	\$142,907,722
Fixed income mutual funds	28,046,997	-	-	28,046,997
Corporate bonds and other debt securities	<u>-</u>	<u>14,015,776</u>	<u>-</u>	<u>14,015,776</u>
	<u>\$170,954,719</u>	<u>\$ 14,015,776</u>	<u>\$ -</u>	184,970,495
*Investments measured at net asset value				46,361,622
Cash and cash equivalents				<u>13,065,972</u>
				<u>\$244,398,089</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.

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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>
2021:				
Hedge funds (a)	\$ 32,168,839	\$ -	Quarterly / Monthly	60 days; 90 days
2020:				
Hedge funds (a)	\$ 46,361,622	\$ -	Quarterly / Monthly	30 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>2021</u>	<u>2020</u>
Furniture, fixtures and improvements	\$ 19,884,716	\$ 19,884,716
Equipment and software	3,684,188	3,272,241
Books	1,747,577	1,713,189
Construction in progress	<u>126,411</u>	<u>14,400</u>
	25,442,892	24,884,546
Less: accumulated depreciation and amortization	<u>(15,824,875)</u>	<u>(14,659,120)</u>
	<u>\$ 9,618,017</u>	<u>\$ 10,225,426</u>

Depreciation and amortization expense was \$1,165,755 and \$1,012,630 for the years ended June 30, 2021 and 2020, respectively.

8. REVOLVING LINE OF CREDIT

The Museum has a revolving line of credit with a financial institution for \$3,000,000, which matures in June 2022. All advances under the line are unsecured. Interest on the revolving line of credit is payable quarterly at an amount equal to the greater of (i) the LIBOR Rate or (ii) 1% plus 2.85 percentage points (effective rate of 3.85% and 3.03% at June 30, 2021 and 2020, respectively). The revolving line of credit had an outstanding balance of \$1,136,051 and \$2,385,000 as of June 30, 2021 and 2020, respectively.

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8. REVOLVING LINE OF CREDIT (continued)

The Museum is subject to certain financial debt covenant requirements under the terms of the revolving line of credit. As of June 30, 2021 and 2020, the Museum was in compliance with required covenants.

9. NOTES PAYABLE

In April 2015, the Museum received \$1,200,000 from a promissory note issued by a financial institution. The note had an original maturity date of April 2022, but was paid in full in September 2020. The promissory note was secured by certain investments held in U.S. equity securities. Interest on the promissory note was payable quarterly at an amount equal to the lesser of (i) LIBOR plus 0.90 percentage points or (ii) the statutory maximum lawful rate (effective rate of 1.08% at June 30, 2020). The outstanding balance of the promissory note as of June 30, 2020 totaled \$333,436.

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

In June 2020, the Museum entered into a loan agreement with a financial institution to create a \$5,000,000 line of credit with a draw period of three months. At the conclusion of the three months no further advances are available, and the note converted to a term loan with equal quarterly payments of principal and interest, with a 10 year amortization schedule, maturing in September 2025. All advances under the line are secured by certain marketable securities. Interest charged on advances during the draw period were based on LIBOR. After the conversion, the rate is variable based on the internal index BOKF Tier 1 Cost of Funds rate plus 1.00% with a floor of 1.80% (effective rate of 1.80% and 0.16% at June 30, 2021 and 2020, respectively). As of June 30, 2020, there were no advances on the line of credit. 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 (see Note 10). The outstanding principal balance of the term loan as of June 30, 2021 totaled \$4,295,746.

On February 9, 2021, the Museum received loan proceeds of \$2,000,000 from a promissory note issued by a financial institution under the second round of PPP which is administered by the SBA. The term on the loan is five years and the annual interest rate is 1.00%. Payments of principal and interest are deferred for the first ten months of the loan. Subsequent to June 30, 2021, the Museum received full forgiveness of the promissory note from the SBA. The Museum elected to record the loan under ASC 470, Debt. See Note 18 for more information.

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9. NOTES PAYABLE (continued)

The future maturities of the notes payable are as follows:

<u>Year ending June 30,</u>	
2022	\$ 2,464,405
2023	464,405
2024	464,405
2025	464,405
2026	<u>2,438,126</u>
	<u>\$ 6,295,746</u>

10. PENSION PLAN

The Museum had a noncontributory, defined benefit pension plan (the "Plan") covering substantially all personnel. Effective April 1, 2015, the Board of Trustees voted to "freeze" the Plan. Before the freeze, benefits were based on the employee's years of service and average monthly compensation over the previous five successive calendar years, out of the last 10 completed calendar years, which gives the highest average. Generally, the Museum's funding policy was to contribute annually the minimum allowed by applicable regulations. Contributions were intended to provide not only for benefits attributed to service to date but also for those expected to be earned in the future. Effective October 7, 2020, the Plan was terminated and the advancements on a line of credit as discussed in Note 9 were used to settle the remaining obligations on the terminated Plan.

The following table sets out the Plan's funded status as of June 30, 2020:

Actuarial present value of projected benefit obligation:	
Projected benefit obligation	\$ (14,911,968)
Plan assets at fair value	<u>10,032,803</u>
Net statement of financial position liability	<u>\$ (4,879,165)</u>
Net assets without donor restrictions:	
Net loss	<u>\$ 5,976,729</u>
Additional minimum liability	<u>\$ 5,976,729</u>
Employer contribution	<u>\$ 81,000</u>
Benefits paid	<u>\$ 399,975</u>
Net period benefit cost	<u>\$ 154,503</u>

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10. PENSION PLAN (continued)

A pension benefit obligation was recognized by the Museum as of June 30, 2020 due to the unfunded status of the plan. The unfunded status as of June 30, 2020 of \$4,879,165 is included within deferred obligation for pension plan in the accompanying consolidated statements of financial position. The accumulated benefit obligation was \$0 and \$14,911,968 as of June 30, 2021 and June 30, 2020, respectively.

Assumptions used in determining net period benefit cost

The weighted average discount rate used in determining the net period benefit cost for June 30, 2020 was 2.75%. There was no weighted average compensation increase for June 30, 2020. The expected long-term rate of return on plan assets was 7.5% for June 30, 2020.

Plan assets are allocated as follows at June 30, 2020:

Equity securities:		
Pooled, common and collective funds	8.40 %	
Fixed income securities:		
Pooled, common and collective funds	78.20	
	78.20	
Other:		
Real estate funds	13.40	
	13.40	
	100.00 %	

The following table sets forth by level, within the fair value hierarchy, the Plan's assets at fair value as of June 30, 2020:

	Level 1	Level 2	Level 3	Fair Value
Short-term investments (a):				
Money market funds	<u>\$ 1,348,141</u>	<u>\$ -</u>	<u>\$ -</u>	\$ 1,348,141
Pooled separate account funds (b)				<u>8,684,662</u>
				<u>\$10,032,803</u>

The following methods and assumptions were used to estimate the fair value of each class of financial instruments within the pension plan:

(a) *Short-term investments*: Value based on quoted market price or at cost plus accrued dividend and interest income, which approximates fair value.

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10. PENSION PLAN (continued)

(b) *Pooled separate account funds*: These investments are valued using NAV as a practical expedient, and therefore have not been classified in the fair value hierarchy

The methods described above could produce a fair value calculation that may not be indicative of NAV or reflective of future fair values. Furthermore, while the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Multiple asset classes are implemented in order to obtain the benefits of diversification and maximize long-term return for a given level of risk. Risk tolerance is developed by reviewing the funded status of the Plan, duration of the Plan's liabilities, the income and liquidity requirements, and the financial condition of the Museum. The investment portfolio comprises a diversified combination of short-term investments, equity securities and fixed income securities funds. The allocation among equity securities funds, fixed income securities funds, and short-term investments is determined by prevailing market conditions and relative valuations among asset classes. The Plan's financial condition is monitored on an ongoing basis by means of investment portfolio reviews and an annual independent actuarial valuation.

11. 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 that 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:



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11. ENDOWMENT (continued)

Interpretation of relevant law (continued)

- (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.

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, 2021 and 2020.

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11. ENDOWMENT (continued)

Spending policy

The Museum has an initiative to reduce the annual distributable funds from the endowment from the 5% rate to a 4% rate. The distribution rate will be applied to the average end-of-quarter market value of the endowment for the previous twelve (12) quarters, to be determined at the end of each fiscal year for the ensuing fiscal year. Accordingly, the current spending policy for the years ended June 30, 2021 and 2020 is 4.67%, of the average end-of-quarter market value of the endowment for the previous twelve (12) quarters. Gifts received are subject to the averaging and distribution rules, unless the donor directs differently. New gifts received are withheld from the distributable funds calculation until they have been held by the Museum for four quarters. Specific gifts may be excluded from averaging and/or be subject to other distribution rules, as directed by the donors. This is consistent with the Museum's objective to maintain the purchasing power of the endowment assets held in perpetuity, as well as to provide additional real growth through new gifts and investment return.

Endowment composition

The Endowment consists of:

	<u>2021</u>	<u>2020</u>
Contributions receivable	\$ 1,242,511	\$ 2,258,944
Investments	<u>287,967,919</u>	<u>229,343,000</u>
	<u>\$ 289,210,430</u>	<u>\$ 231,601,944</u>

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

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

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11. ENDOWMENT (continued)

Endowment composition (continued)

Endowment net asset composition by type of fund as of June 30, 2020 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Board-designated endowment funds	\$ 15,299,739	\$ -	\$ 15,299,739
Donor restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	157,026,908	157,026,908
Unexpended endowment earnings	<u>-</u>	<u>59,275,297</u>	<u>59,275,297</u>
	<u>-</u>	<u>216,302,205</u>	<u>216,302,205</u>
	<u>\$ 15,299,739</u>	<u>\$ 216,302,205</u>	<u>\$ 231,601,944</u>

Changes in endowment net assets for the fiscal years ended June 30, 2021 and 2020 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Balance, June 30, 2019	<u>\$ 11,655,913</u>	<u>\$ 208,733,562</u>	<u>\$ 220,389,475</u>
Interest and dividends, net	192,474	3,975,564	4,168,038
Net realized and unrealized gains	192,268	2,786,243	2,978,511
Contributions	3,690,455	9,548,527	13,238,982
Reclassification	25,000	-	25,000
Appropriation of endowment earnings for expenditure	<u>(456,371)</u>	<u>(8,741,691)</u>	<u>(9,198,062)</u>
	<u>3,643,826</u>	<u>7,568,643</u>	<u>11,212,469</u>
Balance, June 30, 2020	<u>\$ 15,299,739</u>	<u>\$ 216,302,205</u>	<u>\$ 231,601,944</u>
Interest and dividends, net	240,298	3,591,629	3,831,927
Net realized and unrealized gains	3,596,953	54,560,447	58,157,400
Contributions	1,523,009	2,221,642	3,744,651
Appropriation of endowment earnings for expenditure	<u>(27,167)</u>	<u>(8,098,325)</u>	<u>(8,125,492)</u>
	<u>5,333,093</u>	<u>52,275,393</u>	<u>57,608,486</u>
Balance, June 30, 2021	<u>\$ 20,632,832</u>	<u>\$ 268,577,598</u>	<u>\$ 289,210,430</u>

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12. NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2021</u>	<u>2020</u>
Endowment	\$ 268,577,598	\$ 216,302,205
Time restricted	6,512,313	10,234,266
Purpose restricted	<u>14,736,879</u>	<u>14,282,094</u>
	<u>\$ 289,826,790</u>	<u>\$ 240,818,565</u>

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

	<u>2021</u>	<u>2020</u>
Appropriation of endowment earnings	\$ 8,098,325	\$ 9,198,062
Purpose restriction accomplished and/or time restriction expired	<u>5,864,365</u>	<u>12,602,018</u>
	<u>\$ 13,962,690</u>	<u>\$ 21,800,080</u>

13. FUNCTIONAL EXPENSE ALLOCATION

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

	<u>Program Activities</u>			<u>Supporting Services</u>		<u>Total</u>
	<u>Galleries and Exhibitions</u>	<u>Collections</u>	<u>Education</u>	<u>General Administration</u>	<u>Fundraising</u>	
Salaries and benefits	\$ 4,725,314	\$ 2,041,242	\$ 2,022,607	\$ 3,802,713	\$ 2,783,333	\$ 15,375,209
Professional fees	271,265	14,009	24,569	1,466,609	305,701	2,082,153
Contributed services	1,413,575	883,646	492,262	284,079	169,423	3,242,985
Services, supplies, and other	256,535	1,339,511	339,562	1,154,190	986,259	4,076,057
Depreciation and amortization	291,439	-	291,439	466,302	116,575	1,165,755
Interest	-	-	-	<u>173,019</u>	-	<u>173,019</u>
	<u>\$ 6,958,128</u>	<u>\$ 4,278,408</u>	<u>\$ 3,170,439</u>	<u>\$ 7,346,912</u>	<u>\$ 4,361,291</u>	<u>\$ 26,115,178</u>

Dallas Museum of Art  
Notes to Consolidated Financial Statements  
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13. FUNCTIONAL EXPENSE ALLOCATION (continued)

The table below presents expenses by both their natural and functional classification as of June 30, 2020:

	Program Activities			Supporting Services		Total
	Galleries and Exhibitions	Collections	Education	General Administration	Fundraising	
Salaries and benefits	\$ 4,654,891	\$ 1,915,805	\$ 2,089,096	\$ 4,602,041	\$ 2,640,379	\$ 15,902,212
Professional fees	1,417,209	14,439	60,402	963,786	273,343	2,729,179
Contributed services	1,569,524	587,815	462,287	158,186	344,333	3,122,145
Services, supplies, and other	2,787,300	1,575,518	640,994	518,649	1,608,070	7,130,531
Depreciation and amortization	253,157	-	253,157	405,053	101,263	1,012,630
Interest	-	-	-	44,467	-	44,467
	<u>\$ 10,682,081</u>	<u>\$ 4,093,577</u>	<u>\$ 3,505,936</u>	<u>\$ 6,692,182</u>	<u>\$ 4,967,388</u>	<u>\$ 29,941,164</u>

14. 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, 2021, it is not possible to determine if there is a loss potential. The Museum has retained legal counsel and is vigorously defending its claim.

15. RELATED PARTY

The Museum has received contributions of \$2,227,388 and \$4,604,884 for the years ended June 30, 2021 and 2020, respectively, from various related parties, which includes members of the Board of Trustees.

A member of the Board of Trustees is also on the Board of Trustees of an unrelated not-for-profit organization. The unrelated not-for-profit organization holds an annual art auction. During fiscal year 2020, a portion of the net proceeds were contributed to the Museum in the amount of \$3,083,326. During fiscal year 2021, no portion of the net proceeds were contributed to the Museum.

Certain board members are owners or directors of certain entities that are vendors to the Museum. During fiscal years 2021 and 2020, the Museum received contributed services of \$254,245 and \$114,697, respectively, from these vendors.

Dallas Museum of Art  
Notes to Consolidated Financial Statements  
June 30, 2021 and 2020

15. 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 an open line of credit and promissory note. The Museum utilized \$1,136,051 and \$2,385,000 of the \$3,000,000 revolving line of credit granted in both fiscal years 2021 and 2020, respectively. The promissory note balance as of June 30, 2020 was \$333,436. The line of credit and promissory note are disclosed in further detail in Notes 8 and 9 above.

A member of the Board of Trustees is also an officer of an unrelated organization. This organization stored and shipped various pieces of art throughout the year for the Museum. During the years ended June 30, 2021 and 2020, \$377,826 and \$426,971, respectively, was paid to this organization for these services.

16. CREDIT RISKS AND CONCENTRATIONS

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

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

Within other receivables, approximately 90% and 97% of the amount owed to the Museum at June 30, 2021 and 2020, respectively, relates to the advance of legal costs stemming from shared joint expenses in defending claims to works of art. Approximately 10% of gross contributions receivable at June 30, 2021 are from one donor and approximately 11% of gross contributions receivable at June 30, 2020 are from one donor. Approximately 33% of total contributions at June 30, 2021 are from two donors and approximately 54% of total contributions at June 30, 2020 are 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. Museum contributions are voluntary and at the discretion of management. The Museum contribution for the Plan for the years ended June 30, 2021 and 2020 was \$367,369 and \$467,413, respectively.

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18. SUBSEQUENT EVENTS

The Museum has evaluated subsequent events through November 4, 2021, the date the consolidated financial statements were available to be issued.

On July 12, 2021, the Museum was granted \$1,170,443 under the Shuttered Venue Operators Grant ("SVOG") program implemented by the SBA under the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act, and amended by the American Rescue Plan Act. The SVOG program was created to prevent widespread closures of venues that were devastated by the loss of revenue due to the COVID-19 pandemic. The SVOG program provides eligible applicant with grants equal to 45% of their gross earned revenue, up to a maximum of \$10,000,000. SVOG recipients have up to one year to use grant funds to reimburse themselves for allowable expenses of the program.

On July 19, 2021, the Museum received full forgiveness of the Paycheck Protection Program Round 2 note from the SBA, in the amount of \$2,000,000.

Management determined that no additional disclosures were required.

SUPPLEMENTARY INFORMATION



Dallas Museum of Art  
Schedule of Endowment Funds  
June 30, 2021

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, 2021:

	Endowment
<b>Acquisitions Endowment Funds</b>	
Marguerite and Robert Hoffman Endowment	\$ 19,536,745
Cecil and Ida Green Art Acquisition Fund	5,808,670
Amelia Lay Hodges Acquisition fund	5,026,573
Decorative Arts Discretionary Endowment Fund	3,757,379
General Acquisitions Endowment Fund	3,431,218
Roberta Coke Camp Endowment Fund	2,397,506
African Art Acquisitions Endowment Fund	1,976,258
Gayle and Paul Stoffel Fund for Contemporary Art Acquisition	1,792,929
Textile Acquisitions Endowment Fund	1,347,240
The Stanley & Linda Marcus Endowment for the Acquisition of Latin American Art	1,010,130
Otis and Velma Davis Dozier Endowment Fund	676,887
Beatrice M. and Patrick E. Haggerty Endowment Fund	587,600
Mary Margaret Munson Wilcox Fund	475,484
E.E. Fogelson and Greer Garson Fogelson Charitable Fund	425,851
Charron and Peter Denker Fund for Contemporary Texas Art	423,846
Theodore and Iva Hochstim Endowment Fund	272,193
Texas Artists Endowment Fund	242,895
Laura and Walter Elcock Contemporary Art Endowment Fund	175,665
Susan Mead Contemporary Art Acquisition Fund	170,838
	49,535,907
<b>Exhibition, Curatorial, and Conservation Endowment Funds</b>	
Exhibition Endowment Fund	23,008,220
The Hoffman Family Senior Curator of Contemporary Art	7,046,802
William B. Jordan and Robert Dean Brownlee Endowment	6,508,167
Freeman Family Exhibition Fund	5,293,000
Marguerite and Robert Hoffman Operating Fund	4,613,916
Modern and Contemporary Sculpture Endowment Fund	4,355,539
Lupe Murchison Curator of Contemporary Art Endowment Fund	4,008,873
The Allen and Kelli Questrom Curator of Works on Paper	3,845,998
The Ellen and Harry S. Parker III Curator of the Arts of the Americas and the Pacific	3,622,672
Cecil and Ida Green Curator of Ancient and South Asian Art	3,589,589
Pauline G. Sullivan Curator of American Art Endowment Fund	3,548,668
Marcus-Rose Family Deputy Director Endowment Fund	3,478,683
Margaret McDermott Curator of African Art Endowment Fund	3,301,803
The Nancy & Tim Hanley Associate Curator of Contemporary Art	2,737,743
Melba Davis Whatley Endowment Fund	2,566,103
NEH Chief Conservator	2,098,752
Margot B. Perot Curator of Decorative Arts and Design Fund	1,885,221

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June 30, 2021

Barbara Thomas Lemmon Curator of European Art Endowment Fund	1,843,124
Lillian Clark Curatorship for Paintings and Sculpture	1,722,603
The John Wilcox Contemporary Art Exhibition Endowment Fund	1,637,645
McDermott Conservation Endowment	1,305,492
Rosine Foundation Decorative Art Endowment Fund	896,934
Conservation Endowment Fund	799,397
Howard and Fanchon Hallam Endowment for Contemporary Art	713,542
Steven G. Alpert and Family Indonesian Art Fund	700,172
Charles Dee Mitchell Photography Fund	225,500
Jean and Bill Booziotis Fund for Design and Architecture	193,566
Exhibitionists Endowment Fund	190,967
	<hr style="border-top: 1px solid black;"/>
	<u>95,738,691</u>
Education Endowment Funds	
McDermott Education Endowment Fund	5,136,954
The Kelli and Allen Questrom Director of the Center for Creative Connections	3,973,331
Office of Digital Archivist	3,873,583
DMA League Director of Education Endowment Fund	3,808,697
Mayer Library Endowment Fund	3,591,998
Anonymous Program Endowment Fund	2,713,744
The Bonnie Pitman Education Endowment to Do Something New	2,142,024
Education Endowment Fund for Interpretation	1,944,938
Pollock Foundation Education Endowment Fund	1,735,052
The Alex, Charlie, Grey, Jack and Rosey Fund	1,728,331
Mildred R. and Frederick M. Mayer Librarian Endowment Fund	1,721,510
Robert J. O'Donnell Endowment Fund	1,224,387
Gayle Hysinger Endowment Fund for Education	921,899
Freeman Family Endowment Fund	884,810
Jeffrey A. Marcus Education Endowment Fund	878,085
Anonymous Endowment Fund	872,210
Nancy Cain Marcus Education Endowment Fund	867,856
Boshell Lecture Series Endowment Fund	818,969
Prothro Education Endowment Fund	803,694
Rosewood Corporation Teacher Education Fund	795,858
The Martha McCarty Kimmerling Fund for Education	770,021
William Randolph Hearst Endowment Fund	616,344
Christopher and Sue Bancroft Education Endowment Fund	577,575
Marilyn R. and Leo F. Corrigan, Jr. Endowment Fund	496,269
Dr. Anson L. Clark Endowment Fund	477,794
Bank of America Education and Outreach Endowment Fund	459,537
Arch and Anne Giles Kimbrough Endowment Fund	457,742
Andrea Brenner-McMullen Arts Support Endowment Fund	368,794
Selma Parrill Children's Education Endowment Fund	348,134
Kay Cattarulla Endowment Fund for Literary and Performing Arts	337,368
Clara and Leo Corrigan, Sr. Endowment Fund	322,712
JC Penney Teaching Resource Center Endowment Fund	283,193
Albert and Minnie Susman Education Endowment Fund	276,131

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King Foundation Education Endowment Fund	272,502
Jane Du Pont and Barron U. Kidd Endowment	243,559
Dozier Travel Endowment Fund	238,256
Bromberg Endowment Fund	224,644
Brettell Lecture Series Endowment Fund	209,534
Shirley Philipson Pollock Internship in Art Librarianship Endowment	207,203
DeGolyer Endowment Fund	203,944
Levy Endowment Fund for Music	192,450
Education Endowment Fund	186,175
Nancy and Jeffrey Marcus Endowment Fund	179,684
Karen and Richard Pollock Endowment Fund	176,341
Collins Lecture Series Endowment Fund	171,829
Hobson Education Endowment Fund	170,852
Betty Moroney Norsworthy Endowment Fund	168,231
Arthur Andersen Education Endowment Fund	150,785
McGee Endowment for Arts & Letters Live	144,692
Rick and Diana Strauss Special Education Endowment	45,615
Gateway Gallery Endowment Fund	35,460
Print and Drawing Endowment Fund	24,332
	<u>49,475,632</u>
Operations and Other Specified Purpose Endowment Funds	
Expansion Campaign Endowment Fund	19,291,358
Family Fund Endowment Fund	13,713,616
The Eugene McDermott Director's Endowment	8,283,995
General Operations Endowment Fund	6,671,305
Anonymous	6,069,814
Edward W. and Deedie Rose Endowment	5,995,500
Fannie and Stephen Kahn Fund	4,833,827
Edmund J. and Louise W. Kahn Endowment Fund	4,493,070
Anonymous Endowment Fund	3,351,536
Gayle David Fogelson Endowment Fund	3,203,827
McDermott Challenge Endowment	2,601,045
Board Designated Reserve	2,265,638
Program Endowment Fund	1,751,101
Anonymous Endowment Fund	1,654,665
McDermott Garden Endowment Fund	1,553,024
Sarah M. & Charles E. Seay Fund in honor of Jack R. Munger	1,227,513
Anne Marie & Thomas Walker Fund	1,210,576
NEA Challenge Grant Endowment Fund	988,971
DMA League Museum Beautification Endowment Fund	905,220
The Clarence and Ruth Roy Endowment Fund	722,356
Anonymous Director's Assistants Endowment Fund	693,192
Ernest and Irene Wadel Endowment Fund	602,647
Frank and Binswanger Fresh Flower Fund	548,496
S. T. Harris Endowment Fund	516,556
Fay and Newt Walker Endowment Fund	453,013

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Shirley Pollock Endowment Fund	326,407
Harry and Ellen Parker Endowment Fund	310,545
Patsy Nasher Endowment Fund	177,094
Fleischner Courtyard Maintenance Endowment Fund	44,293
	<u>94,460,200</u>
	<u>\$ 289,210,430</u>

Endowment consists of:

Board designated endowment	\$ 20,632,832
Donor restricted endowment	268,577,598
	<u>289,210,430</u>
	<u>\$ 289,210,430</u>

Net assets with donor restrictions consist of:

Donor restricted endowment	\$ 268,577,598
Non-endowment contributions receivable	6,512,313
Net assets with donor purpose restrictions	14,736,879
	<u>289,826,790</u>
	<u>\$ 289,826,790</u>