Detroit Institute of Arts

Financial Report
June 30, 2023

Contents

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Independent Auditor's Report

To the Board of Directors
Detroit Institute of Arts

Opinion

We have audited the financial statements of Detroit Institute of Arts, which comprise the statement of financial position as of June 30, 2023 and 2022 and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Detroit Institute of Arts as of June 30, 2023 and 2022 and the changes in its net assets, functional expenses, and 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 (GAAS). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audits of the Financial Statements* section of our report. We are required to be independent of Detroit Institute of Arts and to meet our 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.

Emphasis of Matter

As explained in Note 5, the financial statements include investments valued at $265,097,592 (47.46 percent of net assets) at June 30, 2023 and at $233,032,680 (45.95 percent of net assets) at June 30, 2022, whose fair values have been estimated by management in the absence of readily determinable market values. Management’s estimates are based on information provided by the fund managers or the general partners. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor’s Responsibilities for the Audits of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 audits conducted in accordance with GAAS 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 are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

To the Board of Directors
Detroit Institute of Arts

In performing audits in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the 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 financial statements.
- Obtain an understanding of internal control relevant to the audits 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 Detroit Institute of Arts' 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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Detroit Institute of Arts' 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 audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

Plante & Moran, PLLC

October 20, 2023

Statement of Financial Position

June 30, 2023 and 2022

	2023	2022
Assets		
Current Assets		
Cash and short-term investments	$ 31,069,481	$ 25,554,357
Restricted cash	3,022,794	1,392,631
Receivables - Net:		
Accounts	1,945,742	2,037,379
Pledges - Current (Note 3)	7,132,195	9,707,706
Grand Bargain pledges - Current (Note 4)	2,305,800	2,168,350
Inventories	521,312	341,939
Prepaid expenses	440,680	308,550
Total current assets	46,438,004	41,510,912
Investments (Note 5)	477,997,288	423,674,084
Long-term Receivables		
Pledges - Less current portion (Note 3)	8,442,679	12,274,474
Grand Bargain pledges - Less current portion (Note 4)	13,930,834	16,219,195
Pension Asset (Note 6)	742,939	2,063,671
Fixed Assets - Net (Note 7)	24,217,758	24,244,403
Right-of-use Operating Lease Asset (Note 16)	3,058,667	-
Total assets	**$ 574,828,169**	**$ 519,986,739**
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	$ 3,533,983	$ 3,271,916
Deferred revenue	645,765	275,442
Accrued payroll and other employee benefits	3,024,077	2,744,711
Due to Foundation for Detroit's Future (Note 8)	375,000	375,000
Operating lease liability (Note 16)	215,575	-
Total current liabilities	7,794,400	6,667,069
Due to Foundation for Detroit's Future - Less current portion (Note 8)	3,094,735	3,357,752
Operating Lease Liability - Less current portion (Note 16)	2,851,907	-
Post-retirement Health Care Obligation (Note 6)	2,568,083	2,806,073
Total liabilities	16,309,125	12,830,894
Net Assets		
Without donor restrictions:		
Undesignated	25,133,807	18,877,998
Board designated (Note 10)	311,500,827	274,828,861
With donor restrictions (Notes 10 and 11)	221,884,410	213,448,986
Total net assets	558,519,044	507,155,845
Total liabilities and net assets	**$ 574,828,169**	**$ 519,986,739**

See notes to financial statements.

Detroit Institute of Arts

Statement of Activities and Changes in Net Assets

Years Ended June 30, 2023 and 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Gains, and Other Support						
Tricounty support (Note 12)	$ 26,430,726	$ -	$ 26,430,726	$ 28,729,651	$ -	$ 28,729,651
Membership and development	13,995,195	9,877,299	23,872,494	12,558,069	23,034,273	35,592,342
Contributed goods and services	836,448	57,500	893,948	441,657	-	441,657
Program and operational activities	9,518,678	5,834	9,524,512	3,741,863	19,089	3,760,952
Investment income (loss) - Net (Note 13)	34,675,390	5,066,953	39,742,343	(41,846,945)	(6,476,671)	(48,323,616)
Net assets released from restrictions	6,855,151	(6,855,151)	-	4,112,240	(4,112,240)	-
Total revenue, gains, and other support	92,311,588	8,152,435	100,464,023	7,736,535	12,464,451	20,200,986
Operating Expenses						
Program and operational activities	34,895,885	-	34,895,885	28,417,228	-	28,417,228
Membership and development	4,710,193	-	4,710,193	2,961,065	-	2,961,065
Supporting services	8,657,263	-	8,657,263	7,189,821	-	7,189,821
Total operating expenses	48,263,341	-	48,263,341	38,568,114	-	38,568,114
Changes in Net Assets from Operations	44,048,247	8,152,435	52,200,682	(30,831,579)	12,464,451	(18,367,128)
Other Changes in Net Assets						
Contributions received for art acquisitions	-	3,269,436	3,269,436	-	1,905,712	1,905,712
Investment return earmarked for art acquisitions (Note 13)	29,168	4,274,102	4,303,270	(165,959)	(5,644,755)	(5,810,714)
Purchases of works of art	(7,260,549)	-	(7,260,549)	(5,430,336)	-	(5,430,336)
Net assets released from restrictions to fund art acquisitions	7,260,549	(7,260,549)	-	5,430,336	(5,430,336)	-
Change in pension plan obligation (Note 6)	(1,341,148)	-	(1,341,148)	(1,194,755)	-	(1,194,755)
Change in post-retirement health care obligation (Note 6)	191,508	-	191,508	690,007	-	690,007
Gain on extinguishment of debt (Note 9)	-	-	-	3,676,834	-	3,676,834
Gain on sale of investment property	-	-	-	412,500	-	412,500
Total other changes in net assets	(1,120,472)	282,989	(837,483)	3,418,627	(9,169,379)	(5,750,752)
Total Changes in Net Assets	42,927,775	8,435,424	51,363,199	(27,412,952)	3,295,072	(24,117,880)
Net Assets - Beginning of year	293,706,859	213,448,986	507,155,845	321,119,811	210,153,914	531,273,725
Net Assets - End of year	**$ 336,634,634**	**$ 221,884,410**	**$ 558,519,044**	**$ 293,706,859**	**$ 213,448,986**	**$ 507,155,845**

See notes to financial statements.

Statement of Functional Expenses

Year Ended June 30, 2023

	Audience Engagement	Stewardship Care, Access, and Preservation	Education	Total Program and Operational Activities	Membership and Development	Support Services	Total
Salaries and benefits	$ 9,226,133	$ 7,558,469	$ 2,024,286	$ 18,808,888	$ 2,673,853	$ 4,060,980	$ 25,543,721
Building operations and utilities	3,468,121	764,248	-	4,232,369	66,345	104,473	4,403,187
Contract services	2,120,608	331,556	161,227	2,613,391	789,492	1,875,507	5,278,390
Office and technology	1,093,845	465,621	68,176	1,627,642	244,895	1,132,987	3,005,524
Advertising and promotion	-	-	-	-	-	668,738	668,738
Auxiliary events, travel, and hospitality	599,576	196,262	112,901	908,739	553,197	227,938	1,689,874
Depreciation	298,619	501,077	97,646	897,342	762	102,199	1,000,303
Cost of sales	1,019,749	-	136,557	1,156,306	-	-	1,156,306
Insurance	1,046,192	319,195	-	1,365,387	-	256,343	1,621,730
Bus subsidies for schools and seniors	199,238	-	273,620	472,858	-	-	472,858
Art packing, transportation, and other	1,686,143	179,082	-	1,865,225	-	-	1,865,225
Other	827,216	34,996	85,526	947,738	381,649	228,098	1,557,485
Total functional expenses	**$ 21,585,440**	**$ 10,350,506**	**$ 2,959,939**	**$ 34,895,885**	**$ 4,710,193**	**$ 8,657,263**	**$ 48,263,341**

See notes to financial statements.

Statement of Functional Expenses

Year Ended June 30, 2022

	Audience Engagement	Stewardship Care, Access, and Preservation	Education	Total Program and Operational Activities	Membership and Development	Support Services	Total
Salaries and benefits	$ 6,698,118	$ 7,014,910	$ 2,196,431	$ 15,909,459	$ 2,484,530	$ 3,576,202	$ 21,970,191
Building operations and utilities	1,413,286	2,356,230	292,943	4,062,459	9,049	101,304	4,172,812
Contract services	2,584,835	3,898	75,858	2,664,591	262,719	1,823,538	4,750,848
Office and technology	518,566	520,254	187,656	1,226,476	245,704	696,584	2,168,764
Advertising and promotion	-	-	10,950	10,950	-	450,486	461,436
Auxiliary events, travel, and hospitality	192,336	33,316	101,600	327,252	73,840	103,049	504,141
Depreciation	317,678	531,556	86,564	935,798	762	91,775	1,028,335
Cost of sales	626,500	-	160,542	787,042	-	-	787,042
Insurance	17,273	524,711	-	541,984	-	192,478	734,462
Bus subsidies for schools and seniors	69,900	-	147,679	217,579	-	-	217,579
Art packing, transportation, and other	329,941	78,636	-	408,577	-	-	408,577
Other	866,205	20,563	438,293	1,325,061	(115,539)	154,405	1,363,927
Total functional expenses	**$ 13,634,638**	**$ 11,084,074**	**$ 3,698,516**	**$ 28,417,228**	**$ 2,961,065**	**$ 7,189,821**	**$ 38,568,114**

See notes to financial statements.

Statement of Cash Flows

Years Ended June 30, 2023 and 2022

	2023	2022
Cash Flows from Operating Activities		
Change in net assets	$ 51,363,199	$ (24,117,880)
Adjustments to reconcile change in net assets to net cash, short-term investments, and restricted cash from operating activities:		
Depreciation	1,000,303	1,028,335
Amortization on Grand Bargain obligation	111,983	119,642
Amortization on pledge discounts	(630,217)	(696,704)
Net realized and unrealized (gains) losses on long-term investments	(41,701,570)	51,010,207
Contributions restricted for long-term purposes	(4,409,924)	(22,259,494)
Net periodic benefit cost pension and post-retirement medical benefits and related settlements	273,396	(397,605)
Change in pension obligation	787,292	1,333,922
Change in post-retirement health care obligation	68,941	(452,013)
Acquisitions of art	7,260,549	5,430,336
Gain on debt forgiveness	-	(3,676,834)
Gain on sale of investment property	-	(412,500)
Amortization of right-of-use lease asset	43,762	-
Changes in operating assets and liabilities that (used) provided cash, short-term investments, and restricted cash:		
Accounts and pledges receivable	(1,699,454)	2,130,411
Inventories	(179,373)	180,195
Prepaid expenses	(132,130)	327,066
Accounts payable and accrued expenses	262,067	2,102,770
Deferred revenue	370,323	87,816
Accrued payroll and other employee benefits	279,367	(175,744)
Unfunded post-retirement health care obligation	(46,887)	(55,143)
Operating lease liability	(34,947)	-
Net cash, short-term investments, and restricted cash provided by operating activities	12,986,680	11,506,783
Cash Flows from Investing Activities		
Purchase of fixed assets	(973,657)	(2,037,473)
Acquisition of art objects	(7,260,549)	(5,430,336)
Purchase of investments	(104,215,441)	(162,809,539)
Proceeds from sale of investments	91,593,806	127,596,624
Proceeds from sale of investment property	-	412,500
Net cash, short-term investments, and restricted cash used in investing activities	(20,855,841)	(42,268,224)
Cash Flows from Financing Activities		
Proceeds from contributions restricted for long-term purposes	12,751,998	14,547,725
Payments to Foundation for Detroit's Future	(375,000)	(375,000)
Payments received on Grand Bargain pledges receivable	2,637,450	3,190,650
Payments on Paycheck Protection Program loan	-	(288,791)
Net cash, short-term investments, and restricted cash provided by financing activities	15,014,448	17,074,584
Net Increase (Decrease) in Cash, Short-term Investments, and Restricted Cash	7,145,287	(13,686,857)
Cash, Short-term Investments, and Restricted Cash - Beginning of year	26,946,988	40,633,845
Cash, Short-term Investments, and Restricted Cash - End of year	**$ 34,092,275**	**$ 26,946,988**
Statement of Financial Position Classification of Cash, Short-term Investments, and Restricted Cash		
Cash and short-term investments	$ 31,069,481	$ 25,554,357
Cash for restricted purposes	3,022,794	1,392,631
Total cash, short-term investments, and restricted cash	**$ 34,092,275**	**$ 26,946,988**
Significant Noncash Transactions - Right-of-use operating assets obtained in exchange for operating lease liability	$ 3,102,429	$ -

See notes to financial statements.

Note 1 - Nature of Business

Detroit Institute of Arts (the "DIA" or the "Museum") is a not-for-profit corporation exempt from income tax under Section 501(c)(3) of the Internal Revenue Code (IRC) and classified as a publicly supported organization under IRC Sections 509(a)(1) and 170(b)(1)(A)(vi). The DIA's purpose is to:

- Serve the public through the collection, conservation, exhibition, and interpretation of art from a broad range of cultures and to expand understanding of these diverse visual forms of creative expression for the enjoyment and appreciation of the widest possible array of audiences.
- Solicit, receive, and administer funds, works of art, and other property.
- Engage in other activities not prohibited by the laws of the State of Michigan (the "State") in accordance with all powers under the provisions of the Nonprofit Corporation Act (Act 162 of the Public Acts of 1982).

Note 2 - Significant Accounting Policies

Basis of Presentation

The financial statements of the Museum have been prepared on the basis of generally accepted accounting principles (GAAP). The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect amounts reported in the financial statements. Actual results could differ from those estimates.

Cash and Short-term Investments

Cash and short-term investments consist of cash and money market funds, excluding amounts held temporarily in the long-term investment portfolio. The DIA maintains bank deposit accounts that are insured by the Federal Deposit Insurance Corporation (FDIC). While the DIA evaluates the financial institutions with which it deposits funds, the DIA determined it is not practical to insure all cash deposits.

Accounts Receivable

Receivables include amounts due from other museums for costs associated with the loan of works of art, such as crating and shipping, and amounts due from agencies for grants awarded and funds to be provided as reimbursement for expenses incurred.

Pledges Receivable

Pledges are unconditional promises to give and are recognized as membership and development revenue discounted to their present value at the end of each reporting period.

The reserve for doubtful accounts is based upon past history and a review of current balances. Pledges receivable are charged off when it is determined that amounts will not be collected.

Inventories

Inventories are stated at the lower of cost or net realizable value. Cost of sales is recorded using average cost.

Prepaid Expenses

Prepaid expenses include expenditures for insurance, maintenance contracts, and expenditures made in connection with the development of future programs. The expense is recorded in the period applicable to the related costs.

Note 2 - Significant Accounting Policies (Continued)

Investments

Investments are recorded at fair market value, as described in Note 5. The estimated fair market value of certain alternative investments is provided by external investment managers. Management reviews and evaluates the values provided by the investment managers and agrees with the valuation methods and significant assumptions used in determining fair value of the nonmarketable alternative investments. Because alternative investments are not readily marketable, their estimated value is subject to uncertainty and, therefore, may differ significantly from the value that would have been used had a ready market for these securities existed.

The DIA invests in various investments securities. Investment securities are exposed to various risks, such as interest rate, credit, and overall market volatility. 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 investment balances and the amounts reported in the statement of financial position and statement of activities and changes in net assets.

Investment income and loss, including net realized and unrealized gains and losses, are reflected in the statement of activities as an increase or decrease in net assets. Interest and dividend income are recorded on the accrual basis.

Fixed Assets

Fixed assets are recorded at cost. Donations of property and equipment are recorded as contributions at their estimated fair value at the date of the gift. The straight-line method is used for computing depreciation and amortization. Assets are depreciated over their estimated useful lives. Costs of maintenance and repairs are charged to expense when incurred.

Gifts of long-lived assets, such as land, buildings, or equipment, are reported as unrestricted support and are excluded from the excess of revenue over expenses unless explicit donor stipulations specify how the donated asset must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets must be maintained; expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

	Depreciable Life - Years
Buildings and improvements	10-40
Parking facilities	20
Furniture and equipment	5-7
Software	3-5

Deferred Revenue

The DIA receives moneys for which goods or services will be provided in future periods. Such receipts include payments for gift cards and deposits for future events. Revenue is recorded in the period in which the goods or services are provided.

Leases

The DIA has an operating lease for storage space, as described in Note 16. The DIA recognizes expense for the operating lease on a straight-line basis over the lease term. The DIA elected to use the risk-free rate as the discount rate for calculating the right-of-use asset and lease liability in place of the incremental borrowing rate for the operating lease.

Note 2 - Significant Accounting Policies (Continued)

Classification of Net Assets

Net assets of the DIA are classified based on the presence or absence of donor-imposed restrictions.

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions or for which the donor-imposed restrictions have expired or been fulfilled by the DIA. Under this category are three subcategories of net assets without donor restrictions: (1) undesignated; (2) board designated, where the entire balance can be spent for operating purposes, as directed by the board of directors of the DIA (the "Board"); and (3) board-designated endowment, where only the income, not the principal, is spent for operating purposes, as directed by the Board.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the DIA or by the passage of time. Other donor restrictions are perpetual in nature, where the donor has stipulated the funds be maintained in perpetuity. Earnings on endowment assets are classified as net assets with donor restrictions until such time as the related donor restrictions have been met, if applicable, and the funds have been appropriated for expenditure by the governing board. Types of restrictions include art acquisitions, programs for learning and audience engagement, curatorial and conservation, and operations.

Earnings, gains, and losses on donor-restricted net assets are classified as net assets without donor restrictions unless specifically restricted by the donor or by applicable state law.

Revenue from Contracts with Customers

The Museum recognized revenue from contracts with customers consisting of retail sales of $5,032,874 and $2,695,021 and museum admission and ticket sales of $4,491,638 and $1,065,931 during the years ended June 30, 2023 and 2022, respectively. Receivables from contracts with customers were $128,455, $120,342, and $104,649 as of June 30, 2023; June 30, 2022; and July 1, 2021, respectively.

Revenue from contracts with customers arises from food service, gift shop sales, admissions, and special event ticket sales. The Museum’s performance obligations primarily include transfer of control of goods and providing access to the Museum. The Museum typically satisfies its performance obligations at the point of sale for goods and ticket sales. The Museum's contract revenue is typically recognized at a point in time when the sale takes place. Under typical payment terms, payment is due upon point of sale for retail purchases and admission to the Museum.

In some situations, the Museum bills customers and collects cash prior to the satisfaction of the performance obligation, which results in the Museum recognizing contract liabilities. These contract liabilities are reflected within deferred revenue in the accompanying statement of financial position. The balance of deferred revenue at July 1, 2021 was $187,627.

Contributions

Contributions, including cash, grants, and in-kind contributions, without donor-imposed restrictions and contributions with donor-imposed time or purpose restrictions that are met in the period in which the gift is received are both reported as contributions without donor restrictions. For unconditional promises to give, revenue is recorded as membership and development revenue in the year such promises are made. Membership dues are considered contribution revenue and are recorded when received. See Note 12 for the millage revenue accounting policy. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Government grant funding is recognized as revenue when eligible expenses are incurred and are subject to approval by the funding agency. During the year ended June 30, 2022, the DIA received the Shuttered Venue Operators Grant of approximately $4.5 million, which was awarded in July 2021. The grant was used to cover a broad range of operating expenses incurred during the pandemic.

Note 2 - Significant Accounting Policies (Continued)

Contributed Goods and Services

Contributed goods and services are recorded as revenue and expenditures in the period of receipt at fair value. The DIA accepts donations of nonfinancial assets and records at the donor-stated fair market value. The DIA records volunteer hours for specialized skills at the current hourly value of volunteer time published by Independent Sector. None of the contributed goods and services are subject to donor restrictions, except for contributions received for special events.

Museum Collections

In conformity with allowable museum financial statement presentation practice, the value of the art collection is excluded from the statement of financial position, and, as such, purchases for the collection are recorded as expenditures for the acquisition of art objects on the statement of activities and changes in net assets in the year in which the objects are acquired.

Such art is accessioned to the permanent collection of the Museum upon approval of the Board. The works of art are held in charitable trust for educational, research, and curatorial purposes. Each of the items is catalogued, preserved, and cared for, and activities verifying their existence and assessing their condition are performed annually. Sales of works of art are subject to a policy that requires proceeds from their sales be used to acquire other items for the collection. Contributed works of art are not reflected in the financial statements. The donor-stated value of contributed works of art totaled approximately $1.1 million and $1.3 million (unaudited) for the years ended June 30, 2023 and 2022, respectively.

Functional Allocation of Expenses

Costs of providing the program, fundraising, and management services have been reported on a functional basis in the statement of functional expenses. The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Salary and wage expense is directly identified based on time incurred. Occupancy is allocated on the basis of square footage for the appropriate area of usage. Depreciation and amortization are allocated on the basis of the program or support service that uses the fixed asset. Costs have been allocated between the various program and support services based on estimates determined by management. Although the methods of allocation used are considered appropriate, other methods could be used that would produce different amounts.

Other Changes in Net Assets

Operating revenue and expenses are those directly related to the purpose and primary mission of the Museum. As a result, other activity, including artwork transactions and pension and post-retirement obligations, is reported as nonoperating revenue and expenses.

The Grand Bargain

On December 10, 2014, the DIA entered into various agreements to effectuate what is commonly referred to as the Grand Bargain Agreement (the "Grand Bargain"). As a result of the Grand Bargain, the City of Detroit, Michigan (the "City") conveyed all of its rights, title, and interest in the Museum and the Museum's assets (defined as the Museum's art collection, operating assets, buildings, parking lots and structures, and any other assets that are used primarily in operating or servicing the Museum) free and clear of all security interests, liens, encumbrances, claims, and interest of the City and its creditors to the DIA in exchange for fair value consideration. Under the Grand Bargain, the City received (1) the settlement of any dispute regarding the ownership of the Museum and the Museum's assets, (2) $816 million in funding for the payment of pension claims, and (3) the commitment of the DIA to hold the Museum's assets in perpetual charitable trust and to operate the Museum primarily for the benefit of the residents of the City, the tricounties, and the State of Michigan.

Note 2 - Significant Accounting Policies (Continued)

The $816 million in funding for the Grand Bargain was committed from the following sources:

- $100 million from the DIA and its direct funders, indirect funders, and special foundation funders to be paid to the City through the Foundation for Detroit's Future (FDF)
- $366 million from third-party foundation funders to be paid to the City through FDF
- $350 million from the State of Michigan paid directly to the City

The Grand Bargain included an option for the funders to retire their portion of the obligation early at a discount of 6.75 percent. See Note 8 for more information on the Museum's obligation to FDF. See Note 4 for more information about pledges receivable from donors related to the Grand Bargain.

Adoption of New Accounting Pronouncement

As of July 1, 2022, the DIA adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-02, *Leases*. The ASU requires lessees to recognize a right-of-use asset and related lease liability for all leases, with a limited exception for short-term leases. Leases will be classified as either finance or operating, with the classification affecting the pattern of expense recognition in the statement of operations. The DIA elected to adopt the ASU using the modified retrospective method as of July 1, 2022 and applied the following practical expedients:

- The DIA did not reassess if expired or existing contracts are or contain a lease.
- The DIA did not reassess the lease classification for expired or existing leases.
- The DIA did not reassess initial direct costs for any existing leases.
- The DIA used hindsight to determine the lease term and to assess impairment of the right-of-use assets for existing leases.
- The DIA did not reassess whether any existing or expired land easements that were not previously classified as leases are or contain a lease.

There was no impact on net assets as a result of adopting the new ASU.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including October 20, 2023, which is the date the financial statements were available to be issued.

Note 3 - Pledges Receivable

Pledges receivable at June 30 are as follows:

	2023	2022
Gross promises to give	$ 16,882,690	$ 23,171,141
Less allowance for uncollectible pledges	(931,000)	(716,000)
Present value adjustment (0.28 - 4.78 percent)	(376,816)	(472,961)
Net pledges receivable	$ 15,574,874	$ 21,982,180
Amounts due in:		
Less than one year	$ 7,132,195	$ 9,707,706
One to five years	4,249,500	7,412,925
More than five years	5,500,995	6,050,510
Total	$ 16,882,690	$ 23,171,141

Note 3 - Pledges Receivable (Continued)

In addition, the DIA has obtained, but not recognized, approximately $0.9 and $1.1 million in pledges at June 30, 2023 and 2022, respectively, which depend on the occurrence of specified future and uncertain events to bind the donor. These pledges will be recognized as the conditions are met.

Note 4 - Grand Bargain Pledges

The DIA's board of directors passed a resolution in the year ended June 30, 2016 to extinguish the Grand Bargain obligation by electing to prepay a majority of the balance in lieu of paying over 20 years. This resolution released the remaining pledges from donor restriction, as the donor-restricted purpose of paying the obligation has been met. Subsequent to the payoff, the Board passed a resolution to allocate the remaining Grand Bargain pledges to the board-designated endowment.

Grand Bargain pledges receivable at June 30 are as follows:

	2023	2022
Gross promises to give	$ 18,923,300	$ 21,560,750
Less allowance for uncollectible pledges	(189,000)	(215,000)
Present value adjustment (1.12 - 3.07 percent)	(2,497,666)	(2,958,205)
Total	$ 16,236,634	$ 18,387,545
Amounts due in:		
Less than one year	$ 2,305,800	$ 2,168,350
One to five years	8,031,250	9,199,900
More than five years	8,586,250	10,192,500
Total	$ 18,923,300	$ 21,560,750

Note 5 - Fair Value Measurements

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that the DIA has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets and other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. These Level 3 fair value measurements are based primarily on management’s own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The DIA’s assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

Management believes the investment portfolio is sufficiently liquid to meet the DIA’s needs. As of June 30, 2023, 14.4 percent of the fair value of the investments was available for withdrawal on a daily basis, 11.9 percent on a monthly basis, 7.7 percent on a quarterly basis, 5.3 percent on a semiannual basis, 6.1 percent on an annual basis, and 54.6 percent in greater than one year.

Note 5 - Fair Value Measurements (Continued)

The following tables present information about the DIA's assets measured at fair value on a recurring basis at June 30, 2023 and 2022:

	Assets Measured at Fair Value on a Recurring Basis at June 30, 2023		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Net Asset Value	Balance at June 30, 2023
Cash and short-term investments - Money market funds	$ 6,077,204	$ -	$ 6,077,204
Investments:			
Money market funds	9,801,271	-	9,801,271
Mutual funds:			
Debt securities	10,188,644	-	10,188,644
Domestic equities	25,480,703	-	25,480,703
Alternative investments:			
Common trust	-	23,962,309	23,962,309
Hedge funds	-	58,203,372	58,203,372
Partnerships	-	104,257,132	104,257,132
Foreign corporations	-	45,726,560	45,726,560
Private equity	-	124,932,337	124,932,337
Private credit	-	75,444,960	75,444,960
Total investments at fair value	45,470,618	432,526,670	477,997,288
Total assets at fair value	$ 51,547,822	$ 432,526,670	$ 484,074,492

	Assets Measured at Fair Value on a Recurring Basis at June 30, 2022		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Net Asset Value	Balance at June 30, 2022
Cash and short-term investments - Money market funds	$ 4,552,660	$ -	$ 4,552,660
Investments:			
Money market funds	10,999,268	-	10,999,268
Mutual funds:			
Debt securities	9,690,716	-	9,690,716
Domestic equities	22,638,477	-	22,638,477
Alternative investments:			
Common trust	-	22,602,730	22,602,730
Hedge funds	-	49,934,353	49,934,353
Partnerships	-	93,358,290	93,358,290
Foreign corporations	-	48,075,837	48,075,837
Private equity	-	107,636,038	107,636,038
Private credit	-	58,738,375	58,738,375
Total investments at fair value	43,328,461	380,345,623	423,674,084
Total assets at fair value	$ 47,881,121	$ 380,345,623	$ 428,226,744

Note 5 - Fair Value Measurements (Continued)

Investments in Entities That Calculate Net Asset Value per Share

The DIA holds shares or interests in investment companies at year end where the fair value of the investment held is estimated based on the net asset value per share (or its equivalent) of the investment company.

At year end, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

	2023	2022	2023		
	Fair Value	Fair Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
Common trust	$ 23,962,309	$ 22,602,730	$ -	Daily - Quarterly	On demand - 90 days
Hedge funds	58,203,372	49,934,353	-	Quarterly - 2 year anniversary	45-90 days
Partnerships	104,257,132	93,358,290	-	Weekly - 3 year anniversary	5-150 days
Foreign corporations	45,726,560	48,075,837	-	Monthly - 2 year anniversary	90-120 days
Private equity	124,932,337	107,636,038	75,745,960	N/A	N/A
Private credit	75,444,960	58,738,375	38,228,745	N/A	N/A
Total	$ 432,526,670	$ 380,345,623	$ 113,974,705		

The common trust category includes investments in funds that pool fiduciary client assets to invest in a diversified portfolio of stocks, bonds, or other securities. The investment commingles institutional trusts to diversify investments.

The hedge funds category includes investments in funds that may be invested in a number of different strategies to provide portfolio diversification and generate positive absolute return. The purpose of these investments is to generate high returns.

The partnerships category includes investments in opportunistic investment funds that provide ownership interest in companies to grow new business and provide investment diversification.

The foreign corporations category includes investments in equities of smaller companies outside of the United States.

The private equity and private credit categories include investments that utilize strategies designed to take advantage of market dislocations or opportunistic investment solutions. These investments are evaluated based on their expected risk and return profile, strength of management, mechanism for exit, and adequacy of liquidity.

Note 6 - Pension and OPEB

The DIA has a defined benefit pension plan (the "Plan") covering substantially all of its employees who were hired before July 1, 2009. The benefits are based on years of service and level of compensation. Effective July 1, 2009, the Plan was amended to freeze accruals and to exclude employees hired on or after July 1, 2009. Vesting requirements for accrued benefits under the Plan were unchanged by the amendment. The DIA's funding policy is to contribute annually amounts sufficient to meet the benefits to be paid to participants and to satisfy minimum funding requirements, as required by the Employee Retirement Income Security Act of 1974, as amended (ERISA). The DIA has met the ERISA minimum funding requirements for the years ended June 30, 2023 and 2022.

Note 6 - Pension and OPEB (Continued)

In addition to the pension plan, the DIA sponsors a post-retirement medical benefits plan (OPEB) for eligible retirees and their spouses. As of January 1, 2011, the OPEB plan was amended to replace the post-65 retiree medical and dental benefits with a stipend payment, which reimburses eligible retirees for qualified expenses associated with the purchase of qualified medical benefits. The amount of the stipend will be up to $150 per month for eligible retirees and up to $300 per month for married couples. Employees who are eligible to retire before the age of 65 and are at least 60 years of age will have retiree medical benefits provided through premium-based coverage. Under this provision, the retiree pays a share of the monthly premium, which is subject to adjustment annually. The accumulated post-retirement benefit obligation continues to be computed in accordance with ASC 715, *Compensation - Retirement Benefits*.

The following tables set forth the plans' funded status, the cost the DIA recognized in its financial statements, and other information required for disclosure at June 30, 2023 and 2022:

	Pension Benefits		Other Post-retirement Benefits	
	2023	2022	2023	2022
Benefit obligation	$ 32,264,025	$ 33,182,493	$ 2,568,083	$ 2,806,073
Fair value of plan assets	33,006,964	35,246,164	-	-
Overfunded (underfunded) status	$ 742,939	$ 2,063,671	$ (2,568,083)	$ (2,806,073)

The benefit obligation above reflects the projected benefit obligation for pension benefits and the accumulated benefit obligation for other post-retirement benefits. Due to the defined benefit plan being frozen as of July 1, 2009, the projected benefit obligation and the accumulated benefit obligation are the same.

Amounts recognized in the statement of financial position consist of the following:

	Pension Benefits		Other Post-retirement Benefits	
	2023	2022	2023	2022
Overfunded pension plan obligation	$ (742,939)	$ (2,063,671)	$ -	$ -
Post-retirement health care obligation	-	-	2,568,083	2,806,073
(Overfunded) underfunded status	$ (742,939)	$ (2,063,671)	$ 2,568,083	$ 2,806,073

Other changes in plan assets and benefit obligations recognized as changes in net assets consist of the following:

	Pension Benefits		Other Post-retirement Benefits	
	2023	2022	2023	2022
Net actuarial loss (gain)	$ 1,267,413	$ 1,438,459	$ (347,397)	$ (830,611)
Amortization of prior service (cost) credit	(702)	(702)	416,338	416,338
Amortization of net loss	(479,419)	(103,835)	-	(37,740)
Adjustment to pension liability and post-retirement health care obligation - loss (gain)	$ 787,292	$ 1,333,922	$ 68,941	$ (452,013)

Note 6 - Pension and OPEB (Continued)

The amounts included in net assets without donor restrictions at June 30, 2023 that have not been recognized in net periodic benefit cost include approximately $7.2 million in unrecognized actuarial losses for the Plan and prior service cost credit of $0.2 million and unrecognized actuarial losses of approximately $0.6 million for the OPEB plan. The amount expected to be recognized in net periodic benefit cost during the fiscal year ending June 30, 2024 is an actuarial loss of approximately $0.7 million and the amortization of net prior service cost of approximately $0.0007 million for the Plan and, for the OPEB plan, the actuarial loss of approximately $0 and the amortization of net prior service credit of approximately $0.2 million.

	Pension Benefits		Other Post-retirement Benefits	
	2023	2022	2023	2022
Components of Net Periodic Benefit Costs (Gain)				
Service costs	$ -	$ -	$ 23,875	$ 41,048
Interest costs	1,553,304	1,120,794	132,419	99,150
Expected return on plan assets	(1,499,985)	(1,384,536)	-	-
Amortization of actuarial losses	479,419	103,835	-	37,740
Amortization of prior service cost (credit)	702	702	(416,338)	(416,338)
Total	$ 533,440	$ (159,205)	$ (260,044)	$ (238,400)

	Pension Benefits		Other Post-retirement Benefits	
	2023	2022	2023	2022
Changes in Fair Value of Plan Assets				
Fair value - Beginning of year	$ 35,246,164	$ 44,375,158	$ -	$ -
Actual return on assets	(433,054)	(7,386,096)	-	-
Employer contributions	-	-	46,887	55,143
Plan participants contributions	-	-	-	369
Benefits paid	(1,806,146)	(1,742,898)	(46,887)	(55,512)
Fair value - End of year	$ 33,006,964	$ 35,246,164	$ -	$ -

There were no settlement costs recognized for the years ended June 30, 2023 and 2022.

The estimated net loss and prior service cost for the defined benefit pension plan that will be amortized from accumulated other comprehensive income into net periodic benefit cost over the next fiscal year is $651,347 and $702, respectively.

Weighted-average assumptions used to determine benefit obligations at June 30 are as follows:

	Pension Benefits		Other Post-retirement Benefits	
	2023	2022	2023	2022
Discount rate	5.35%	4.85%	5.35%	4.85%
Rate of compensation increase	N/A	N/A	0	0

Note 6 - Pension and OPEB (Continued)

Weighted-average assumptions used to determine net periodic benefit cost for the years ended June 30 are as follows:

	Pension Benefits		Other Post-retirement Benefits	
	2023	2022	2023	2022
Discount rate	4.85%	2.80%	4.85%	2.85%
Expected long-term rate of return on plan assets	4.40%	3.20%	0	0
Rate of compensation increase	0	0	0	0

For measurement purposes, a 7.05 percent and 7.21 percent annual rate of increase in health care costs at June 30, 2023 and 2022, respectively, was assumed, decreasing annually to the target rate of 5.00 percent for 2035 and thereafter.

Pension Plan Assets

The Plan’s primary investment goal is to achieve the actuarial required return, consistent with prudent investment management. The Plan’s asset allocation is structured to meet a long-term targeted total return that is consistent with the ongoing nature of the Plan’s liabilities.

The Plan's assets in aggregate and at the individual portfolio level are invested to ensure that total portfolio risk exposure and risk-adjusted returns meet the Plan's long-term total return goal.

As a result of recent increases in the funded status of the Plan, and in an effort to minimize volatility in the value of plan assets, the Plan's investment committee has approved a target allocation of 90 percent domestic fixed income and 10 percent equity securities to be achieved over time. The allocation of plan assets as of June 30, 2023 was 93.2 percent fixed income and 6.8 percent equity securities.

In conjunction with the Museum's investment consultants, the DIA works to develop the long-term rate-of-return assumptions used to model and determine the overall asset allocation. The consultant's asset allocation committee is responsible for determining the asset class assumptions. Forecast returns are based on a combination of historical returns, current market conditions, and the consultant's forecast for the capital markets over the next five to seven years. The consultant analyzes the historic trends of asset class index returns since inception of the asset class over various market cycles and economic conditions. The return assumption is based on historical, current, and forward-looking information. All asset class assumptions are within certain bands around the long-term historical averages. Adjustments to historical returns are based on a number of factors, including, but not limited to, current market valuations, yield, inflation, and various economic indicators.

The Plan's individual investment managers are provided specific investment guidelines under which they are to invest their assets. In general, investment managers are expected to remain fully invested. Equity and fixed-income managers are expected to invest through best execution in assets that they deem to be prudent investments.

The Plan's investment policy prohibits the use of derivatives for purposes of leverage or unrelated speculation. The policy also outlines certain securities, strategies, and investments that are ineligible for inclusion within the Plan.

The Plan's investment managers exercise full investment discretion within guidelines outlined in the Plan's investment policy. The Plan's investment managers are charged with the responsibility of managing the assets with the care, skill, and diligence that a prudent investment professional in similar circumstances would exercise. Investment practices must comply with the limitations and requirements of ERISA and applicable laws and regulations.

Note 6 - Pension and OPEB (Continued)

The fair values of the DIA's pension plan assets at June 30, 2023 and 2022 by major asset classes are as follows:

	Fair Value Measurements at June 30, 2023			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Net Asset Value (NAV)	Total
Asset Classes				
Short-term investments	$ 1,635,119	$ -	$ -	$ 1,635,119
Mutual funds - Domestic equities	792,124	-	-	792,124
Debt securities	-	26,337,051	-	26,337,051
Partnerships	-	-	897,927	897,927
Registered investment companies	-	-	1,961,298	1,961,298
Foreign corporations	-	-	1,383,445	1,383,445
Total	$ 2,427,243	$ 26,337,051	$ 4,242,670	$ 33,006,964

	Fair Value Measurements at June 30, 2022			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Net Asset Value (NAV)	Total
Asset Classes				
Short-term investments	$ 2,304,509	$ -	$ -	$ 2,304,509
Mutual funds - Domestic equities	626,557	-	-	626,557
Debt securities	-	28,148,322	-	28,148,322
Partnerships	-	-	909,884	909,884
Registered investment companies	-	-	1,961,298	1,961,298
Foreign corporations	-	-	1,295,594	1,295,594
Total	$ 2,931,066	$ 28,148,322	$ 4,166,776	$ 35,246,164

Partnerships valued at $897,927 have unfunded commitments of $125,000 as of June 30, 2023. Partnerships can be redeemed daily with an advanced redemption notice of at least 10 days. Registered investment companies valued at $1,961,298 have no unfunded commitments as of June 30, 2023 and are not eligible for redemptions. Foreign corporations valued at $1,383,445 have no unfunded commitments as of June 30, 2023. Foreign corporations can be redeemed monthly with an advanced redemption notice of at least 30 days.

The partnerships category includes investments in opportunistic investment funds that provide ownership interest in companies to grow new business and provide investment diversification. The registered investment companies category includes debt investments in middle market companies within the United States. The foreign corporations category includes investments in equities of smaller companies outside of the United States.

Note 6 - Pension and OPEB (Continued)

As previously described in Note 5, fair value measurements require disclosures that provide a valuation hierarchy by major class for assets and liabilities measured at fair value and about valuation techniques and the inputs to those techniques for those assets and liabilities designated as Level 2 or Level 3.

Mutual funds are recorded at fair value using NAV based on quoted prices in active markets, such as the New York Stock Exchange or NASDAQ.

Partnerships, registered investment companies, and foreign corporations are recorded at fair value and measured using NAV provided by the administrator of the fund, which is based on the value of the underlying assets owned by the fund, less its liabilities, and then divided by the number of shares outstanding.

Cash Flow

Contributions

The DIA does not expect to contribute to its pension plan; however, it does expect to contribute $159,469 to its other post-retirement benefit plan in 2024.

Estimated Future Benefit Payments

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

Years Ending	Pension Benefits	Other Post-retirement Benefits
2024	$ 2,496,617	$ 159,469
2025	2,544,178	177,259
2026	2,573,009	192,001
2027	2,575,891	203,721
2028	2,555,377	206,660
Thereafter	12,336,798	981,807

Note 7 - Fixed Assets

Fixed assets consist of the following as of June 30:

	2023	2022
Land	$ 2,667,703	$ 2,667,703
Building and improvements	21,873,041	21,693,554
Parking facilities	3,048,140	3,048,140
Construction in progress	1,655,610	1,969,094
Furniture and equipment	3,112,713	2,592,270
Software	891,854	590,347
Total cost	33,249,061	32,561,108
Accumulated depreciation and amortization	9,031,303	8,316,705
Net property and equipment	$ 24,217,758	$ 24,244,403

Total depreciation expense for the years ended June 30, 2023 and 2022 was approximately $1.0 million.

Note 8 - Due to Foundation for Detroit's Future

Pursuant to the Grand Bargain Agreement on December 10, 2014, the DIA committed to paying $100 million to FDF for the benefit of the City's pension plan. A payment of $5 million was made in December 2014. The DIA's board of directors resolved to retire the majority of the remaining obligation on June 30, 2016. As a result, the DIA received a 6.75 percent discount for early payment, as provided in the agreement. The balance of the obligation will be paid over a 20-year period by payments from two donors who promised funds directly to FDF. These pledges are not recorded on the DIA's statement of financial position, as they reside on the records of FDF. The funds are recognized as contribution revenue and relief of the obligation to FDF as payments are made to FDF by the donors.

The obligation to FDF consists of the following:

	Gross	Discount (3 percent)	Total
Balance as of July 1, 2021	$ 4,875,000	$ (886,890)	$ 3,988,110
Amortization of 3 percent discount	-	119,642	119,642
Payment made in June 2022	(375,000)	-	(375,000)
Balance as of July 1, 2022	4,500,000	(767,248)	3,732,752
Amortization of 3 percent discount	-	111,983	111,983
Payment made in June 2023	(375,000)	-	(375,000)
Balance as of June 30, 2023	$ 4,125,000	$ (655,265)	$ 3,469,735

The balance of the above debt matures as follows:

Years Ending	Amount
2024	$ 375,000
2025	375,000
2026	375,000
2027	375,000
2028	375,000
Thereafter	2,250,000
Total	$ 4,125,000

Note 9 - Paycheck Protection Program Loan

During the year ended June 30, 2020, the DIA received a Paycheck Protection Program (PPP) loan in the amount of $3,965,625. Under the terms of this program, the loan was able to be fully or partially forgiven if the loan proceeds were spent on qualifying expenses and staffing level and salary maintenance requirements were met. The DIA was able to use the funds on qualifying expenses over a covered period of at least 8 weeks and up to 24 weeks. At the conclusion of the covered period, any balance that was not forgiven by the Small Business Administration (SBA) would be repaid over a period of two years at a 1 percent interest rate, with monthly payments of principal and interest beginning five months after loan forgiveness documentation had been submitted to the SBA. Payments were deferred as of June 30, 2021. The DIA submitted a request for forgiveness of the loan in July 2021. In January 2022, the DIA received notice from the SBA of forgiveness of $3,676,834, the remaining balance was repaid in full in February 2022. At June 30, 2022, the forgiveness is included as a gain on extinguishment of debt on the statement of activities and changes in net assets.

Note 10 - Net Assets

Net assets without donor restrictions consist of the following as of June 30:

	2023	2022
Board-designated net assets:		
Board-designated endowment	$ 203,297,854	$ 180,398,902
Gallery reinstallation	25,620,168	21,954,935
Operations	21,458,832	19,118,057
Capital expenditures	24,357,949	18,797,277
Millage supported programs	10,956,735	13,212,978
Exhibitions	14,731,222	11,866,180
Special projects and initiatives	10,351,574	8,877,479
Programs and other	726,493	603,053
Total board-designated net assets	311,500,827	274,828,861
Undesignated net assets	25,133,807	18,877,998
Total net assets without donor restrictions	$ 336,634,634	$ 293,706,859

Net assets with donor restrictions as of June 30 are restricted for the following purposes:

	2023	2022
Subject to expenditures for a specified purpose:		
Operations	$ 4,375,111	$ 3,034,450
Art acquisitions, conservation, and curatorial	12,152,335	13,005,572
Program, capital, special projects, and other	7,094,191	7,787,268
Auxiliary and volunteer groups	2,639,683	2,283,787
Exhibitions and education	3,069,635	2,393,702
Total subject to expenditures for a specified purpose	29,330,955	28,504,779
Subject to the DIA's spending policy and appropriation:		
General operations	132,437,635	126,385,296
Artwork acquisitions	42,158,599	41,033,762
Conservation	1,074,856	1,072,874
Curatorial	3,504,575	3,411,844
Learning and audience engagement	10,341,758	10,084,824
Auxiliary and support groups	2,794,917	2,720,894
Capital funds	130,835	127,375
Exhibitions	62,309	60,633
Miscellaneous	47,971	46,705
Total subject to the DIA's spending policy and appropriations	192,553,455	184,944,207
Total	$ 221,884,410	$ 213,448,986

Investments in perpetuity, including amounts above the original donor gift amount of $141,804,054 and $137,880,672 as of June 30, 2023 and 2022, respectively, are expendable to support the purposes shown above once appropriated.

Note 11 - Donor-restricted and Board-designated Endowments

The DIA's endowment consists of approximately 100 individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the board of directors to function as endowments. Net assets associated with endowment funds, including funds designated by the board of directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Note 11 - Donor-restricted and Board-designated Endowments (Continued)

Interpretation of Relevant Law

The DIA is subject to the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the board of directors appropriates such amounts for expenditures. Most of those net assets also are subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The board of directors of the DIA had interpreted UPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the DIA considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The DIA has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. Additionally, in accordance with UPMIFA, the DIA considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purpose of the DIA and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the DIA
- The investment policies of the DIA

	Endowment Net Asset Composition by Type of Fund as of June 30, 2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	$ 203,297,854	$ -	$ 203,297,854
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by the donor	-	141,804,054	141,804,054
Accumulated investment gains	-	26,670,906	26,670,906
Term endowment	-	24,078,495	24,078,495
Total donor-restricted endowment funds	-	192,553,455	192,553,455
Total	$ 203,297,854	$ 192,553,455	$ 395,851,309

Note 11 - Donor-restricted and Board-designated Endowments (Continued)

	Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - Beginning of year	$ 180,398,902	$ 184,944,207	$ 365,343,109
Investment return:			
Investment income - Net of fees	915,653	301,055	1,216,708
Net appreciation (realized and unrealized)	19,290,395	6,342,429	25,632,824
Total investment return	20,206,048	6,643,484	26,849,532
Contributions	-	3,923,382	3,923,382
Appropriation of endowment assets for expenditure	(525,509)	(2,978,573)	(3,504,082)
Other changes:			
Board resolution to designate unrestricted bequests	2,286,539	-	2,286,539
Transfers based on board or donor request	931,874	20,955	952,829
Endowment net assets - End of year	$ 203,297,854	$ 192,553,455	$ 395,851,309

	Endowment Net Asset Composition by Type of Fund as of June 30, 2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	$ 180,398,902	$ -	$ 180,398,902
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by the donor	-	137,880,672	137,880,672
Accumulated investment gains	-	23,624,276	23,624,276
Term endowment	-	23,439,259	23,439,259
Total donor-restricted endowment funds	-	184,944,207	184,944,207
Total	$ 180,398,902	$ 184,944,207	$ 365,343,109

Note 11 - Donor-restricted and Board-designated Endowments (Continued)

	Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - Beginning of year	$ 211,129,874	$ 176,946,892	$ 388,076,766
Investment return:			
Investment income - Net of fees	(2,356,910)	(703,362)	(3,060,272)
Net depreciation (realized and unrealized)	(29,945,541)	(8,936,504)	(38,882,045)
Total investment return	(32,302,451)	(9,639,866)	(41,942,317)
Contributions	-	20,240,974	20,240,974
Appropriation of endowment assets for expenditure	(487,542)	(2,746,246)	(3,233,788)
Other changes:			
Board resolution to designate unrestricted bequests	1,824,718	-	1,824,718
Transfers based on board or donor request	234,303	142,453	376,756
Endowment net assets - End of year	$ 180,398,902	$ 184,944,207	$ 365,343,109

Permanently restricted endowment net assets include pledges receivable of $12.9 million and $21.7 million as of June 30, 2023 and 2022, respectively.

Underwater Endowment Funds

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 UPMIFA requires the DIA to retain as a fund of perpetual duration. As of June, 30, 2023, deficiencies of this nature existed in three donor-restricted endowment funds, which together have an original gift value of $5,556,390, a current fair value of $5,281,198, and a deficiency of $273,723. As of June, 30, 2022, deficiencies of this nature existed in four donor-restricted endowment funds, which together have an original gift value of $5,566,390, a current fair value of $4,936,024, and a deficiency of $630,366. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after investment of new contributions for donor-restricted endowment funds. The DIA has a policy that permits spending from underwater endowment funds, depending on the degree to which the fund is underwater, unless otherwise precluded by donor intent or relevant laws and regulations.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the DIA 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 DIA 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.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The DIA 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 purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the DIA must hold in perpetuity or for a donor-specified period, as well as board-designated funds. Under this policy, as approved by the Board, the endowment assets are invested in a manner that is intended to produce a real return, net of inflation and investment management costs, that is equal to or greater than the approved endowment payout (currently 4.6 percent) over the long term. Actual returns in any given year may vary from this amount.

Note 12 - Relationship with the Tricounties

The counties of Macomb, Oakland, and Wayne, Michigan established Art Institute Authorities (the "Authorities") pursuant to the Public Act 296 of 2010, which allows for the continuing support of art institute services for the students, residents, and visitors of these counties. The Authorities entered into separate service agreements with the DIA, which provide for the continued provision of art institute services to the residents of the respective counties upon receipt of tax moneys levied by the respective Authorities.

In August 2012, the voters of the respective counties approved the levies of the tax on real and personal property for a period of 10 years. The millage rate approved was 0.2 mills (20 cents per $1,000 of taxable value). In March 2020, the millage was renewed for another 10 years through 2032 at the previously approved rate of 0.2 mills. The DIA recognizes revenue when millage proceeds are received from the counties.

All agreements are based on providing services over a calendar year. Proceeds from the millage are forwarded to the DIA as received by the counties. For the years ended June 30, 2023 and 2022, the DIA has recognized approximately $26.4 million and $28.7 million, respectively, in tricounty support.

Note 13 - Investment Income

The DIA generally invests operating cash in excess of daily requirements and board-designated and donor-restricted funds in investments with maturities of 60 months or less. Endowment funds, whether held in perpetuity by donor restriction or by board designation, are invested for the long term on a pooled concept.

Investment income (loss) is composed of the following for the years ended June 30, 2023 and 2022:

	2023	2022
Interest and dividends	$ 6,349,258	$ 138,154
Net realized and unrealized gains (losses)	41,701,570	(51,010,207)
Investment management fees	(4,005,215)	(3,262,277)
Total	$ 44,045,613	$ (54,134,330)

Note 14 - Beneficial Interests

The DIA is the recipient of substantial gifts from the investment of the Robert H. Tannahill Trust (the "Tannahill Trust"). The Robert H. Tannahill Foundation Committee is instructed to allocate 50 percent of its annual income to the DIA for the acquisition of art objects in certain specified categories. The market value of one-half of the Tannahill Trust principal at June 30, 2023 and 2022 was approximately $26.9 million and $26.0 million, respectively. The beneficial interest in the trust has not been recorded on the Museum’s statement of financial position because the trustees had the power to change the beneficiaries. In 2016, the Tannahill Trust transferred 100 percent of the trust principal to the Community Foundation for Southeast Michigan (CFSEM) to hold and manage the fund. The fund is subject to variance power maintained by CFSEM. The fund is invested as a component fund of CFSEM. Income earned is available to be distributed to the DIA at the discretion of CFSEM. Earnings distributions totaled $1,550,000 and $1,525,000 in 2023 and 2022, respectively, and are recorded on the statement of activities and changes in net assets under other changes in net assets as contributions received for art acquisitions. The cash received from the Tannahill Trust is included in restricted cash on the statement of financial position.

Note 14 - Beneficial Interests (Continued)

The DIA is an income beneficiary of an endowment fund (the "Fund") held and managed by CFSEM for funds donated by outside donors for the benefit of the Museum. The total market value of the Fund at June 30, 2023 and 2022 was approximately $23.1 million and $20.5 million, respectively. The beneficial interest in these funds has not been recorded on the Museum’s statement of financial position because CFSEM maintains variance power over the funds. New gifts to the Fund are largely attributable to the DIA’s participation in CFSEM fundraising initiatives. The Fund is invested as a component fund of CFSEM. Income earned is available to be distributed to the DIA at the discretion of CFSEM. Starting on July 1, 2013, the DIA requested and CFSEM approved the suspension of the payout from the Fund for operating purposes. This measure was taken to help build the endowment fund. Earnings distributions to the DIA for specific operating programs are $297,466 and $86,975 for the years ended June 30, 2023 and 2022, respectively.

In addition, certain funds donated by outside donors for the benefit of the DIA are held and managed by the Ann Arbor Area Community Foundation (AAACF). The fair market value of these funds was approximately $380,000 and $360,000 at June 30, 2023 and 2022, respectively. The beneficial interest in these funds has not been recorded on the Museum’s statement of financial position because AAACF maintains variance power over the funds. Earnings are available for distribution to the DIA for operations at the discretion of AAACF. Earnings distributions to the DIA operations were $14,943 and $14,358 for the years ended June 30, 2023 and 2022, respectively.

Note 15 - Defined Contribution Plan

The DIA sponsors a 401(k) plan for substantially all employees. The plan provides for the DIA to make a safe harbor nonelective contribution of 3 percent of the salary of eligible employees and matches 100 percent of the employees' elective deferral contributions up to 2 percent of the employees' salaries. The DIA's contributions to the plan totaled $0.9 and $0.8 million for the years ended June 30, 2023 and 2022, respectively.

Note 16 - Leases

The DIA is obligated under an operating lease for storage space, expiring through 2028, which includes a five-year period renewal option. The right-of-use asset and related lease liability have been calculated using a discount rate of 3.59 percent.

Note 16 - Leases (Continued)

Future minimum annual commitments under the operating lease are as follows:

Years Ending June 30	Amount
2024	$ 322,195
2025	331,018
2026	340,360
2027	349,006
2028	358,470
Thereafter	1,981,853
Total	3,682,902
Less amount representing interest	615,420
Present value of net minimum lease payments	3,067,482
Less current obligations	215,575
Long-term obligations under leases	$ 2,851,907

Expenses recognized under the lease for the year ended June 30, 2023 consist of the following:

Lease cost:	
Operating lease cost	$ 62,273
Short-term lease cost	117,000
Total lease cost	$ 179,273
Other information:	
Cash paid for amounts included in the measurement of lease liability - Operating cash flows from operating lease	$ 53,457
Right-of-use asset obtained in exchange for new operating lease liability	3,102,429
Remaining lease term (months) - Operating lease	118

Note 17 - Liquidity and Availability of Financial Resources

The DIA structures its financial assets to be available to support forecasted expenditures and other obligations as they become due. In addition, provisions are made for unanticipated liquidity needs.

The DIA's endowment funds consist of the following as of June 30:

	2023	2022
Board-designated endowments	$ 203,297,854	$ 180,398,902
Donor-restricted endowments	192,553,455	184,944,207
Total	$ 395,851,309	$ 365,343,109

Income generated from donor-restricted endowments is restricted to the stated purpose, which includes support of operations, programming, art acquisitions, and other special purpose restrictions.

Note 17 - Liquidity and Availability of Financial Resources (Continued)

As described in Note 11, the DIA has adopted a spending policy for endowment assets that attempts to provide a steady stream of funding to programs supported by endowment funds. The current approved annual payout is 4.6 percent. For the fiscal years ended June 30, 2023 and 2022, the Board approved suspension of the payout on operating endowments, as current liquidity needs for operations are being met without the annual payout. Should liquidity needs change, the Board has the authority to reinstate the annual payout on the operating endowments.

Both the board-designated endowments and donor-restricted endowments contain investments with lockup provisions that would reduce the total investments that could be made available (see Note 5 for disclosures about investments).

Additionally, as described in Note 14, the DIA is an income beneficiary of endowment funds held by the Community Foundation for Southeast Michigan. While the operating payout has been suspended from CFSEM, the suspended amount could be made available, if necessary.

The DIA has restricted cash included in current assets that is not available for use on operating expenditures. The remaining current assets are available for use on operating expenditures.