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# Detroit Institute of Arts

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**Financial Report**  
**June 30, 2020**

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## Independent Auditor's Report

To the Board of Directors  
Detroit Institute of Arts

We have audited the accompanying financial statements of Detroit Institute of Arts, which comprise the statement of financial position as of June 30, 2020 and 2019 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.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these 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 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 financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of Detroit Institute of Arts as of June 30, 2020 and 2019 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.

### ***Emphasis of Matters***

We draw attention to Note 18 to the financial statements, which describes certain events that occurred related to the COVID-19 pandemic and the impact of COVID-19 on Detroit Institute of Arts.

To the Board of Directors  
Detroit Institute of Arts

As described in Note 2 to the financial statements, Detroit Institute of Arts adopted the provisions of Accounting Standards Update (ASU) No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*.

Our opinion is not modified with respect to these matters.

*Plante & Moran, PLLC*

October 27, 2020

Statement of Financial Position

June 30, 2020 and 2019

	2020	2019
<b>Assets</b>		
<b>Current Assets</b>		
Cash and short-term investments	\$ 30,683,092	\$ 22,873,972
Restricted cash	2,965,786	2,799,074
Receivables - Net:		
Accounts	2,742,351	3,934,179
Pledges (Note 4)	4,809,665	4,448,975
Grand Bargain pledges (Note 5)	2,496,800	1,485,600
Inventories	605,512	400,922
Prepaid expenses	652,557	562,495
Total current assets	44,955,763	36,505,217
<b>Investments</b> (Note 9)	319,196,212	304,484,350
<b>Long-term Receivables</b>		
Pledges - Less current portion (Note 4)	16,043,141	13,560,297
Grand Bargain pledges - Less current portion (Note 5)	21,119,039	24,205,103
<b>Pension Asset</b> (Note 13)	2,064,437	157,702
<b>Fixed Assets - Net</b> (Note 10)	23,780,785	24,202,825
Total assets	<b>\$ 427,159,377</b>	<b>\$ 403,115,494</b>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued expenses	\$ 775,226	\$ 2,423,475
Deferred revenue	201,207	12,201,296
Accrued payroll and other employee benefits	2,512,205	2,526,919
Current portion of long-term debt:		
Due to Foundation for Detroit's Future (Note 11)	375,000	375,000
Paycheck Protection Program loan (Note 12)	1,502,650	-
Total current liabilities	5,366,288	17,526,690
<b>Due to Foundation for Detroit's Future</b> - Less current portion (Note 11)	3,861,029	4,101,727
<b>Payroll Protection Program Loan</b> - Less current portion (Note 12)	2,462,975	-
<b>Postretirement Health Care Obligation</b> (Note 13)	3,600,584	3,243,068
Total liabilities	15,290,876	24,871,485
<b>Net Assets</b>		
Without donor restrictions:		
Undesignated	15,855,091	15,075,882
Board designated (Note 16)	215,731,653	193,513,711
With donor restrictions (Notes 8 and 16)	180,281,757	169,654,416
Total net assets	411,868,501	378,244,009
Total liabilities and net assets	<b>\$ 427,159,377</b>	<b>\$ 403,115,494</b>

Statement of Activities and Changes in Net Assets

Years Ended June 30, 2020 and 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue, Gains, and Other Support</b>						
Tricounty support (Note 3)	\$ 34,592,599	\$ -	\$ 34,592,599	\$ 25,909,185	\$ -	\$ 25,909,185
Membership and development	9,414,345	17,529,110	26,943,455	10,248,641	12,747,157	22,995,798
Program and operational activities	3,612,168	71,014	3,683,182	6,540,421	402,988	6,943,409
Investment income - Net (Note 6)	6,721,443	1,255,789	7,977,232	11,683,129	3,015,494	14,698,623
Net assets released from restrictions	6,749,714	(6,749,714)	-	2,733,454	(2,733,454)	-
Total revenue, gains, and other support	61,090,269	12,106,199	73,196,468	57,114,830	13,432,185	70,547,015
<b>Operating Expenses</b>						
Program and operational activities	26,623,836	-	26,623,836	28,107,761	-	28,107,761
Membership and development	4,077,508	-	4,077,508	4,227,292	-	4,227,292
Supporting services	8,797,066	-	8,797,066	5,991,775	-	5,991,775
Total operating expenses	39,498,410	-	39,498,410	38,326,828	-	38,326,828
<b>Changes in Net Assets from Operations</b>	21,591,859	12,106,199	33,698,058	18,788,002	13,432,185	32,220,187
<b>Other Changes in Net Assets</b>						
Contributions received for art acquisitions	-	1,606,058	1,606,058	-	1,551,085	1,551,085
Investment return earmarked for art acquisitions (Note 6)	(21,315)	1,171,690	1,150,375	14,669	2,689,869	2,704,538
Purchases of works of art	(4,278,606)	-	(4,278,606)	(5,809,641)	-	(5,809,641)
Proceeds from the sale of deaccessioned art	-	-	-	-	23,255	23,255
Net assets released from restrictions to fund art acquisitions	4,256,606	(4,256,606)	-	5,787,587	(5,787,587)	-
Change in pension plan obligation (Note 13)	1,873,695	-	1,873,695	(440,237)	-	(440,237)
Change in postretirement health care obligation (Note 13)	(425,088)	-	(425,088)	(191,920)	-	(191,920)
Total other changes in net assets	1,405,292	(1,478,858)	(73,566)	(639,542)	(1,523,378)	(2,162,920)
<b>Total Changes in Net Assets</b>	22,997,151	10,627,341	33,624,492	18,148,460	11,908,807	30,057,267
<b>Net Assets - Beginning of year</b>	208,589,593	169,654,416	378,244,009	190,441,133	157,745,609	348,186,742
<b>Net Assets - End of year</b>	<u>\$ 231,586,744</u>	<u>\$ 180,281,757</u>	<u>\$ 411,868,501</u>	<u>\$ 208,589,593</u>	<u>\$ 169,654,416</u>	<u>\$ 378,244,009</u>

**Statement of Functional Expenses**

**Year Ended June 30, 2020**

	Program and Operational Activities	Membership and Development	Supporting Services	Total
Salaries and benefits	\$ 16,302,291	\$ 2,512,923	\$ 3,000,859	\$ 21,816,073
Building operations and utilities	3,346,729	186,423	231,004	3,764,156
Contract services	1,862,143	337,897	1,250,576	3,450,616
Office and technology	1,228,047	297,478	948,735	2,474,260
Advertising and promotion	4,575	16,721	1,987,677	2,008,973
Auxiliary events, travel, and hospitality	551,801	273,408	138,068	963,277
Depreciation and amortization	891,726	762	136,403	1,028,891
Cost of sales	641,264	-	-	641,264
Insurance	539,189	-	117,505	656,694
Bus subsidies for schools and seniors	490,176	-	-	490,176
Art packing, transportation, and other	279,256	-	-	279,256
Other	486,639	451,896	986,239	1,924,774
<b>Total functional expenses</b>	<b>\$ 26,623,836</b>	<b>\$ 4,077,508</b>	<b>\$ 8,797,066</b>	<b>\$ 39,498,410</b>

**Statement of Functional Expenses**

**Year Ended June 30, 2019**

	Program and Operational Activities	Membership and Development	Supporting Services	Total
Salaries and benefits	\$ 15,845,463	\$ 2,083,580	\$ 2,764,148	\$ 20,693,191
Building operations and utilities	3,809,201	351,980	117,434	4,278,615
Contract services	2,423,674	506,817	932,691	3,863,182
Office and technology	1,052,540	353,688	765,212	2,171,440
Advertising and promotion	27,688	22,007	804,719	854,414
Auxiliary events, travel, and hospitality	791,282	471,516	188,570	1,451,368
Depreciation and amortization	1,228,222	762	134,376	1,363,360
Cost of sales	894,469	-	-	894,469
Insurance	650,670	-	115,859	766,529
Bus subsidies for schools and seniors	581,689	-	-	581,689
Art packing, transportation, and other	333,001	-	32	333,033
Other	469,862	436,942	168,734	1,075,538
<b>Total expenses</b>	<b>\$ 28,107,761</b>	<b>\$ 4,227,292</b>	<b>\$ 5,991,775</b>	<b>\$ 38,326,828</b>



Statement of Cash Flows

Years Ended June 30, 2020 and 2019

	2020	2019
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ 33,624,492	\$ 30,057,267
Adjustments to reconcile change in net assets to net cash and short-term investments provided by operating activities:		
Depreciation	1,028,891	995,082
Amortization on Grand Bargain obligation	134,301	141,313
Amortization on pledge discounts	(1,813,342)	(1,136,732)
Net realized and unrealized gains on long-term investments	(6,186,582)	(14,522,900)
Contributions restricted for long-term purposes	(14,772,684)	(10,182,522)
Net periodic benefit cost pension and postretirement medical benefits and related settlements	97,353	(277,188)
Change in pension obligation	(2,192,339)	484,066
Change in postretirement health care obligation	627,828	407,297
Acquisitions of art	4,278,606	5,809,641
Changes in operating assets and liabilities that provided (used) cash and short-term investments:		
Accounts and pledges receivable	4,396,108	1,586,631
Inventories	(204,590)	89,038
Prepaid expenses	(90,062)	(275,428)
Accounts payable and accrued expenses	(1,648,249)	582,933
Deferred revenue	(12,000,089)	(513,623)
Accrued payroll and other employee benefits	(14,714)	187,997
Pension asset	(14,000)	(15,000)
Unfunded postretirement health care obligation	(68,061)	(75,557)
Net cash and short-term investments provided by operating activities	5,182,867	13,342,315
<b>Cash Flows from Investing Activities</b>		
Purchase of fixed assets	(606,851)	(1,005,469)
Acquisition of art objects	(4,278,606)	(5,809,641)
Purchase of investments	(136,856,828)	(101,794,069)
Proceeds from sale of investments	128,331,550	73,069,631
Net cash and short-term investments used in investing activities	(13,410,735)	(35,539,548)
<b>Cash Flows from Financing Activities</b>		
Proceeds from contributions restricted for long-term purposes	9,799,375	5,663,596
Payments to Foundation for Detroit's Future	(375,000)	(375,000)
Payments received on Grand Bargain pledges receivable	2,813,700	4,935,650
Proceeds from Paycheck Protection Program (PPP) loan	3,965,625	-
Net cash and short-term investments provided by financing activities	16,203,700	10,224,246
<b>Net Increase (Decrease) in Cash and Short-term Investments</b>	7,975,832	(11,972,987)
<b>Cash and Short-term Investments - Beginning of year</b>	25,673,046	37,646,033
<b>Cash and Short-term Investments - End of year</b>	<b>\$ 33,648,878</b>	<b>\$ 25,673,046</b>
<b>Statement of Financial Position Classification of Cash and Short-term Investments</b>		
Cash and short-term investments	\$ 30,683,092	\$ 22,873,972
Cash for restricted purposes	2,965,786	2,799,074
Total cash and short-term investments	<b>\$ 33,648,878</b>	<b>\$ 25,673,046</b>

**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.

***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. Conditional contributions are recognized as revenue when the conditions on which they depend have been substantially met.

***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 9. 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.

***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

***Deferred Revenue***

The DIA receives monies 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.

***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.

**Note 2 - Significant Accounting Policies (Continued)**

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.

***Contributions***

Contributions, including cash 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. Other revenue related to food service, gift shop sales, admissions, and special event ticket sales are classified as program and operational activities when earned. See Note 3 for the millage revenue accounting policy.

***Contributed Goods and Services***

Contributed goods and services are recorded as revenue and expenditures in the period of receipt at fair value.

***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 \$4.6 million and \$12.7 million (unaudited) for the years ended June 30, 2020 and 2019, 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 required allocation on a reasonable basis that is consistently applied. 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 programs 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 postretirement obligations, is reported as nonoperating revenue and expenses.

**Note 2 - Significant Accounting Policies (Continued)**

***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.

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 11 for more information on the Museum's obligation to FDF. See Note 5 for more information about pledges receivable from donors related to the Grand Bargain.

***Adoption of New Accounting Pronouncement***

As of July 1, 2019, the DIA adopted ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which provides enhanced guidance to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal transactions) and (2) determining whether a contribution is conditional. The standard has been applied on a modified prospective basis. Under the clarified guidance, the tricounty millage revenue is considered unconditional contribution revenue that is fully recognized in the financial statements when received by the DIA. As a result of the implementation of the new standard, tricounty support, previously accounted for as an exchange-type revenue, is now accounted for as a contribution-type revenue. Accordingly, revenue related to the tricounty support of approximately \$9.7 million has been recognized in the year ended June 30, 2020, which would have previously been shown as deferred revenue.

**Note 2 - Significant Accounting Policies (Continued)**

***Upcoming Accounting Pronouncements***

In May 2014, the Financial Accounting Standards Board (FASB) issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which will supersede the current revenue recognition requirements in Topic 605, *Revenue Recognition*. The ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. In accordance with FASB guidance issued amidst the COVID-19 pandemic, the DIA has elected a one-year deferral for the implementation of ASU No. 2014-09. Therefore, the new guidance will be effective for the DIA's year ending June 30, 2021. The ASU permits application of the new revenue recognition guidance using one of two retrospective application methods. Management is currently evaluating which application will be used. The Museum expects the new standard will result in increased disclosures for the financial statements but will not have a significant impact on the timing of revenue recognition for contracts with customers.

The FASB issued ASU No. 2016-02, *Leases*, which will supersede the current lease requirements in ASC 840. 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. Currently, leases are classified as either capital or operating, with only capital leases recognized on the balance sheet. The reporting of lease-related expenses in the statements of operations and cash flows will be generally consistent with the current guidance. The new lease guidance will be effective for the DIA's year ending June 30, 2023 and will be applied using a modified retrospective transition method to the beginning of the earliest period presented. Upon adoption, the Museum will recognize a lease liability and corresponding right-of-use asset based on the present value of the minimum lease payments, which will be an immaterial amount. The effects on the results of operations are not expected to be significant, as recognition and measurement of expenses and cash flows for leases will be substantially the same under the new standard.

***Reclassification***

Certain 2019 amounts have been reclassified to conform to the 2020 presentation. Distributions from trusts held by third parties previously recorded as investment income is now classified as contribution revenue. Therefore, membership and development revenue without donor restrictions increased by \$106,510, investment income without donor restrictions decreased by \$106,510, contributions received for art acquisitions with donor restrictions increased by \$1,481,690, investment return earmarked for art acquisitions with donor restrictions decreased by \$1,481,690, membership and development revenue with donor restrictions increased \$21,210, and investment income with donor restrictions decreased by \$21,210 within the statement of activities and changes in net assets.

Additionally, within the statement of functional expenses, \$1,826,771 of advertising and promotion expenses previously reported as program expenses have been reclassified as supporting services expenses. These reclassifications did not impact the reported total assets, net assets, or changes in net assets.

***Subsequent Events***

The financial statements and related disclosures include evaluation of events up through and including October 27, 2020, which is the date the financial statements were available to be issued.

**Note 3 - 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 monies 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, 2020 and 2019, the DIA has recognized approximately \$34.6 million and \$25.9 million, respectively, in tricounty support. In 2020, tricounty support revenue was impacted by a required accounting standard change, as described in Note 2. An additional \$9.7 million in revenue was recognized in 2020 as a result of this accounting change.

**Note 4 - Pledges Receivable**

Pledges receivable at June 30 are as follows:

	2020	2019
Gross promises to give	\$ 23,077,609	\$ 21,087,366
Less allowance for uncollectible pledges	(1,429,500)	(1,200,000)
Present value adjustment (0.47 - 3.13 percent)	(795,303)	(1,878,094)
Net pledges receivable	\$ 20,852,806	\$ 18,009,272
Amounts due in:		
Less than one year	\$ 4,809,665	\$ 4,448,975
One to five years	12,964,876	11,105,880
More than five years	5,303,068	5,532,511
Total	\$ 23,077,609	\$ 21,087,366

In addition, the DIA has obtained, but not recognized, approximately \$0.9 million and \$1.3 million in pledges at June 30, 2020 and 2019, 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 5 - 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.

June 30, 2020 and 2019

**Note 5 - Grand Bargain Pledges (Continued)**

Grand bargain pledges receivable at June 30 are as follows:

	2020	2019
Gross promises to give	\$ 28,089,000	\$ 30,902,700
Less allowance for uncollectible pledges	(281,000)	(310,000)
Present value adjustment (1.12% - 3.07%)	(4,192,161)	(4,901,997)
Total	\$ 23,615,839	\$ 25,690,703
Amounts due in:		
Less than one year	\$ 2,496,800	\$ 1,485,600
One to five years	11,787,200	13,955,850
More than five years	13,805,000	15,461,250
Total	\$ 28,089,000	\$ 30,902,700

**Note 6 - 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 is composed of the following for the years ended June 30, 2020 and 2019:

	2020	2019
Interest and dividends	\$ 5,645,355	\$ 5,235,486
Net realized and unrealized gains	6,108,206	14,049,501
Investment management fees	(2,625,954)	(1,881,826)
Total	\$ 9,127,607	\$ 17,403,161

**Note 7 - 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, 2020 and 2019 was approximately \$25.4 million and \$26.5 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 \$1,500,000 and \$1,468,835 in 2020 and 2019, respectively, and are recorded on the statement of activities and changes in net assets under other changes in net assets as investment return on funds earmarked for art acquisitions. The cash received from the Tannahill Trust is included in restricted cash on the statement of financial position.



**Note 7 - 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, 2020 and 2019 was approximately \$17.2 million and \$17 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 \$129,706 and \$127,331 for the years ended June 30, 2020 and 2019, 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 \$310,000 and \$325,000 at June 30, 2020 and 2019, 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 \$13,328 and \$13,244 for the years ended June 30, 2020 and 2019, respectively.

**Note 8 - 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 trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

***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 trustees 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 trustees 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

June 30, 2020 and 2019

**Note 8 - Donor-restricted and Board-designated Endowments (Continued)**

- The investment policies of the DIA

	Endowment Net Asset Composition by Type of Fund as of June 30, 2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 146,278,220	\$ -	\$ 146,278,220
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by the donor	-	113,988,273	113,988,273
Accumulated investment gains	-	18,145,616	18,145,616
Term endowment	-	21,363,211	21,363,211
Total donor-restricted endowment funds	-	153,497,100	153,497,100
Total	\$ 146,278,220	\$ 153,497,100	\$ 299,775,320

	Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - Beginning of year	\$ 138,181,963	\$ 142,433,311	\$ 280,615,274
Investment return:			
Investment income	2,152,096	700,459	2,852,555
Net appreciation (realized and unrealized)	3,203,452	1,112,150	4,315,602
Total investment return	5,355,548	1,812,609	7,168,157
Contributions	-	11,781,208	11,781,208
Appropriation of endowment assets for expenditure	(447,918)	(2,530,028)	(2,977,946)
Other changes:			
Board resolution to designate unrestricted bequests	2,407,519	-	2,407,519
Transfers based on board or donor request	781,108	-	781,108
Endowment net assets - End of year	\$ 146,278,220	\$ 153,497,100	\$ 299,775,320

	Endowment Net Asset Composition by Type of Fund as of June 30, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 138,181,963	\$ -	\$ 138,181,963
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by the donor	-	102,207,065	102,207,065
Accumulated investment gains	-	18,401,155	18,401,155
Term endowment	-	21,825,091	21,825,091
Total donor-restricted endowment funds	-	142,433,311	142,433,311
Total	\$ 138,181,963	\$ 142,433,311	\$ 280,615,274

June 30, 2020 and 2019

**Note 8 - Donor-restricted and Board-designated Endowments (Continued)**

	Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - Beginning of year	\$ 108,488,353	\$ 132,240,884	\$ 240,729,237
Investment return:			
Investment income	2,132,526	1,048,585	3,181,111
Net appreciation (realized and unrealized)	7,094,455	3,463,326	10,557,781
Total investment return	9,226,981	4,511,911	13,738,892
Contributions	-	8,034,240	8,034,240
Appropriation of endowment assets for expenditure	(414,865)	(2,385,113)	(2,799,978)
Other changes:			
Board resolution to designate unrestricted bequests	1,395,588	-	1,395,588
Transfers based on board or donor request	19,485,906	31,389	19,517,295
Endowment net assets - End of year	\$ 138,181,963	\$ 142,433,311	\$ 280,615,274

Permanently restricted endowment net assets include pledges receivable of \$20.7 million and \$17.8 million as of June 30, 2020 and 2019, 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, 2020 and 2019, there were no funds with deficiencies.

***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 9 - 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.

**Note 9 - Fair Value Measurements (Continued)**

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, 2020, 18.7 percent of the fair value of the investments was available for withdrawal on a daily basis, 26.0 percent on a monthly basis, 9.6 percent on a quarterly basis, 6.9 percent on a semiannual basis, 4.0 percent on an annual basis, and 34.8 percent in greater than one year.

The following tables present information about the DIA's assets measured at fair value on a recurring basis at June 30, 2020 and 2019:

	Assets Measured at Fair Value on a Recurring Basis at June 30, 2020		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Net Asset Value	Balance at June 30, 2020
Cash and short-term investments - Money market funds	\$ 7,562,815	\$ -	\$ 7,562,815
Investments:			
Money market funds	4,766,138	-	4,766,138
Mutual funds:			
Debt securities	5,619,602	-	5,619,602
International equities	2,943,848	-	2,943,848
Domestic equities	35,879,620	-	35,879,620
Alternative Investments:			
Common trust	-	26,853,147	26,853,147
Hedge funds	-	37,972,099	37,972,099
Partnerships	-	56,683,895	56,683,895
Foreign corporations	-	47,744,715	47,744,715
Private equity	-	32,669,237	32,669,237
Private credit	-	47,333,733	47,333,733
Total investments at fair value	49,209,208	249,256,826	298,466,034
Total assets at fair value	\$ 56,772,023	\$ 249,256,826	\$ 306,028,849

Excluded from the total investments at fair value in the table above is \$20,730,178 of pending trades at June 30, 2020.

Note 9 - Fair Value Measurements (Continued)

	Assets Measured at Fair Value on a Recurring Basis at June 30, 2019		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Net Asset Value	Balance at June 30, 2019
Cash and short-term investments - Money market funds	\$ 10,472,727	\$ -	\$ 10,472,727
Investments:			
Money market funds	6,903,312	-	6,903,312
Mutual funds:			
Debt securities	23,203,427	-	23,203,427
International equities	11,972,715	-	11,972,715
Domestic equities	40,080,340	-	40,080,340
Alternative investments:			
Common trust	-	29,368,074	29,368,074
Hedge funds	-	50,358,594	50,358,594
Partnerships	-	54,927,085	54,927,085
Foreign corporations	-	34,512,669	34,512,669
Private equity	-	18,286,156	18,286,156
Private credit	-	34,871,978	34,871,978
Total investments at fair value	82,159,794	222,324,556	304,484,350
Total assets at fair value	\$ 92,632,521	\$ 222,324,556	\$ 314,957,077

**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:

	2020	2019	2020		
	Fair Value	Fair Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
Common trust	\$ 26,853,147	\$ 29,368,074	\$ -	Monthly	10 days - By 22nd of prior month
Hedge funds	37,972,099	50,358,594	-	Monthly - 2-year anniversary	60-80 days
Partnerships	56,683,895	54,927,085	-	Weekly - 3-year anniversary	5-150 days
Foreign corporations	47,744,715	34,512,669	-	Daily - 3-year anniversary	14-120 days
Private equity	32,669,237	18,286,156	57,090,721	N/A	N/A
Private credit	47,333,733	34,871,978	22,185,996	N/A	N/A
Total	\$ 249,256,826	\$ 222,324,556	\$ 79,276,717		

**Note 9 - Fair Value Measurements (Continued)**

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 10 - Fixed Assets**

Fixed assets consist of the following as of June 30:

	2020	2019
Land	\$ 2,667,703	\$ 2,667,703
Building and improvements	20,695,059	20,338,697
Parking facilities	3,048,140	3,063,073
Construction in progress	869,508	710,919
Furniture and equipment	2,145,487	2,051,232
Software	590,347	577,767
Total cost	30,016,244	29,409,391
Accumulated depreciation and amortization	6,235,459	5,206,566
Net property and equipment	\$ 23,780,785	\$ 24,202,825

Total depreciation expense for the years ended June 30, 2020 and 2019 was approximately \$1.0 million.

**Note 11 - 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%)	Total
Balance as of July 1, 2018	\$ 6,000,000	\$ (1,289,586)	\$ 4,710,414
Amortization of 3% discount	-	141,313	141,313
Payment made June 2019	(375,000)	-	(375,000)
Balance as of July 1, 2019	5,625,000	(1,148,273)	4,476,727
Amortization of 3% discount	-	134,302	134,302
Payment made June 2020	(375,000)	-	(375,000)
Balance as of June 30, 2020	<u>\$ 5,250,000</u>	<u>\$ (1,013,971)</u>	<u>\$ 4,236,029</u>

The aggregate schedule of maturities due to FDF is summarized below:

2021	\$ 375,000
2022	375,000
2023	375,000
2024	375,000
2025	375,000
2026 and thereafter	<u>3,375,000</u>
Total	<u>\$ 5,250,000</u>

**Note 12 - 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 may be fully or partially forgiven if the loan proceeds are spent on qualifying expenses and staffing level and salary maintenance requirements are met. The DIA may 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 is not forgiven by the Small Business Administration (SBA) will be repaid over a period of two years at a 1 percent interest rate with monthly payments of principal and interest beginning six months after the conclusion of the covered period. Based on the loan amount, irrespective of any potential forgiveness that may be granted in the future, monthly principal payments would range from approximately \$164,000 to \$167,000 during the repayment period.

At June 30, 2020, the outstanding balance on the PPP loan is \$3,956,625, which is classified as debt on the statement of financial position.

**Note 13 - 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, 2020 and 2019.

In addition to the pension plan, the DIA sponsors a postretirement 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 postretirement 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, 2020 and 2019:

	Pension Benefits		Other Postretirement Benefits	
	2020	2019	2020	2019
Benefit obligation	\$ 42,371,882	\$ 38,856,294	\$ 3,600,584	\$ 3,243,068
Fair value of plan assets	44,436,319	39,013,996	-	-
Overfunded (underfunded) status	\$ 2,064,437	\$ 157,702	\$ (3,600,584)	\$ (3,243,068)

The benefit obligation above reflects the projected benefit obligation for pension benefits and the accumulated benefit obligation for other postretirement 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 Postretirement Benefits	
	2020	2019	2020	2019
Overfunded pension plan obligation	\$ (2,064,437)	\$ (157,702)	\$ -	\$ -
Postretirement health care obligation	-	-	3,600,584	3,243,068
(Overfunded) underfunded status	\$ (2,064,437)	\$ (157,702)	\$ 3,600,584	\$ 3,243,068



**Note 13 - Pension and OPEB (Continued)**

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

	Pension Benefits		Other Postretirement Benefits	
	2020	2019	2020	2019
Net actuarial (gain) loss	\$ (1,351,677)	\$ 1,050,119	\$ 258,327	\$ 18,568
Net prior service costs	4,701	-	-	-
Amortization of prior service costs	-	-	416,338	416,338
Amortization of net loss	(845,363)	(566,053)	(46,837)	(27,609)
Adjustment to pension liability and postretirement health care obligation - (Gain) loss	\$ (2,192,339)	\$ 484,066	\$ 627,828	\$ 407,297

The amounts included in net assets without donor restrictions at June 30, 2020 that have not been recognized in net periodic benefit cost include approximately \$6.3 million in unrecognized actuarial losses for the Plan and prior service cost credit of \$1.5 million and unrecognized actuarial losses of approximately \$0.8 million for the OPEB plan. The amount expected to be recognized in net periodic benefit cost during the fiscal year ending June 30, 2021 is an actuarial loss of approximately \$0.3 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 \$0.07 million and the amortization of net prior service credit of approximately \$0.4 million.

	Pension Benefits		Other Postretirement Benefits	
	2020	2019	2020	2019
<b>Components of Net Periodic Benefit Costs (Gain)</b>				
Service costs	\$ -	\$ -	\$ 54,366	\$ 49,289
Interest costs	1,358,455	1,476,547	112,884	124,063
Expected return on plan assets	(1,904,214)	(2,104,411)	-	-
Amortization of actuarial losses	845,363	566,053	46,837	27,609
Amortization of prior service credit	-	-	(416,338)	(416,338)
Total	\$ 299,604	\$ (61,811)	\$ (202,251)	\$ (215,377)

	Pension Benefits		Other Postretirement Benefits	
	2020	2019	2020	2019
<b>Changes in Fair Value of Plan Assets</b>				
Fair value, beginning of year	\$ 39,013,996	\$ 36,615,734	\$ -	\$ -
Actual return on assets	7,105,853	4,021,412	-	-
Employer contributions	14,000	15,000	68,061	75,557
Benefits paid	(1,697,530)	(1,638,150)	(68,061)	(75,557)
Total	\$ 44,436,319	\$ 39,013,996	\$ -	\$ -

There were no settlement costs recognized for the years ended June 30, 2020 and 2019.

**Note 13 - Pension and OPEB (Continued)**

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 \$269,422 and \$702, respectively.

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

	Pension Benefits		Other Postretirement Benefits	
	2020	2019	2020	2019
Discount rate	2.70%	3.55%	2.80%	3.55%
Rate of compensation increase	N/A	N/A	0	0

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

	Pension Benefits		Other Postretirement Benefits	
	2020	2019	2020	2019
Discount rate	3.55%	4.20%	3.55%	4.20%
Expected long-term rate of return on plan assets	5.0%	5.90%	0	0
Rate of compensation increase	0	0	0	0

For measurement purposes, a 7.53 percent and 7.68 percent annual rate of increase in health care costs at June 30, 2020 and 2019, 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, 2020 was 91 percent fixed income and 9 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.

**Note 13 - Pension and OPEB (Continued)**

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.

The fair values of the DIA's pension plan assets at June 30, 2020 and 2019 by major asset classes are as follows:

Fair Value Measurements at June 30, 2020			
Quoted Prices in Active Markets for Identical			
Asset Classes	Assets (Level 1)	Net Asset Value (NAV)	Total
Short-term investments	\$ 2,947,407	\$ -	\$ 2,947,407
Mutual funds:			
Debt securities	34,647,622	-	34,647,622
Domestic equities	678,297	-	678,297
Partnerships	-	3,453,832	3,453,832
Registered investment companies	-	1,382,187	1,382,187
Foreign corporations	-	1,326,974	1,326,974
Total	<u>\$ 38,273,326</u>	<u>\$ 6,162,993</u>	<u>\$ 44,436,319</u>
Fair Value Measurements at June 30, 2019			
Quoted Prices in Active Markets for Identical			
Asset Classes	Assets (Level 1)	Net Asset Value (NAV)	Total
Short-term investments	\$ 2,491,693	\$ -	\$ 2,491,693
Mutual funds:			
Debt securities	21,086,209	-	21,086,209
Domestic equities	3,184,764	-	3,184,764
Partnerships	-	7,582,780	7,582,780
Registered investment companies	-	736,465	736,465
Foreign corporations	-	3,932,085	3,932,085
Total	<u>\$ 26,762,666</u>	<u>\$ 12,251,330</u>	<u>\$ 39,013,996</u>

Partnerships valued at \$3,453,832 have unfunded commitments of \$1,848,527 as of June 30, 2020. Partnerships can be redeemed daily with an advanced redemption notice of at least 10 days. Foreign corporations valued at \$1,326,974 have no unfunded commitments as of June 30, 2020. 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 foreign corporations category includes investments in equities of smaller companies outside of the United States.

**Note 13 - Pension and OPEB (Continued)**

As previously described in Note 9, 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 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 \$134,289 to its other postretirement benefit plan in 2021.

**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 Postretirement Benefits
2021	\$ 2,135,596	\$ 134,289
2022	2,181,109	149,484
2023	2,230,159	161,543
2024	2,290,069	180,110
2025	2,330,779	194,473
Thereafter	11,710,171	1,055,102

**Note 14 - Leases**

The DIA leases storage space and office equipment that expires on various dates through 2023. At June 30, 2020, minimum commitments of future payments under these arrangements are as follows:

Years Ending June 30	Amount
2021	\$ 184,321
2022	184,321
2023	160,921
Total	\$ 529,563

Total rental expense for operating leases was approximately \$200,000 for the years ended June 30, 2020 and 2019.

**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' salary. The DIA's contributions to the plan totaled \$0.7 million for the years ended June 30, 2020 and 2019.

June 30, 2020 and 2019

**Note 16 - Net Assets**

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

	<u>2020</u>	<u>2019</u>
Board-designated net assets:		
Board-designated endowment	\$ 146,278,220	\$ 138,181,963
Operations	21,803,855	21,329,834
Capital expenditures	14,977,399	13,648,918
Special projects and initiatives	9,892,063	8,584,308
Millage supported programs	9,652,624	-
Exhibitions	9,166,059	7,854,371
Gallery reinstallation	3,369,661	3,245,811
Programs and other	591,772	668,506
Total board-designated net assets	<u>215,731,653</u>	<u>193,513,711</u>
Undesignated net assets	<u>15,855,091</u>	<u>15,075,882</u>
Total net assets without donor restriction	<u>\$ 231,586,744</u>	<u>\$ 208,589,593</u>

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

	<u>2020</u>	<u>2019</u>
Subject to expenditures for a specified purpose:		
Operations	\$ 2,977,828	\$ 4,465,265
Art acquisitions, conservation, and curatorial	11,991,795	12,258,890
Program, capital, special projects, and other	7,854,397	5,715,128
Auxiliary and volunteer groups	2,303,922	2,572,192
Exhibitions and education	1,656,715	2,209,630
Total subject to expenditures for a specified purpose	<u>26,784,657</u>	<u>27,221,105</u>
Subject to the DIA's spending policy and appropriation:		
General operations	99,917,821	87,775,091
Artwork acquisitions	37,261,362	38,025,225
Conservation	1,066,385	1,067,815
Curatorial	3,107,984	3,174,631
Learning and audience engagement	9,452,241	9,643,154
Auxiliary and support groups	2,477,495	2,528,992
Capital funds	116,039	118,534
Exhibitions	55,235	56,425
Miscellaneous	42,538	43,444
Total subject to the DIA's spending policy and appropriations	<u>153,497,100</u>	<u>142,433,311</u>
Total	<u>\$ 180,281,757</u>	<u>\$ 169,654,416</u>

Investments in perpetuity, including amounts above the original donor gift amount of \$113,988,273 and \$102,207,065 as of June 30, 2020 and 2019, respectively, are expendable to support the purposes shown above once appropriated.

**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.

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

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

	2020	2019
Board-designated endowments	\$ 146,278,220	\$ 138,181,963
Donor-restricted endowments	153,497,100	142,433,311

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.

As described in Note 8, 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, 2020 and 2019, 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 9 for disclosures about investments). Currently, 18.7 percent of the \$319.4 million in investments is available for withdrawal on a daily basis, for an additional \$59.7 million of liquidity, if needed.

Additionally, as described in Note 7, the DIA is an income beneficiary of endowment funds held by the Community Foundation for Southeast Michigan (CFSEM). 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.

**Note 18 - COVID-19 Pandemic**

On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus a pandemic. First identified in late 2019 and now known as COVID-19, the outbreak has impacted millions of individuals worldwide. In response, many countries have implemented measures to combat the outbreak that have impacted global business operations. Shelter-in-place and other emergency orders resulted in the DIA switching to suspended operations in mid-March. Essential staff continued to report to the Museum, and the remaining staff worked remotely. The Museum was closed to the public, and all in-person events were canceled. As a result of the forced shutdown due to COVID-19, the Detroit Institute of Arts experienced a reduction of earned revenue; however, this reduction in revenue was partially mitigated by a corresponding reduction in operating costs due to reduced activity for the final quarter of the fiscal year. The opening of the Detroit Style exhibition was postponed from June 2020 to November 2020, while the Van Gogh exhibition planned for summer 2020 has been delayed until fall 2022.

In accordance with various executive orders released by the governor of the State of Michigan, the Museum reopened in July 2020 with advance timed tickets, visitor temperature checks, reduced attendance, and social distancing requirements. Adjusting museum operations to ensure a safe environment for visitors and staff required one-time expenditures to modify the facility. Earned revenue continues to be reduced due to reduced numbers of visitors. The museum is fundraising for a sustainability fund to offset the earned revenue shortfall.

No impairments were recorded as of the statement of financial position date; however, due to significant uncertainty surrounding the situation, management’s judgment regarding this could change in the future. In addition, while the Museum’s changes in net assets, cash flows, and financial condition could be negatively impacted, the extent of the impact cannot be reasonably estimated at this time.

**Note 18 - COVID-19 Pandemic (Continued)**

Additionally, as described in Note 12, the DIA received a Paycheck Protection Program (PPP) Loan, which the DIA has recorded as debt on the statement of financial position and can be forgivable if the loan is spent on qualifying expenses and staffing level requirements are met.