Financials

After thirty hours of continuous events, the Kumaasi African Drum Ensemble leads the closing parade of the All Night Kickoff Party.

BOARD OF TRUSTEES

DALLAS MUSEUM OF ART

We have audited the accompanying consolidated statement of financial position of the Dallas Museum of Art as of September 30, 2004, and the related consolidated statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Museum's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized information has been derived from the Dallas Museum of Art's 2003 financial statements and, in our report dated November 21, 2003, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America as established by the Auditing Standards Board of the American Institute of Certified Public Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Museum's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Dallas Museum of Art as of September 30, 2004, and the consolidated changes in its net assets and its consolidated cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole of the Dallas Museum of Art as of and for the year ended September 30, 2004. The accompanying Exhibits I–II as of and for the year ended September 30, 2004, on pages 98 through 103, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Grant Thornton LLP

Dallas, Texas
November 30, 2004

September 30, 2004
(with summarized financial information as of September 30, 2003)

	2004	2003
ASSETS		
Cash and cash equivalents	**$ 1,508,169**	$ 1,030,069
Investments, at market value	**112,489,728**	98,355,700
Grants, bequests, contributions, and accounts receivable, net	**5,889,148**	10,066,746
Accrued investment income	**259,625**	280,575
Inventories, net	**577,513**	374,646
Other assets	**1,224,637**	917,002
Owned art collection (Note B)	**-**	-
Property and equipment, net	**4,284,429**	3,615,097
Total assets	**$126,233,249**	$ 114,639,835
LIABILITIES AND NET ASSETS		
Accounts payable	**$ 433,613**	$ 1,546,694
Accrued expenses	**1,478,375**	1,076,754
Liability on annuity contract	**382,652**	362,717
Total liabilities	**2,294,640**	2,986,165
Net assets		
Unrestricted	**1,799,835**	1,144,088
Temporarily restricted	**44,167,734**	34,342,352
Permanently restricted	**77,971,040**	76,167,230
Total net assets	**123,938,609**	111,653,670
Total liabilities and net assets	**$126,233,249**	$114,639,835

The accompanying notes are an integral part of this statement.

Year ended September 30, 2004
(with summarized financial information for the year ended September 30, 2003)

	Unrestricted	Temporarily restricted	Permanently restricted	**2004 Total**	2003 Total
Support					
Appropriations from the City of Dallas	$ 1,071,818	$ -	$ -	**$ 1,071,818**	$ 1,076,818
Contributed services	3,862,275	-	-	**3,862,275**	2,701,697
Exhibition support	104,974	-	-	**104,974**	581,000
Contributions	3,839,869	-	-	**3,839,869**	3,306,943
Government grants	2,500	-	-	**2,500**	45,665
Total support	8,881,436	-	-	**8,881,436**	7,712,123
Revenue					
Membership	1,045,477	-	-	**1,045,477**	1,082,777
Auxiliary activities	2,834,937	-	-	**2,834,937**	3,070,588
Education	75,399	-	-	**75,399**	60,519
Miscellaneous	470,253	215,558	-	**685,811**	442,419
Total revenue	4,426,066	215,558	-	**4,641,624**	4,656,303
Other support and revenue					
Gifts – other than art	6,744	7,324,882	2,653,810	**9,985,436**	13,819,116
Investment return, net	884,278	13,405,009	-	**14,289,287**	15,292,691
Total other support and revenue	891,022	20,729,891	2,653,810	**24,274,723**	29,111,807
Transfer	-	850,000	(850,000)	**-**	-
Net assets released from restrictions	10,186,909	(10,186,909)	-	**-**	-
Total support and revenue	24,385,433	11,608,540	1,803,810	**37,797,783**	41,480,233
Expenses					
Collections and exhibitions	9,361,073	-	-	**9,361,073**	9,521,035
Education	4,118,439	-	-	**4,118,439**	3,367,662
Development and external affairs	3,854,616	-	-	**3,854,616**	3,546,349
General administration	4,412,824	-	-	**4,412,824**	4,540,015
Auxiliary activities	1,693,139	-	-	**1,693,139**	1,704,624
Additional minimum pension liability	289,595	-	-	**289,595**	(212,688)
Total expenses	23,729,686	-	-	**23,729,686**	22,466,997

Year ended September 30, 2004
(with summarized financial information for the year ended September 30, 2003)

	Unrestricted	Temporarily restricted	Permanently restricted	**2004 Total**	2003 Total
Change in net assets before change related to collection items not capitalized	$ 655,747	$ 11,608,540	$ 1,803,810	**$ 14,068,097**	$ 19,013,236
Collection items sold	-	45,000	-	**45,000**	-
Collection items purchased	-	(1,828,158)	-	**(1,828,158)**	(2,163,243)
Change in net assets	655,747	(9,825,382)	1,803,810	**12,284,939**	16,849,993
Net assets, beginning of year	1,144,088	34,342,352	76,167,230	**111,653,670**	94,803,677
Net assets, end of year	$1,799,835	$44,167,734	$77,971,040	**$123,938,609**	$ 111,653,670

The accompanying notes are an integral part of this statement.

Year ended September 30, 2004
(with summarized financial information for the year ended September 30, 2003)

	2004	2003
Cash flows from operating activities		
Change in net assets	**$ 12,284,939**	$ 16,849,993
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation	**610,954**	423,931
Net unrealized gains on investments	**(9,667,489)**	(14,228,569)
Net realized (gains) losses on investments	**(2,335,870)**	986,289
Restricted contributions	**(6,137,679)**	(10,075,772)
Non-cash contributions	**-**	(1,831,000)
Purchases of owned art collection, net	**1,783,158**	2,163,243
Changes in operating assets and liabilities		
Grants, bequests, contributions, and accounts receivable, net	**4,177,598**	(2,238,013)
Accrued investment income	**20,950**	5,133
Inventories, net	**(202,867)**	(43,379)
Other assets	**(307,635)**	22,075
Accounts payable	**(1,113,081)**	684,198
Accrued expenses	**401,621**	(106,241)
Liability on annuity contracts	**19,935**	(16,342)
Cash used in operating activities	**(465,466)**	(7,404,454)
Cash flows from investing activities		
Purchases of property and equipment	**(1,280,286)**	(3,155,724)
Purchases of investments	**(38,320,305)**	(70,445,565)
Proceeds from sales of investments	**33,361,540**	67,864,822
Proceeds from principal paydowns on investments	**2,828,096**	4,062,169
Purchases of owned art collection, net	**(1,783,158)**	(2,163,243)
Cash used in investing activities	**(5,194,113)**	(3,837,541)
Cash flows from financing activities		
Proceeds from contributions restricted for:		
Investment in endowment	**2,700,255**	8,714,594
Investment in plant	**3,437,424**	1,361,178
Cash provided by financing activities	**6,137,679**	10,075,772
Net change in cash and cash equivalents	**478,100**	(1,166,223)
Cash and cash equivalents, beginning of year	**1,030,069**	2,196,292
Cash and cash equivalents, end of year	**$ 1,508,169**	$ 1,030,069
Cash paid for income taxes	**$ 885**	$ 2,744

The accompanying notes are an integral part of this statement.

September 30, 2004

Note A - Nature of Operations

Dallas Museum of Art (the "Museum") is a Texas nonprofit corporation serving the Dallas, Texas, area by providing art exhibits, educational services, lectures, and other public programs to the community.

Note B - Summary of Significant Accounting Policies

Principles of Consolidation

The Museum consolidates the accounts of Dallas Museum of Art Leagues (the "Leagues"), Museum Services Corporation ("MSC"), and Art-Facts, Inc. ("Art-Facts"). The Leagues are exempt from Federal income tax under the Museum's determination letter from the Internal Revenue Service, and are controlled by the Museum. MSC and Art-Facts are wholly-owned taxable subsidiaries of the Museum.

All significant intercompany accounts and transactions have been eliminated.

Basis of Presentation

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Museum. Generally, the donors of these assets permit the Museum to use all or part of the income earned on related investments for general or specified purposes.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that may or will be met by actions of the Museum and/or the passage of time.

Unrestricted Net Assets - Net assets not subject to donor-imposed stipulations.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporarily restricted net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Contributions are recognized as revenues in the period unconditional promises to give are received. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Contributions of assets other than cash and works of art are recorded at their estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible receivables is provided based upon management's judgment including such factors as prior collection history, type of contribution, and nature of fund-raising activity.

Realized and unrealized gains (losses) and income on investments of endowment and similar funds are reported as follows:

- as increases (decreases) in permanently restricted net assets if the terms of the gift require that they be included in the principal of a permanent endowment fund;
- as increases (decreases) in temporarily restricted net assets if the terms of the gift impose restrictions on their use; and
- as increases (decreases) in unrestricted net assets in all other cases.

Cash and Cash Equivalents

For purposes of the consolidated statement of cash flows, the Museum considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. The Museum places its cash and cash equivalents with high credit quality financial institutions, which at times may exceed federally insured limits. The Museum monitors its risk under these arrangements and has not experienced any losses.

Investments

Investments in equity and debt instruments are stated at fair value based on quoted market prices. Alternative investments are generally carried at fair value. The net realized and unrealized gains (losses) in market value of investments are reflected in the consolidated statement of activities.

Receivables

Receivables are primarily due from foundations and individuals related to gift pledges. The Museum writes off receivables when they become uncollectible, and payments subsequently received on such receivables are credited to the provision for bad debts account.

Inventories

Inventories consist of Museum store inventory and are recorded at the lower of cost (first-in, first-out) or market.

Owned Art Collection

All works of art acquired by the Museum either through purchase or gift on or after October 1, 1984, are owned by the Museum; however, this does not include works of art on loan from private owners, The Foundation for the Arts, the Munger Fund, or the McDermott Foundation. Pursuant to a contract between The Foundation for the Arts and the Museum, the art owned by The Foundation for the Arts is for the sole use of the Museum. All works of art acquired prior to October 1, 1984, are owned by the City of Dallas, Texas (the "City").

Works of art are not recognized as assets on the consolidated statement of financial position. Purchases of works of art are recorded as decreases in unrestricted net assets in the year in which the items are acquired, or as temporarily or permanently restricted net assets if the assets used to purchase the items are restricted by donors. Contributed works of art are not reflected on the consolidated financial statements. Proceeds from deaccessions or insurance recoveries are reflected as increases in the appropriate net asset classes.

The Museum's works of art are held for educational and curatorial purposes. Each of the items is cataloged, preserved, and cared for, and activities verifying their existence and assessing their condition are performed continuously. Works of art are subject to a policy that requires proceeds from their sales to be used to acquire other items for collections.

Property and Equipment

Property and equipment are stated at cost, or fair market value at the date of gift if donated, less accumulated depreciation.

Depreciation is provided on the straight-line method over periods of three to twenty years.

Liability on Annuity Contracts
Under charitable gift annuity agreements, the Museum agrees to pay a donor an annuity in consideration for a specific gift. For charitable gift annuities, assets are generally recorded at fair value when received on the consolidated statement of financial position with a liability recognized equal to the present value of amounts which the Museum expects to pay to annuity beneficiaries. Changes in the calculated liability due to increases or decreases in the actuarially determined life expectancy of annuity beneficiaries are reflected as changes in the value of split-interest agreements within collections and exhibitions and general administration expense on the consolidated statement of activities.

Contributed Services
The Museum recognizes contributions of services received if such services (a) create or enhance nonfinancial assets, or (b) require specialized skills, are provided by individuals possessing such skills, and would typically need to be purchased if not contributed.

A substantial number of unpaid volunteers have made significant contributions of their time to the Museum. The value of this contributed time is not reflected in the financial statements since it does not meet the criteria discussed above.

Membership Revenue
Membership revenue is generally recognized when paid, which approximates ratable recognition over the membership period. Membership dues apply to a 12-month period.

Income Taxes
The Museum is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code according to an Internal Revenue Service determination letter dated June 23, 1983.

Interfund Transactions
Amounts due to and from other funds represent borrowings to meet operating needs and interfund transactions. Such borrowings are noninterest-bearing and are to be repaid when funds are available.

Functional Allocation of Expenses
The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statement of activities. Accordingly, certain expenses have been allocated among the programs and supporting services benefited.

Use of Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("US GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Comparative Financial Statements
The consolidated financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with US GAAP. Accordingly, such information should be read in conjunction with the Museum's consolidated financial statements as of and for the year ended September 30, 2003, from which the summarized information was derived.

Reclassifications
Certain prior year financial statement amounts have been reclassified to conform with the current year presentation.

Note C - Investments

Investments at market value consist of the following:

September 30,	**2004**	2003
Short-term investments	**$ 3,479,192**	$ 4,876,119
Corporate stocks	**75,904,642**	64,587,306
Alternative investments	**10,375,618**	4,983,779
U.S. government obligations	**11,208,615**	11,621,543
Non-U.S. government obligations	**92,399**	88,825
Corporate bonds	**11,429,262**	12,198,128
	$112,489,728	$98,355,700

The following summarizes total investment return:

Years ended September 30,	**2004**	2003
Dividends and interest income	**$ 2,285,928**	$ 2,050,411
Net realized gains (losses) on investments	**2,335,870**	(986,289)
Net unrealized gains on investments	**9,667,489**	14,228,569
Total investment return	**$14,289,287**	$15,292,691

Investment fees and expenses of approximately $382,000 and $273,000 for the years ended September 30, 2004 and 2003, respectively, are included in net investment return in the consolidated statement of activities.

Note D - Grants, Bequests, Contributions, and Accounts Receivable

Grants, bequests, contributions, and accounts receivable consist of the following:

September 30,	**2004**	2003
Contributions and bequests	**$ 5,380,808**	$ 9,752,815
City of Dallas	**179,053**	90,568
Other	**329,287**	223,363
	$5,889,148	$10,066,746

Contributions receivable consist of the following unconditional promises to give:

September 30,	**2004**	2003
Acquisitions	**$ 41,000**	$ 82,000
Operations	**-**	5,000
Specified purpose	**731,700**	-
Property and equipment	**-**	276,800
Endowment	**5,345,000**	10,895,000
	6,117,700	11,258,800
Less unamortized discount	**(736,892)**	(1,505,985)
Net contributions receivable	**$ 5,380,808**	$ 9,752,815

The maturity of contributions receivable as of September 30, 2004, is as follows:

Unconditional contributions expected to be collected in:	
Less than one year	**$ 2,597,300**
One to five years	**3,195,200**
After five years	**325,200**
	$6,117,700

Note E - Property and Equipment

Property and equipment consist of the following:

September 30,	**2004**	2003
Furniture, fixtures, and improvements	**$ 6,312,087**	$5,209,643
Equipment and software	**3,965,558**	3,787,716
	10,277,645	8,997,359
Less accumulated depreciation	**(5,993,216)**	(5,382,262)
	$ 4,284,429	$3,615,097

Under an agreement with the City, all on-site land and buildings of the Museum are the property of the City and are, accordingly, not capitalized. Also, under the terms of the aforementioned agreement, the City has granted the Museum the full use of the Museum land and facility at no charge through May 1, 2010. In addition, the City has committed to provide maintenance of the building and grounds and electric, gas, and water utilities, as well as to pay for a portion of the costs related to the works of art belonging to the City.

Note F - Restrictions on Net Assets

Permanently restricted net assets are restricted for the following purposes:

September 30,	**2004**	2003
Operations and other	**$33,544,229**	$33,311,119
Education	**12,402,331**	11,246,349
Exhibitions, curatorial, and conservation	**20,769,194**	20,836,148
Acquisitions	**11,255,286**	10,773,614
	$77,971,040	$76,167,230

During 2004, a donor requested that $850,000 of a pledge made in 2002 be transferred from permanently restricted to temporarily restricted for upgrades to exhibitions. This request is reflected as a transfer in the consolidated statement of activities.

Temporarily restricted net assets are restricted for the following purposes:

September 30,	**2004**	2003
Acquisitions	**$ 8,747,942**	$ 7,696,898
Operations and other	**16,880,569**	10,694,288
Education	**8,578,759**	7,414,182
Exhibitions, curatorial, and conservation	**9,794,312**	8,341,382
Auxiliary activities	**166,152**	195,602
	$44,167,734	$34,342,352

Note G - Net Assets Released from Restrictions

The sources of net assets released from temporary donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of events specified by the donors are as follows:

Years ended September 30,	**2004**	2003
Operations and other	**$6,798,574**	$6,062,626
Exhibitions, curatorial, and conservation	**2,147,671**	2,499,705
Education	**1,182,120**	1,332,047
Development and external affairs	**58,544**	45,878
Total	**$10,186,909**	$9,940,256

Note H - Pension Plan

The Museum has a noncontributory, defined benefit pension plan (the "Plan") covering substantially all personnel. The benefits are based on the employee's years of service and average monthly compensation over the last five years of employment.

The following table sets forth the Plan's funded status at September 30, 2004 and 2003:

September 30,	**2004**	2003
Actuarial present value of benefit obligations		
Benefit obligation	**$3,164,158**	$2,624,056
Plan assets at fair value	**2,296,358**	1,978,271
Funded status	**$ (867,800)**	$ (645,785)
Components of (accrued) prepaid benefit cost:		
Prepaid benefit cost before additional minimum liability	**$ 134,797**	$ 148,135
Additional minimum liability	**(644,761)**	(386,806)
Net (accrued) prepaid benefit cost	**$ (509,964)**	$ (238,671)
Components of additional minimum liability:		
Intangible asset	**$ 184,838**	$ 216,478
Reduction in unrestricted net assets	**459,923**	170,328
Additional minimum liability	**$ 644,761**	$ 386,806
Employer contributions	**$ 344,000**	$ 330,000
Benefits paid	**$ 226,777**	$ 218,791
Net periodic benefit cost	**$ 357,338**	$ 359,511

An additional minimum liability was recognized by the Museum at September 30, 2004 and 2003 due to the unfunded status of the accumulated benefit obligation. The accumulated benefit obligation at September 30, 2004 and 2003 was $2,806,322 and $2,216,942, respectively.

The weighted average discount rates used in determining the actuarial present value of the projected benefit obligation were 7.0% and 8.0%, respectively, for fiscal years 2004 and 2003. The weighted average compensation increase rates were 4.0% and 5.0% for fiscal

years 2004 and 2003 respectively. The expected long-term rate of return on plan assets was 8.5% for both years.

The Museum also has a tax-deferred annuity plan in which employees may contribute up to a maximum amount deferred by the Internal Revenue Code. The Museum is not required to make contributions to this plan.

Note I - Income Taxes

The Museum is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Museum incurred income taxes of $294 and $1,301 in fiscal years 2004 and 2003 on unrelated business income generated by Art-Facts, its wholly owned taxable subsidiary.

Note J - Fundraising Activities

During fiscal years 2004 and 2003, the Museum incurred approximately $2,975,000 and $3,103,000 in expenses relating to fundraising activities. These expenses are included in development and external affairs and auxiliary activities in the accompanying consolidated statement of activities.

Note K - Contributed Services

As discussed in Note E, the City provides facilities, utilities, and certain other services, such as grounds and building maintenance, without charge to the Museum. The fair value of the rental of the building is not recorded as income or expense since such cost is not susceptible to objective measurement. The costs, as determined by the City, of utilities, services, and maintenance provided to the Museum, are recorded as revenue and expense in the consolidated statement of activities and amounted to $1,681,336 and $1,423,561 in fiscal years 2004 and 2003. The Museum received an additional $2,180,939 and $1,278,136 of contributed services from other sources during fiscal years 2004 and 2003.

Note L - Distribution Policy

Pursuant to a policy adopted by the Board of Trustees, distributions from endowment funds for operating purposes are based on 5% of the fair market value of the funds benefiting operations based on a twelve quarter rolling average in fiscal years 2004 and 2003. Total distributions from these funds to operations were approximately $3,700,000 and $3,545,000 in fiscal years 2004 and 2003.

Note M - Advertising Expenses

During fiscal years 2004 and 2003, the Museum incurred approximately $619,000 and $713,000 in advertising expenses. Amounts are expensed as incurred. These expenses are included in collections and exhibitions and development and external affairs in the accompanying consolidated statement of activities.

Note N - Fair Value of Financial Instruments

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

Cash and Cash Equivalents
The carrying amount approximates fair value due to the short maturity of those amounts.

Grants, Bequests, Contributions, and Accounts Receivable
The fair value of receivables is based on the discounted value of expected future cash flows, which approximates fair value.

Investments
All investments are carried at fair value.

Accounts Payable and Accrued Expenses
The carrying amount approximates fair value due to the short maturity of those amounts.

EXHIBIT I

September 30, 2004

In addition to classifying its net assets as unrestricted, temporarily restricted, and permanently restricted, the Museum has elected to maintain its accounts by funds established according to their nature. Separate accounts are maintained for each fund; however, in the accompanying consolidated financial statements, funds that have similar characteristics have been combined into fund groups. Accordingly, all financial transactions have been recorded and reported by fund group.

The net assets of the Museum are reported in five self-balancing fund groups as follows:

Operating Fund
This fund records membership revenues, unrestricted gifts and grants, operating expenses, and other revenues and expenses not accounted for in other funds. Art-Facts, Inc. and Museum Services Corporation (wholly owned subsidiaries of the Museum) are consolidated into the Operating Fund, and intercompany accounts and transactions are eliminated.

Art Leagues Funds
These funds are used to record auxiliary revenues and expenses associated with the fundraising and art education activities of the Dallas Museum of Art League and the Professional Members League.

Funds for Specified Purposes
These funds are used to record gifts which are to be expended according to specific donor or Board of Trustees stipulations, including publications research, interns, flower purchases, and other purposes. Income from the investment of such funds is also expended as stipulated by the donors or Board of Trustees.

Plant and Collection Funds
These funds are used to record gifts and grants restricted for the acquisition of art, land, buildings, furniture, fixtures, equipment, and library books. These funds are also used to record the expenditures for such items.

Endowment Funds
This fund group includes the principal amount of gifts and grants which the donors or Board of Trustees have restricted as permanent endowments. Earnings from these funds are distributed to the Operating, Specified Purpose, and Plant Funds under the terms of the donors' or Board of Trustees' restrictions.

September 30, 2004
(with summarized financial information as of September 30, 2003)

Exhibit I

	Operating Fund	Art Leagues	Funds for Specified Purposes	Plant and Collection Funds	Endowment Funds	**2004 Totals**	2003 Totals
ASSETS							
Cash and cash equivalents	$ 727,344	$780,825	$ -	$ -	$ -	**$ 1,508,169**	$ 1,030,069
Investments, at market value	-	-	2,152,071	3,984,262	106,353,395	**112,489,728**	98,355,700
Grants, bequests, contributions, and accounts receivable, net	470,283	23,976	551,780	40,509	4,802,600	**5,889,148**	10,066,746
Accrued investment income	-	-	-	-	259,625	**259,625**	280,575
Inventories, net	577,513	-	-	-	-	**577,513**	374,646
Other assets	860,145	-	-	364,492	-	**1,224,637**	917,002
Property and equipment, net	-	-	-	4,284,429	-	**4,284,429**	3,615,097
Due from (to) other funds	(519,574)	(60,958)	461,845	(477,513)	596,200	**-**	-
Total assets	$2,115,711	$743,843	$3,165,696	$8,196,179	$112,011,820	**$126,233,249**	$114,639,835
LIABILITIES AND NET ASSETS							
Accounts payable	$ 263,657	$ -	$ 31,223	$ 138,733	$ -	**$ 433,613**	$ 1,546,694
Accrued expenses	1,471,758	119	6,498	-	-	**1,478,375**	1,076,754
Liability on annuity contracts	-	-	-	-	382,652	**382,652**	362,717
Total liabilities	1,735,415	119	37,721	138,733	382,652	**2,294,640**	2,986,165
Net assets							
Unrestricted	380,296	743,724	-	140,587	535,228	**1,799,835**	1,144,088
Temporarily restricted	-	-	3,127,975	7,916,859	33,122,900	**44,167,734**	34,342,352
Permanently restricted	-	-	-	-	77,971,040	**77,971,040**	76,167,230
Total net assets	380,296	743,724	3,127,975	8,057,446	111,629,168	**123,938,609**	111,653,670
Total liabilities and net assets	$2,115,711	$743,843	$3,165,696	$8,196,179	$ 112,011,820	**$126,233,249**	$114,639,835

Year ended September 30, 2004
(with summarized financial information for the year ended September 30, 2003)

Exhibit I

	Operating Fund	Art Leagues	Funds for Specified Purposes	Plant and Collection Funds	Endowment Funds	**2004 Totals**	2003 Totals
Support							
Appropriations from the City of Dallas	$ 1,071,818	$ -	$ -	$ -	$ -	**$ 1,071,818**	$ 1,076,818
Contributed services	3,837,495	24,780	-	-	-	**3,862,275**	2,701,697
Exhibition support	104,974	-	-	-	-	**104,974**	581,000
Contributions	3,839,369	500	-	-	-	**3,839,869**	3,306,943
Government grants	2,500	-	-	-	-	**2,500**	45,665
Total support	8,856,156	25,280	-	-	-	**8,881,436**	7,712,123
Revenue							
Membership	1,045,477	-	-	-	-	**1,045,477**	1,082,777
Auxiliary activities	1,698,464	1,136,473	-	-	-	**2,834,937**	3,070,588
Education	75,399	-	-	-	-	**75,399**	60,519
Miscellaneous	470,228	-	193,158	22,400	25	**685,811**	442,419
Total revenue	3,289,568	1,136,473	193,158	22,400	25	**4,641,624**	4,656,303
Transfers from (to) other funds	7,959,647	(675,000)	(2,396,013)	584,990	(5,473,624)	**-**	-
Other support and revenue							
Gifts – other than art	-	-	3,841,013	3,437,424	2,706,999	**9,985,436**	13,819,116
Investment return, net	137,846	2,330	505,966	917,440	12,725,705	**14,289,287**	15,292,691
Total other support and revenue	137,846	2,330	4,346,979	4,354,864	15,432,704	**24,274,723**	29,111,807
Total support and revenue	20,243,217	489,083	2,144,124	4,962,254	9,959,105	**37,797,783**	41,480,233

Year ended September 30, 2004
(with summarized financial information for the year ended September 30, 2003)

Exhibit I

	Operating Fund	Art Leagues	Funds for Specified Purposes	Plant and Collection Funds	Endowment Funds	**2004 Totals**	2003 Totals
Expenses							
Collections and exhibitions	$ 8,401,993	$ -	$ 468,166	$ 281,103	$ 209,811	**$ 9,361,073**	$ 9,521,035
Education	3,503,361	-	353,055	157,680	104,343	**4,118,439**	3,367,662
Development and external affairs	3,790,239	-	1,306	63,071	-	**3,854,616**	3,546,349
General administration	3,116,094	-	498,644	517,348	280,738	**4,412,824**	4,540,015
Auxiliary activities	1,034,419	658,720	-	-	-	**1,693,139**	1,704,624
Additional minimum pension liability	289,595	-	-	-	-	**289,595**	(212,688)
Total expenses	20,135,701	658,720	1,321,171	1,019,202	594,892	**23,729,686**	22,466,997
Change in net assets before change related to collection items not capitalized	107,516	(169,637)	822,953	3,943,052	9,364,213	**14,068,097**	19,013,236
Collection items sold	-	-	-	45,000	-	**45,000**	-
Collection items purchased	-	-	-	(1,828,158)	-	**(1,828,158)**	(2,163,243)
Change in net assets	107,516	(169,637)	822,953	2,159,894	9,364,213	**12,284,939**	16,849,993
Net assets, beginning of year	272,780	913,361	2,305,022	5,897,552	102,264,955	**111,653,670**	94,803,677
Net assets, end of year	$ 380,296	$ 743,724	$3,127,975	$8,057,446	$111,629,168	**$123,938,609**	$111,653,670

September 30, 2004 Exhibit II

Endowment Funds include both donor endowments (permanently restricted) and earnings thereon which have not yet been expended for the purposes stipulated by the donor (substantially all temporarily restricted). The Endowment Funds are comprised of the following at September 30, 2004:

	Total Net Assets
Acquisitions Endowment Funds	
General Acquisitions Endowment Fund	$ 2,595,058
Charron and Peter Denker Fund for Contemporary Texas Art	125,929
Roberta Coke Camp Endowment Fund	1,823,139
Beatrice M. and Patrick E. Haggerty Art Acquisition Endowment Fund	294,984
Laura and Walter Elcock Contemporary Art Endowment Fund	45,518
Gayle and Paul Stoffel Endowment Fund for Contemporary Art	1,113,675
Susan Mead Contemporary Art Acquisition Endowment Fund	44,960
Mary Margaret Munson Wilcox Endowment Fund	80,415
Cecil and Ida Green Art Acquisition Endowment Fund	3,583,903
Textile Acquisitions Endowment Fund	1,007,486
Lay Family Endowment Fund	2,455,298
Otis and Velma Davis Dozier Endowment Fund	513,312
Texas Artists Endowment Fund	184,197
Theodore and Iva Hochstim Endowment Fund	166,889
Decorative Arts Discretionary Endowment Fund	869,816
E.E. Fogelson and Greer Garson Fogelson Endowment Fund	251,191
African Art Acquisitions Endowment Fund	1,153,184
Total acquisitions endowment funds	**16,308,954**
Exhibition, Curatorial, and Conservation Endowment Funds	
Exhibitionists Endowment Fund	51,683
Rosine Foundation Decorative Art Endowment Fund	481,589
Melba D. Whatley Endowment Fund given in honor of Betty and Edward Marcus	1,804,019
Conservation Endowment Fund	782,554
Margaret McDermott Curator of African Art Endowment Fund	2,124,539
Lupe Murchison Curator of Contemporary Art Endowment Fund	1,554,803
Exhibition Endowment Fund	9,509,294
Margot B. Perot Curator of Decorative Arts and Design Endowment Fund	1,028,892
Cecil and Ida Green Ancient and South Asian Art Curator Endowment Fund	2,000,080
Pauline G. Sullivan Curator of American Art Endowment Fund	2,027,745
Lillian Clark Curatorship for Paintings and Sculpture Endowment Fund	978,659
Anonymous Contemporary Art Curator (Junior Position) Endowment Fund	863,560
Anonymous New World and Pacific Cultures Curator Endowment Fund	1,004,528
Barbara Thomas Lemmon Curator of European Art Endowment Fund	1,283,915
Modern and Contemporary Sculpture Endowment Fund	2,679,083
Steven G. Alpert and Family Indonesian Art Endowment Fund	211,400
Total exhibition, curatorial, and conservation endowment funds	**28,386,343**
Education Endowment Funds	
McDermott Education Endowment Fund	2,698,879
Kimbrough Endowment Fund	315,573
DeGolyer Endowment Fund	143,201
Kay Cattarulla Endowment Fund for Literary and Performing Arts	150,952
Robert J. O'Donnell Endowment Fund	1,199,044
Clara and Leo Corrigan, Sr. Endowment Fund	321,065
Marilyn R. and Leo F. Corrigan, Jr. Endowment Fund	493,741
Anonymous Program Endowment Fund	2,667,321

September 30, 2003 | Exhibit II

	Total Net Assets
Education Endowment Funds – Continued	
Bromberg Endowment Fund	$ 158,015
Collins Lecture Series Endowment Fund	142,810
Dr. Anson L. Clark Endowment Fund	475,361
Print and Drawing Endowment Fund	17,108
League Education Endowment Fund	1,687,482
Levy Endowment Fund for Music	188,464
Rosewood Corporation Endowment Fund	562,917
Arthur Andersen Education Endowment Fund	144,208
Albert and Minnie Susman Education Endowment Fund	244,408
Dozier Travel Endowment Fund	167,593
Hearst Scholarship Endowment Fund	260,597
Bank of America Outreach Endowment Fund	387,187
Rick and Diana Strauss Special Education Endowment Fund	40,118
Shirley Pollock Library Internship Endowment Fund	51,022
Boshell Lecture Series Endowment Fund	330,945
Nancy and Jeffrey Marcus Endowment Fund	139,657
King Foundation Education Endowment Fund	234,281
Mayer Library Endowment Fund	2,431,028
JC Penney Teaching Endowment Fund	211,952
Brettell Lecture Series Endowment Fund	147,393
Gateway Gallery Endowment Fund	27,792
Nancy and Jeffrey Marcus Director of Education Endowment Fund	2,014,972
Mildred R. and Frederick M. Mayer Librarian Endowment Fund	1,018,976
Christopher and Sue Bancroft Education Endowment Fund	565,628
Andrea Brenner-McMullen Arts Support Endowment Fund	187,374
Total education endowment funds	**19,827,064**
Operations and Other Specified Purpose Endowment Funds	
Frank-Binswanger Flower Endowment Fund	385,816
Anonymous Endowment Fund	403,551
McDermott Garden Endowment Fund	1,523,353
Program Endowment Fund	2,468,013
S. T. Harris Endowment Fund	513,925
Mr. and Mrs. Thomas B. Walker, Jr. Program Endowment Fund	1,204,411
Family Fund Endowment Fund	13,060,504
Parker Endowment Fund	218,113
NEA Challenge Grant Endowment Fund	870,854
Expansion Campaign Endowment Fund	12,255,463
Eugene McDermott Director Endowment Fund	4,028,938
Fannie and Stephen Kahn Endowment Fund	2,790,352
Fay and Newt Walker Endowment Fund	384,170
Patsy Nasher Endowment Fund	131,507
Anonymous Endowment Fund	3,007,535
Fleischner Courtyard Endowment Fund	33,110
Edmund J. and Louise W. Kahn Endowment Fund	2,873,422
General Operations Endowment Fund	192,965
Anonymous Endowment Fund	16,816
Anonymous Director's Assistants Endowment Fund	401,620
Ernest and Irene Wadel Endowment Fund	342,369
Total operations endowment funds	**47,106,807**
Total endowment funds	**$111,629,168**