The Museum of Modern Art
Consolidated Financial Statements
June 30, 2009 and 2008

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June 30, 2009 and 2008

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Report of Independent Auditors

To the Board of Trustees of
The Museum of Modern Art

In our opinion, the accompanying consolidated statements of financial position and the related consolidated statements of unrestricted revenues, expenses and changes in unrestricted net assets, changes in net assets and cash flows present fairly, in all material respects, the consolidated financial position of The Museum of Modern Art (the "Museum") at June 30, 2009 and 2008, and the changes in their net assets and their cash flows for the years then ended are in conformity with accounting principles generally accepted in the United States of America. These consolidated financial statements are the responsibility of the Museum's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, which 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 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, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As further discussed in Note 3 to the consolidated financial statements, in fiscal year 2009 the Museum adopted Financial Accounting Standards Board Statement No. 157, *Fair Value Measurements*.

PricewaterhouseCoopers LLP

October 27, 2009

The Museum of Modern Art
Consolidated Statements of Financial Position
June 30, 2009 and 2008

(in thousands)	2009	2008
Assets		
Cash and cash equivalents	$ 44,252	$ 73,843
Receivables		
Accounts receivable	642	944
Contributions receivable, net	174,458	186,982
Accrued investment income and other receivables	691	1,123
The Trust for Cultural Resources	35,945	36,345
Inventories	9,750	9,878
Prepaid expenses and other assets	12,096	20,113
Investments, at fair value	565,741	714,435
Investments held on behalf of others	2,933	3,844
Property, plant and equipment, net	556,785	580,945
Museum collections (Note 1)	-	-
Total assets	$ 1,403,293	$ 1,628,452
Liabilities and net assets		
Accounts payable, accrued expenses and other liabilities	$ 37,606	$ 37,898
Deferred revenue	2,509	3,555
Loans payable and bond premium, net of accumulated amortization	333,852	331,875
Funds held on behalf of others	2,933	3,844
Pension and postretirement benefit obligations	28,762	18,707
Total liabilities	405,662	395,879
Net assets		
Unrestricted		
Museum operations		
Museum funded property, plant and equipment	17,168	16,286
All other (including advances to The Trust for Cultural Resources of $35,945 in 2009 and $36,345 in 2008)	332,276	491,657
	349,444	507,943
Plant and equipment funded by designated gifts	342,496	369,283
	691,940	877,226
Temporarily restricted	90,204	150,501
Permanently restricted	215,487	204,846
Total net assets	997,631	1,232,573
Total liabilities and net assets	$ 1,403,293	$ 1,628,452

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

The Museum of Modern Art
Consolidated Statements of Unrestricted Revenues, Expenses and Changes in Unrestricted Net Assets
Years Ended June 30, 2009 and 2008

	2009 Unrestricted Net Assets			2008 Unrestricted Net Assets		
(in thousands)	Museum Operations	Plant & Equipment Funded by Designated Gifts	Total Unrestricted Net Assets	Museum Operations	Plant & Equipment Funded by Designated Gifts	Total Unrestricted Net Assets
Operating revenues and other support						
Admissions	$ 22,373		$ 22,373	$ 21,380		$ 21,380
Membership	14,151		14,151	13,732		13,732
Investment income - spending policy	30,959		30,959	27,739		27,739
Board-designated increase in spending policy	2,885		2,885	-		-
Annual fund contributions	7,738		7,738	8,542		8,542
Other grants and contributions	9,962		9,962	13,135		13,135
Government support	275		275	281		281
Circulating exhibition fees	749		749	611		611
Other	5,895		5,895	6,742		6,742
Revenue of auxiliary activities	51,700		51,700	56,915		56,915
Total operating revenues and other support	146,687		146,687	149,077		149,077
Net assets released from restrictions to fund operations	11,208		11,208	11,920		11,920
Total operating revenues and other support and reclassifications	157,895		157,895	160,997		160,997
Operating expenses						
Curatorial and related support services	27,083		27,083	26,553		26,553
Exhibitions	12,885		12,885	13,962		13,962
Other Museum programs	3,897		3,897	3,534		3,534
Cost of sales/auxiliary activities	47,739		47,739	50,607		50,607
Depreciation (non-auxiliary)	1,713	$ 26,787	28,500	1,390	$ 26,709	28,099
Public services	4,628		4,628	4,549		4,549
Membership, development and cultivation	11,215		11,215	11,241		11,241
Facilities, security and other	26,023		26,023	27,088		27,088
Public information	3,536		3,536	3,571		3,571
Administration and other	18,856		18,856	17,947		17,947
Total operating expenses	157,575	26,787	184,362	160,442	26,709	187,151
Excess (deficit) of operating revenues and support over operating expenses	320	(26,787)	(26,467)	555	(26,709)	(26,154)
Non-operating revenues, expenses and other support						
Acquisition of works of arts	(33,638)		(33,638)	(18,416)		(18,416)
Net assets released from restrictions for art acquisitions	31,953		31,953	18,416		18,416
Net assets released from restrictions for capital acquisition and financing	1,613		1,613	11,444	2,205	13,649
Excess of investment loss over amounts designated for operations and specific purposes	(125,959)		- (125,959)	(36,338)		(36,338)
Board-designated and other contributions	34		34	11,733		11,733
Defined benefit plan changes other than net periodic benefit cost	(13,187)		(13,187)	(12,197)		(12,197)
Interest expense, change in fair value of interest rate swap agreements and other financing costs	(19,635)		(19,635)	(23,797)		(23,797)
Total non-operating revenues, expenses and other support	(158,819)	-	(158,819)	(49,155)	2,205	(46,950)
Change in unrestricted net assets	(158,499)	(26,787)	(185,286)	(48,600)	(24,504)	(73,104)
Unrestricted net assets						
Beginning of year	507,943	369,283	877,226	556,543	393,787	950,330
End of year	$ 349,444	$ 342,496	$ 691,940	$ 507,943	$ 369,283	$ 877,226

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

The Museum of Modern Art
Consolidated Statements of Changes in Net Assets
Years Ended June 30, 2009 and 2008

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(in thousands)	**2009**	**2008**
Unrestricted net assets		
Change in unrestricted net assets	$ (185,286)	$ (73,104)
Temporarily restricted net assets		
Capital gifts and other contributions	18,177	39,695
Investment loss	(35,474)	(7,805)
Net assets released from restriction	(44,774)	(43,985)
Sales of works of art	1,774	5,000
Change in temporarily restricted net assets	(60,297)	(7,095)
Permanently restricted net assets		
Capital gifts and other contributions	10,416	15,425
Investment return	225	306
Change in permanently restricted net assets	10,641	15,731
Total change in net assets	(234,942)	(64,468)
Net assets		
Beginning of year	1,232,573	1,297,041
End of year	$ 997,631	$ 1,232,573

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

The Museum of Modern Art
Consolidated Statements of Cash Flows
Years Ended June 30, 2009 and 2008

	2009	2008
Cash flows from operating activities		
Change in net assets	$ (234,942)	$ (64,468)
Adjustments to reconcile change in net assets to net cash		
(used in) provided by operating activities		
Depreciation and amortization	28,995	28,582
Amortization of bond premium	(1,668)	
Writeoff of deferred financing costs	2,108	
Net realized losses and unrealized depreciation on investments	128,517	21,428
Receipt of contributed securities	(1,490)	(7,252)
Contributions and net investment income restricted for endowment	(6,641)	(14,820)
Change in fair value of interest rate swap agreement	(238)	7,376
Sales of works of art	(1,774)	(5,000)
Acquisition of works of art	33,638	18,416
Contributions and net investment income restricted for capital acquisition and construction	(8,419)	(4,866)
Changes in assets and liabilities		
Decrease in accounts receivable	302	267
Decrease in contributions receivable	13,253	17,446
Decrease in accrued investment income and other receivables	432	155
Decrease in inventories	128	239
Decrease in prepaid expenses and other assets	5,909	11,056
Increase in accounts payable, accrued expenses and other liabilities	9,090	2,312
Decrease in deferred revenue	(1,046)	(57)
Net cash (used in) provided by operating activities	(33,846)	10,814
Cash flows from investing activities		
Purchase of property, plant and equipment	(4,835)	(7,295)
Proceeds from disposition of investments	206,340	46,317
Purchase of investments	(185,252)	(133,264)
Proceeds from sales of contributed securities	1,490	7,252
Sales of works of art	1,774	5,000
Acquisition of works of art	(33,638)	(18,416)
Net cash used in investing activities	(14,121)	(100,406)
Cash flows from financing activities		
Contributions and net investment income restricted for		
Capital acquisition and construction	8,419	4,866
Investment in endowment	5,912	14,820
Proceeds from debt issuance	222,520	-
Redemption of bond issues and term loan	(218,875)	-
Distributions from Trust for Cultural Resources	400	1,000
Repayments on loans payable	-	(4,000)
Net cash provided by financing activities	18,376	16,686
Net decrease in cash and cash equivalents	(29,591)	(72,906)
Cash and cash equivalents		
Beginning of year	73,843	146,749
End of year	$ 44,252	$ 73,843
Supplemental disclosures		
Cash paid in the year for interest	$ 16,397	$ 15,940

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

(dollars in thousands)

1. Summary of Significant Accounting Policies

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America and reflect the consolidation of the following entities in accordance with Statement of Position 94-3, "Reporting of Related Entities by Not-for-Profit Organizations:"

- The Museum of Modern Art (the "Museum")
- Modern and Contemporary Art Support Corp. (the "Support Corp.")
- P.S. 1 Contemporary Art Center (P.S.1)
- AFE, LLC

The Museum is the sole member of the Support Corp, P.S.1 and AFE, LLC.

The Museum, the Support Corp. and P.S.1 are not-for-profit organizations exempt from tax under Section 501(c)(3) of the Internal Revenue Code; AFE, LLC is a limited liability corporation.

The Museum's significant accounting policies are described below:

Collections
The Museum is chartered as an educational institution whose collection of modern and contemporary art is made available to its members and the public to encourage an ever-deeper understanding and enjoyment of such art by the diverse local, national, and international audiences that it serves. Through the leadership of its Board of Trustees (the "Board") and staff, the Museum strives to establish, preserve, and document a permanent collection of the highest order that reflects the vitality, complexity and unfolding patterns of modern and contemporary art; present exhibitions and educational programs of unparalleled significance; sustain a library, archives, and conservation laboratory that are recognized as international centers of research; and support scholarship and publications of preeminent intellectual merit.

The Museum's collections, acquired through purchase and contributions, are not recognized as assets on the consolidated statements of financial position. Purchases of collection items are recorded in the year in which the items were acquired as decreases in unrestricted net assets. Contributed collection items are not reflected in the consolidated financial statements. Proceeds from deaccessions, which are reflected as increases in temporarily restricted net assets, are used exclusively to acquire other items for the collection.

Net Assets
The Museum reports information regarding its financial position and changes in activities in one of three classes of net assets: permanently restricted, temporarily restricted, and unrestricted.

- Permanently restricted net assets contain donor-imposed restrictions stipulating that the resources be maintained permanently but permit the Museum to use or expend part or all of the investment return from the donated assets for specified or unspecified purposes.

(dollars in thousands)

- Temporarily restricted net assets contain donor-imposed restrictions that permit the Museum to use up or expend the donated assets as specified. The restriction is satisfied either by the passage of time or by actions of the Museum.

- Unrestricted net assets are neither permanently restricted nor temporarily restricted by donor-imposed restrictions. As reflected in the accompanying consolidated statements of financial position, the Museum has designated unrestricted net assets into the following two categories:

  – Museum operations comprise net assets that are an integral part of the Museum's programs and supporting activities, including fixed assets purchased from general operating support funds, and net assets designated for long-term investments which include realized capital gains and unrealized appreciation on permanently restricted net assets which have no donor-imposed restrictions on either income or capital appreciation.

  – Plant and equipment funded by designated gifts represents fixed assets constructed or acquired with donor specified contributions.

Contributions
Contributions, including promises to give, are recorded as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of unrestricted revenues, expenses and changes in net assets as net assets are released from restrictions. It is the Museum's policy to record temporarily restricted contributions and investment returns thereon that are received and expended in the same accounting period in the unrestricted net asset category.

It is the Museum's policy to recognize contributions restricted by a donor for the acquisition or construction of long-lived assets as temporarily restricted support and to reclassify such support to unrestricted net assets as net assets released from restriction when the asset has been acquired or placed in service.

Nonmonetary contributions are recorded at estimated fair value at date of receipt if the Museum received certain goods and services that meet criteria under generally accepted accounting principles for recognition as contributions. There were no material nonmonetary contributions for the years ended June 30, 2009 and 2008.

A substantial number of volunteers have contributed significant amounts of time to the Museum; however, no amounts have been reflected in the accompanying consolidated financial statements for such contributed services as these services do not meet the criteria for recognition as contributions under generally accepted accounting principles.

Property, Plant and Equipment
Property, plant and equipment are stated at cost, if purchased, or, if donated, at a fair value at date of gift. Depreciation is computed principally by the straight-line basis over the estimated useful lives as follows:

(dollars in thousands)

Buildings and building components	5 to 50 years
Leasehold improvements	lesser of useful life or lease term
Equipment, software and other	3 to 20 years

Investments
The long term focus of the Museum's investment portfolio is to support the Museum's mission by providing a reliable source of funds for current and future use.

Marketable securities are reported on the basis of quoted market value as reported on the last business day of the year on securities exchanges throughout the world. Income from pooled investments and realized gains and losses and unrealized appreciation and depreciation on security transactions are allocated among individual restricted and unrestricted funds on the basis of the respective percentage share in the fund balance which exists at the beginning of each month in which income and realized gains or losses and unrealized appreciation and depreciation are earned.

Purchases and sales of short-term investments, fixed-income and equity securities are reflected on a trade-date basis. Realized gains and losses are determined on the basis of average cost of securities sold and are reflected in the consolidated statements of unrestricted revenues, expenses and changes in unrestricted net assets and in the consolidated statement of changes in net assets. Dividend income is recorded on the ex-dividend date, and interest income is recorded on an accrual basis. Investments denominated in foreign currency are translated at the year-end spot rate.

The Museum's alternative investments, which include absolute returns, private equity and real assets, consist of the Museum's ownership interest in externally managed funds, which may be invested in less liquid investments. For all these investments fair value represents the Museum's original investment plus the Museum's allocated share of income, realized gains and losses and unrealized appreciation and depreciation, net of fees and distributions.

The Museum believes that the carrying amount of these alternative investments is a reasonable estimate of fair value as of June 30, 2009 (see Note 3). Because alternative investments are not readily marketable, the fair value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for the investment existed. Such differences could be material. The amount of gain or loss associated with these investments is reflected in the accompanying consolidated financial statements.

Inventories
The Museum values its inventories, consisting primarily of publishing and retailing merchandise, at the lower of weighted average cost or market.

Cash and Cash Equivalents
The Museum considers all highly liquid investments with maturities of three months or less and money market funds when purchased, other than those held in the investment portfolio, to be cash equivalents.

Museum Operations
The Museum includes in its measure of operations all revenues and expenses that are an integral part of its programs and supporting activities. Museum operations do not include interest expense

(dollars in thousands)

and other financing costs, amortization of bond issuance costs, board-designated contributions, gain on sale of development rights, defined benefit plan changes other than net periodic benefit cost and cumulative effect of a change in accounting principle (if any). The measure of operations also includes 5% of investment income pursuant to the spending policy (see Note 4), but excludes investment return in excess of or less than that amount. In 2009, in order to protect donor restricted endowment funds and programmatic activities, the Board authorized an increase in the spending policy of $2,885, which decreased board designated reserves. During 2008, positive financial results including several unrestricted bequests, allowed the Board to designate contributions totaling $11,700 as non-operating revenues which served to increase board-designated reserves.

Membership, Development and Cultivation
Membership, development and cultivation expenses were $11,215 and $11,241, respectively, for the years ended June 30, 2009 and 2008. These amounts include costs attendant for all fundraising activities including Museum operations, endowment, and art acquisitions. These costs include current and future donor cultivation, acquisition and retention of membership, membership fulfillment costs, fundraising events for the benefit of the Museum and contribution processing and acknowledgement.

Bond Issuance Costs
Bond issuance costs, included in prepaid expenses and other assets, represent costs to obtain financing for various projects of the Museum. Amortization of these costs extends over the term of the applicable loans.

Functional Allocation of Expenses
The cost of providing program and supporting services has been summarized in Note 16.

Advertising Expense
Advertising is recorded as expense in the period incurred. Advertising expense for the years ended June 30, 2009 and 2008 was $2,419 and $2,784, respectively.

Income Tax Uncertainties
In fiscal year 2008 the Museum adopted Financial Accounting Standards Board FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" an Interpretation of FASB Statement No. 109 ("FIN 48"). FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of the tax position taken or expected to be taken in a tax return and provides guidance related to classification and disclosure matters. The impact of FIN 48 was not material in 2009 or 2008.

Use of Estimates
The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the dates of the financial statements, and the reported amounts of revenues and expenses during the reporting period. The most significant estimates include the valuation assumptions associated with investments without readily determinable public markets, contributions receivable, pension and post retirement benefit liabilities. Actual results could differ from those estimates.

(dollars in thousands)

Derivative Instruments
The Museum records derivative instruments (e.g., interest rate swap agreements) at fair value in accordance with Statements of Financial Accounting ("SFAS") No. 133, *Accounting for Derivative Instruments and Hedging Activities,* SFAS No. 138, *Accounting for Certain Derivative Instruments and Hedging Activities and* SFAS No. 157*, Fair Value Measurements ("SFAS 57").* The change in fair value during the reporting period together with the net effect of the interest rate swap is recognized below the operating measure in the statements of unrestricted revenues, expenses and changes in unrestricted net assets.

Reclassifications
Certain amounts from prior year consolidated financial statements have been reclassified to conform to the current year presentation.

Subsequent Events
The Museum has performed an evaluation of subsequent events through October 27, 2009, which is the date the consolidated financial statements were issued.

2. Contributions Receivable

Contributions receivable at June 30, 2009 and 2008 are as follows:

	2009	**2008**
Museum operations and programs	$ 124,423	$ 133,109
Future periods - split interest agreements	1,673	2,102
Capital construction and acquisition	63,028	73,495
	189,124	208,706
Less: Discount for present value	(11,503)	(18,561)
Allowance for doubtful accounts	(3,163)	(3,163)
	$ 174,458	$ 186,982
Amounts due in		
Less than one year	$ 20,575	$ 25,617
One to five years	41,626	55,635
More than five years	126,923	127,454
	$ 189,124	$ 208,706

For multi-year pledges recorded prior to fiscal year 2009, the fair value of such promises, after allowance for uncollectible pledges, was determined by discounting the expected cash flows by a risk free rate of return for similar terms of contributions receivable, and for new multi-year pledges initially fair valued in fiscal year 2009, the discount rates are computed using a risk free rate adjusted for a market risk premium or the credit worthiness of the donor. The discount rates utilized ranged from 3.04% to 7%.

(dollars in thousands)

3. Financial Instruments

Effective July 1, 2008, the Museum adopted SFAS157. SFAS 157 defines fair value, establishes a framework for measuring fair value and enhances disclosures about fair value measurements. Fair value is defined under SFAS 157 as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between participants on the measurement date. Fair value requires an organization to determine the unit of account, the mechanism of hypothetical transfer, and the appropriate markets for the asset or liability being measured.

SFAS 157 establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Observable inputs reflect market data obtained from sources independent of the reporting entity and unobservable inputs reflect the entities own assumptions about how market participants would value an asset or liability based on the best information available. Valuation techniques used to measure fair value under SFAS 157 must maximize the use of observable inputs and minimize the use of unobservable inputs. The standard describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value.

The three input levels are as follows:

- Level 1- quoted prices in active markets that the Museum has the ability to access for identical assets and liabilities for which significant observable inputs exist. Market price data is generally obtained from exchange or dealer markets. The Museum does not adjust the quoted price for such assets and liabilities.

- Level 2 – inputs other than level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the same term of assets or liabilities. This includes use of model based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets. Inputs are obtained from various sources including market participants, dealers and brokers.

  Investments included in level 2 may include certain money market, fixed income, equity and absolute return funds for which observable inputs exist and trade in markets not considered to be active.

- Level 3 – unobservable inputs, as they trade infrequently or not at all, that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

  Investments included in level 3 primarily consist of the Museum's ownership in fixed income and equity investments, absolute returns, private equity, real assets, and other similar funds. The values of these investments represent the ownership interest in the net assets value ("NAV") of the respective partnerships. These investments are primarily made under agreements to participate in investment vehicles and are generally subject to certain withdrawal restrictions. The fair value (NAV) of the securities held by limited partnerships that do not have readily determinable fair values are determined by the

(dollars in thousands)

general partner and are based on appraisals or other estimates that require varying degrees of judgment. If no public market exists for the investment securities, the fair value is determined by the general partner taking into consideration, among other things, the cost of the securities, prices of recent significant placements of securities of the same issuer, and subsequent developments concerning the companies to which the securities relate. The financial statements of these investment vehicles are audited annually by independent auditing firms. The Museum has performed significant due diligence around these investments to ensure NAV is an appropriate measure of fair value as of June 30, 2009. Because of the inherent uncertainty of valuing these investments and certain underlying investments held by them, the Museum's estimate of fair value may differ significantly from the values that would have been used had a ready market for the investments existed. These investments may be illiquid and thus there can be no assurance that the Museum will be able to realize the value of such investments in a timely manner. For partnership interests, gains and losses are dependent upon the general partners' distributions during the life of each partnership.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions. Inputs may include price information, credit data, liquidity statistics and other factors. The Museum considers observable data to be that market data which is readily available and reliable and provided by independent sources. The categorization of a financial instrument within the hierarchy is therefore based upon the pricing transparency of the instrument and does not necessarily correspond to the Museum's perceived risk of that investment. The following table presents the financial instruments carried at fair value as of June 30, 2009, by caption on the consolidated statement of financial position by the SFAS 157 valuation hierarchy:

(dollars in thousands)

	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Assets:				
Cash equivalents	$ -	$ 88,867	$ -	$ 88,867
Fixed income investments	83,645	17,751	13,468	114,864
Equity Investments	80,091	28,955	38,124	147,170
Absolute returns		16,017	149,765	165,782
Private equity			82,034	82,034
Real assets			16,263	16,263
Total investments and cash equivalents	163,736	151,590	299,654	614,980
Beneficial interests held by third parties			1,034	1,034
Total assets at fair value	$ 163,736	$ 151,590	$ 300,688	$ 616,014
Liabilities:				
Interest rate swaps		$ 7,951		$ 7,951
Total liabilities at fair value	$ -	$ 7,951	$ -	$ 7,951

Financial instruments such as those above, involve, to varying degrees, elements of market risk and credit risk in excess of the amounts recorded on the consolidated statements of financial position. For the Museum, market risk represents the potential loss due to the decrease in the value of financial instruments; credit risk represents the maximum potential loss due to possible non-performance of contract terms by obligors and counter parties. Management does not anticipate that losses, if any, resulting from its market or credit risks would materially affect the financial position and operations of the Museum.

Interest rate swap arrangements have inputs which can generally be corroborated by market data and are therefore classified as level 2. Interest rate swaps are valued using both observable and unobservable inputs, such as quotations from the counter party, whenever available, and considered reliable. The value of the interest rate swap depends upon the contractual terms of and specific risks inherent in the instrument as well as the availability and reliability of observable inputs.

Split-interest agreements are valued at the current market value of the underlying assets using observable market inputs based on its beneficial interest in the trust discounted to a single present value using market rates approximating 2.8%.

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

(dollars in thousands)

The following table is a roll forward of the consolidated statement of financial position amounts for financial instruments classified by the Museum within level 3 of the fair value hierarchy defined above.

	Fixed Income Investments	Equity Investments	Absolute Returns	Private Equity	Real Assets	Benefical interests Held by Third Parties	Total
Fair value, July 1, 2008	$ -	$ 51,385	$ 185,272	$ 93,612	$ 16,961	$ 826	$ 348,056
Realized and unrealized gains (losses), net	1,439	(13,261)	(32,143)	(17,402)	(3,107)		(64,474)
Net purchases, sales, settlements	12,029	-	(3,364)	5,824	2,409	208	17,106
Fair value, June 30, 2009	$ 13,468	$ 38,124	$ 149,765	$ 82,034	$ 16,263	$ 1,034	$ 300,688

All net realized and unrealized gains (losses) in the table above are reflected in the accompanying consolidated statements of unrestricted revenues, expenses and changes in unrestricted net assets. Net unrealized gains (losses) relate to those financial instruments held by the Museum at June 30, 2009.

The provisions of SFAS 159, "*The Fair Value Option for Financial Assets and Financial Liabilities*" ("SFAS 159") were effective July 1, 2008. SFAS 159 gives entities the option at specific election dates, to measure certain financial assets and liabilities at fair value. The election may be applied to financial assets and liabilities on an instrument by instrument basis, is irrevocable, and may only be applied to entire instruments. Unrealized gains and losses on instruments for which the fair value option has been elected are reported in earnings at each subsequent reporting date. The Museum did not elect fair value accounting for any assets or liabilities that are not currently required to be measured at fair value.

4. Investments

Investments at June 30, 2009 and 2008 are as follows:

	June 30,			
	2009		2008	
	Cost	Fair Value	Cost	Fair Value
Cash equivalents	$ 43,470	$ 43,470	$ 17,040	$ 27,532
Fixed income investments	115,444	114,187	100,297	100,261
Equity investments	156,965	146,938	262,359	273,017
Alternative Investments				
Absolute return	116,690	165,782	118,357	206,896
Private equity	100,502	82,034	81,663	93,612
Real assets	14,657	16,263	11,850	16,961
Total investments	$ 547,728	$ 568,674	$ 591,566	$ 718,279

(dollars in thousands)

Equity and Fixed Income Investments
Equities and fixed income investments consists of investments in publicly traded U.S. equities, publicly traded mutual funds and funds that invest in equity and fixed income based strategies. The fair value of these investments is based on quoted market prices. Investments that are listed on an exchange are valued, in general, at the last reported sale price (or, if there is no sales price, at the last reported bid price, or, in the absence of reported bid prices, at the mean between the last reported bid and asked prices thereof). Fund investments in equity and fixed income based strategies are valued in accordance with valuations provided by the investment managers of the underlying funds. Some of these funds may not have readily ascertainable market values and may be subject to withdrawal restrictions. The fair value represents the amount the Museum expects to receive at June 30, 2009 and 2008, if it had liquidated its investments in the funds on these dates.

Alternative Investments
Alternative investments include interests in absolute return strategy funds, private equity funds, and real asset funds. The Museum values these investments in accordance with valuations provided by the investment managers of the underlying funds. As a general rule, investment managers of private equity and real asset funds value investments based upon the best information available for a given circumstance and may incorporate assumptions that are the investment manager's best estimates after consideration of a variety of internal and external factors. Private equity and real asset funds may make investments in securities that are publicly traded, which are generally valued based on observable market prices, unless a restriction exists. Investments for which observable market prices do not exist are reported at fair value as determined by the fund's investment manager. The Museum's management may consider other factors in assessing the fair value of these investments. Some of these funds may not have readily ascertainable market values and may be subject to withdrawal restrictions. The fair value of the funds represents the amount the Museum expects to receive at June 30, 2009 and 2008, if it had liquidated its investments in the funds on these dates.

The Museum invests in alternative investments that are not registered under the Investment Company Act of 1940, as amended, and invests in other financial instruments employing various investment strategies and techniques, including leverage that may involve significant market, credit, and operational risks. Alternative investments may allocate a high percentage of their assets in specific sectors of the market in order to achieve a potentially greater investment return. As a result, the investments may be susceptible to economic, political, and regulatory developments in a particular sector of the market, positive or negative, and may experience increased volatility in net asset values.

Investment Income
Pursuant to the spending policy adopted by the Board, an amount equal to 5% of the adjusted average market value at the end of the three preceding years of certain restricted and unrestricted funds (the income of which is unrestricted) was made available in fiscal 2009 and 2008 for operating the Museum. In addition, certain endowment funds designated for specific operating, program or acquisition purposes are utilized in an amount equal to 5% of the prior year end balance. The following schedules summarize the investment return and its classification in the consolidated statements of unrestricted revenues, expenses and other changes in unrestricted net assets for 2009 and 2008:

(dollars in thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2009
Dividends and interest, net of investment management and related fees of $ 4,164 in 2009 and $5,384 in 2008	$ 1,585	$ 620	$ 225	$ 2,430
Net realized losses and changes in unrealized depreciation	(92,423)	(36,094)		(128,517)
Total (loss) return on long-term investments	(90,838)	(35,474)	225	(126,087)
Museum operations (spending policy)	(30,959)			(30,959)
Increase to spending policy per Board authorization	(2,885)			(2,885)
Excess of investment (loss) return over spending policy amount	(124,682)	(35,474)	225	(159,931)
Auxiliary activities	(1,277)			(1,277)
Excess of investment (loss) returns over amounts designated for operations and specific purposes	$ (125,959)	$ (35,474)	$ 225	$ (161,208)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2008
Dividends and interest, net of investment management and related fees of $5,384 in 2008 and $5,318 in 2007	$ 2,932	$ 2,968	$ 306	$ 6,206
Net realized losses and changes in unrealized depreciation	(10,655)	(10,773)	-	(21,428)
Total (loss) return on long-term investments	(7,723)	(7,805)	306	(15,222)
Museum operations (spending policy)	(27,739)			(27,739)
Excess of investment (loss) return over spending policy amount	(35,462)	(7,805)	306	(42,961)
Auxiliary activities	(876)			(876)
Excess of investment (loss) returns over amounts designated for operations and specific purposes	$ (36,338)	$ (7,805)	$ 306	$ (43,837)

5. Inventories

At June 30, 2009 and 2008, inventories consist of:

	2009	2008
Publishing and retail		
Available for sales	$ 9,206	$ 9,505
Work in process	350	145
	9,556	9,650
All other	194	228
	$ 9,750	$ 9,878

(dollars in thousands)

6. Property, Plant and Equipment

At June 30, 2009 and 2008, property, plant and equipment consist of:

	2009	2008
Buildings, at cost	$ 542,139	$ 541,236
Leasehold improvements, at cost	4,230	4,219
Machinery, equipment, software and furniture and fixtures, at cost	70,300	68,222
	616,669	613,677
Less: Accumulated depreciation	161,346	132,351
	455,323	481,326
Land, at cost	91,352	91,352
Construction in progress	10,110	8,267
	$ 556,785	$ 580,945

During construction, capitalized interest primarily related to the bond financing was included in fixed assets for the years ended June 30, 2009 and 2008 and totaled $24,927 and $25,371, respectively.

In accordance with the construction and reimbursement agreements for the Museum expansion project (fully completed in 2006), The City of New York has cumulatively advanced $64,700 under the $65,000 agreement through June 30, 2007. There were no payments received in 2009 and 2008.

In May 2007, the Museum sold approximately 162,000 square feet of development rights over undeveloped property owned in Manhattan. A gain of $98,176 was generated from the sale of these rights. The Museum retains ownership of the underlying land as well as approximately 48,000 square feet of development rights.

7. Split-Interest Agreements

The Museum is the beneficiary or agent for a third party beneficiary of a number of split-interest agreements with donors. The contributed assets are held in trust by a third party (“trustee”) and are included in contributions receivable and prepaid expenses and other assets in the consolidated statements of financial position. In accordance with the agreements, the trustee distributes to the donor or donor’s designee income generated from those assets until such time as stated in the agreement (usually upon the death of the donor or donor’s designee). The Museum will be able to utilize that portion of the gift in which it has an interest upon the death of the respective beneficiary and the trustee and will distribute to any third party beneficiaries their respective remainder interests.

At the time of the gift and adjusted annually, the Museum records contribution income and contribution receivable net of the amounts payable to annuitants and third-party beneficiaries. The initial gift and annual adjustment is calculated based on estimated mortality rates and other

(dollars in thousands)

assumptions. The discount rates used in the calculation at June 30, 2009 and 2008 were 2.8% and 3.8%, respectively.

At June 30, split-interest agreements consist of the following:

	2009	2008
Charitable remainder unitrusts	$ 1,310	$ 1,739
Charitable remainder annuity trusts	363	363
Charitable gift annuities	2,658	2,502
	4,331	4,604
Less: Discount for present value	(2,490)	(2,936)
	$ 1,841	$ 1,668

8. Deferred Revenue

At June 30, 2009 and 2008, deferred revenue consists of:

	2009	2008
Deferred membership revenues	$ 1,254	$ 1,294
Deferred exhibition fees	129	596
Other	1,126	1,665
	$ 2,509	$ 3,555

9. Loans Payable

Loans payable at June 30, 2009 and 2008 consist of the following:

	2009	2008
Series 2008-One-A bonds	$ 195,035	$ -
Series 2001-One bonds	100,000	235,000
Series 2000-One bonds	-	63,875
Term loans	20,000	20,000
Line of credit	13,000	13,000
Total debt	328,035	331,875
Bond premium on 2008-One-A bonds, net of amortization	5,817	-
Total debt and bond premium	$ 333,852	$ 331,875

In July 2008, the Museum used fixed rate bonds of varying maturities to refinance its outstanding auction rate securities totaling $198,875, including the Series 2000-One A and One B issues totaling $63,875 and Series 2001-One A, B and C issues totaling $135,000.

Fixed rate bonds of varying terms totaling $195,035 were issued in July 2008 and the variable rate bonds noted above were subsequently redeemed. Proceeds from the bond issue totaled $202,520.

(dollars in thousands)

Interest on the 2008-One-A bonds is paid semiannually and the bonds consist of the following amounts and maturities:

Refunding Bonds, Series 2008-One-A	Principal	Rate	Maturity
Mandatory Tender Bonds	$ 25,000	4.0%	August 1, 2010
Serial bonds	39,210	5.0%	October 1, 2010
Serial bonds (callable in 2018)	67,570	5.0%	April 1, 2025-2028
Term Bonds (callable in 2018)	63,255	5.0%	April 1, 2031
	$ 195,035		

In December 2001, the Museum received bond proceeds of $235,000 issued by the Trust for Cultural Resources (the "Trust"), a public benefit organization created by the State of New York. The bonds consisted of a $50,000 Series 2001 One A bond issue, $50,000 Series 2001 One B bond issue, $35,000 Series 2001 One C bond issue and $100,000 Series 2001 One D bond issue. The Series 2001 One A/B/C bonds are no longer outstanding. The Series 2001 One D bonds remain outstanding and maintain a fixed rate of 5.125%. The proceeds were used for the funding of the acquisition of land and expansion of the Museum in Manhattan.

In March 2000, the Museum received the proceeds of a $75,750 bond issued by the Trust. Proceeds were predominately used for the funding of the acquisition, construction, equipment and renovation of an art storage and study facility in Long Island City, planning costs for the museum's expansion in Manhattan and repayment of $34,800 of interim financing in connection with the refunding of an earlier bond issue (Series 1996-One bonds). Interest rates for these bonds were payable at various rates set in the auction rate securities market. These bonds are no longer outstanding.

Previously, the Museum had entered into two interest rate swap agreements effective in 2001 and 2003, with initial notional amounts of $100,000 and $35,000, respectively, pursuant to which the Museum agreed to convert the variable interest rate payable on certain debt to intermediate-term fixed interest rates. In accordance with the terms of the interest rate swaps and related agreements, the Museum was obligated to pay interest rates of 4.27% and 4.59%, respectively, and received interest established by an auction agent. Net receipts or payments under the agreement are recognized as an adjustment to interest expense. The interest rate swap agreements were originally set to expire July 1, 2010 and 2007, respectively. The swap agreement expiring in 2010 was terminated as part of the July 2008 refinancing transaction.

In August 2005, the Museum entered into an interest rate swap agreement extending the existing swap agreements through July 1, 2031 at a rate of 4.27%, matched to the maturity of the 2001 One A/B/C bonds. This swap agreement was reversed with an offsetting swap with the same counterparty matched to the same maturities as part of the July 2008 refinancing transaction.

At June 30, 2009 and 2008, the total fair value of the swap agreements in place approximates a liability of $7,952 and $8,189, respectively, which has been recognized in the accompanying consolidated financial statements. Interest expense on the swaps totaled $314 and $1,795 for the years ended June 30, 2009 and 2008, respectively.

(dollars in thousands)

The Museum refinanced a term loan facility of $20,000 with a commercial bank in December 2008. This facility matures in December 2009. The interest rate is based on various LIBOR maturities which ranged from 1% to 2.8 % at June 30, 2009.

At June 30, 2009, the Museum has available a $35,000 line of credit with a commercial bank. The line of credit expires in November 2009. The Museum intends to maintain line of credit arrangements. Borrowings under the line of credit as of June 30, 2009 totaled $13,000 at interest rates ranging from .79 % to .96 %. Annual principal payments due during the next five fiscal years and in total thereafter under the aforementioned borrowings are approximately as follows:

2010	$ 33,000
2011	64,210
2012	-
2013	-
2014	-
Thereafter	230,825
	$ 328,035

The Museum's debt agreements contain covenants requiring among other restrictions, the maintenance of certain levels of cash and investments. The requirements were met as of June 30, 2009. The carrying value of the loans payable approximates market as the loans bear interest at market rates**.**

In July 2009 the Museum tendered and remarketed Series 2008 Mandatory Tender Bonds totaling $25,000 which are scheduled to mature in August 2010. The remarketed bonds totaled $24,750 with a coupon rate of 2.5%.

In connection with the July 2008 refinancing, the Museum wrote off $2,108 of unamortized deferred financing costs incurred with the issuance of the 2000 One and 2001 One bonds. This amount is included in interest expense, change in fair value of interest rate swap agreements and other financing costs in the consolidated statements of unrestricted revenues, expenses and changes in unrestricted assets.

10. Endowment Funds

In August 2008, the FASB issued FASB Staff Position FAS 117-1 *"Endowments of Not-for-Profit Organizations Net Asset Classifications of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA")*, and *Enhanced Disclosures for All Endowment Funds"* ("FSP FAS 117-I"). FSP FAS 117-1 provides guidance on classifying the net assets associated with donor-restricted endowment funds held by organizations that are subject to an enacted version of UPMIFA, which serves as a model act for states to modernize their laws governing donor-restricted endowment funds. FSP FAS 117-1 also requires additional disclosures about endowments (both donor-restricted funds and board-designated funds) for all organizations, including those that are not yet subject to an enacted version of UPMIFA, such as New York State.

The Museum's endowment finds consists of approximately 150 individual funds established for a variety of purposes. Its endowment includes both donor restricted endowment funds and funds designated by the Board to function as endowments. As required by Generally Accepted Accounting Principles, net assets associated with endowment funds, including funds designated by

(dollars in thousands)

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

The Board of the Museum has acted in accordance with the State of New York's enacted version of the Uniform Management of Instructional Funds Act ("UMIFA") which requires the preservation of the historic dollar value of donor-restricted endowment funds (absent explicit donor stipulations to the contrary). The term historic dollar value is defined as the aggregate fair value in dollars of (i) an endowment fund at the time it became an endowment fund, (ii) each subsequent donation to the fund at the time it is made, and (iii) each accumulation made pursuant to a direction in the applicable gift instrument at the time the accumulation is added to the fund. As a result, the Museum classifies as permanently restricted net assets (a) the original value of gifts donated to permanently restricted net assets (b) the original value of subsequent gifts to the permanent restricted net assets (c) the net realizable value of future payments to permanently restricted net assets in accordance with the donor's gift instrument (outstanding endowment pledges net of applicable discount) and (d) appreciation (depreciation), gains (losses) and income earned on the fund when the donor states that such increases or decreases are to be treated as changes in permanently restricted net assets. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets or unrestricted net assets.

Expenditures from a donor-restricted fund are limited to the uses and purposes for which the endowment fund is established by the donor, absent explicit donor stipulations to the contrary, and the use of net appreciation, realized gains and unrealized gains is limited to the extent that the fair value of a donor-restricted fund exceeds the historic dollar value of the fund (unless the applicable gift instrument indicates that net appreciation shall not be expended). Under these policies, and as approved by the Museum's Board, the long term focus of the endowment is to support the Museum's mission by providing a reliable source of funds for current and future use. Under the direction and approval of the Investment Committee and the Board of Trustees, the endowment will seek to maximize long-term returns consistent with prudent levels of risk.

Funds share in the overall earnings rate of the Museum's portfolio except for two funds totaling $15,461 which are managed by third parties. Earnings are utilized in accordance with donor stipulations. The endowment net asset composition by type of fund is as follows:

(dollars in thousands)

Endowment Net Asset Composition by Type of Fund as of June 30, 2009	Permanently Restricted	Temporarily Restricted	Unrestricted	Total
Donor-restricted endowment funds	$ 210,555	$ 15,398	$ -	$ 225,953
Board-designated endowment funds			23,436	
Donor-restricted funds below historic dollar value	4,932		(4,932)	-
Total funds	$ 215,487	$ 15,398	$ 18,504	$ 249,389

Endowment Net Asset Composition by Type of Fund as of June 30, 2008	Permanently Restricted	Temporarily Restricted	Unrestricted	Total
Donor-restricted endowment funds	$ 204,846	$ 28,838	$ -	$ 233,684
Board-designated endowment funds			29,498	29,498
Total funds	$ 204,846	$ 28,838	$ 29,498	$ 263,182

The composition of the Museum's endowment by net asset class and purpose at the end of the period is:

Permanently Restricted Net Assets	**2009**	**2008**
Museum programs	$ 45,497	$ 42,428
Acquisition of works of art	26,128	24,042
Museum operations and other activities	143,862	138,376
Total endowment funds classified as permanently restricted net assets	215,487	204,846
Temporarily Restricted Net Assets		
Museum programs	3,002	8,758
Acquisitions of works of art	3,363	6,101
Support of exhibitions	8,920	13,615
Operating support and other purposes	113	364
Total endowment funds classified as temporarily restrcited net assets	15,398	28,838
Unrestricted Net Assets		
Unrestricted purposes	18,504	29,498
Total endowment funds classified as unrestricted net assets	18,504	29,498
Total Endowment Funds	$ 249,389	$ 263,182

As a result of unfavorable market fluctuations the fair market value of assets associated with some individual donor-restricted endowment funds have fallen below historic dollar value. The aggregate amount by which fair value was below historic dollar value at June 30, 2009 was $4,932 and

(dollars in thousands)

included 33 funds with original donor contributions totaling $49,644. In accordance with generally accepted accounting principles, deficiencies of this nature are recorded in unrestricted net assets to the extent that temporarily restricted resources associated with these funds have been reduced to zero.

A reconciliation from endowment net assets to investments, at fair value for June 30, 2009 and 2008 is as follows:

	2009	2008
Endowment net assets	$ 249,389	$ 263,182
Subtract		
Contributions receivable, net, included in endowment net assets	(106,657)	(107,311)
Add		
Unrestricted and temporarily restricted investments, at fair value	423,009	558,564
Investments, at fair value	$ 565,741	$ 714,435

A reconciliation of the beginning and ending balance of the Museum's endowment, in total and by net asset class are as follows:

Changes in Endowment Net Assets For the Fiscal Year Ended June 30, 2009	**Unrestricted**	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Endowment net assets, beginning of year	$ 29,498	$ 28,838	$ 204,846	$ 263,182
Investment return:				-
Investment (loss) income	(329)	(1,868)	225	(1,972)
Net depreciation	(2,116)	(9,806)	(4,932)	(16,854)
Total Investment Return	27,053	17,164	200,139	244,356
Contributions	-		10,416	10,416
Appropriation of endowment assets for expenditure	(3,617)	(1,766)		(5,383)
Donor-restricted funds below historic dollar value	(4,932)		4,932	-
Endowment net assets, end of year	$ 18,504	$ 15,398	$ 215,487	$ 249,389

Changes in Endowment Net Assets For the Fiscal Year Ended June 30, 2008	**Unrestricted**	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Endowment net assets, beginning of year	$ 18,783	$ 34,590	$ 189,115	$ 242,488
Investment return:				-
Investment income	691	6,376	306	7,373
Net depreciation	(1,011)	(8,896)		(9,907)
Total Investment Return	18,463	32,070	189,421	239,954
Contributions	11,700		15,425	27,125
Appropriation of endowment assets for expenditure	(665)	(3,232)		(3,897)
Endowment net assets, end of year	$ 29,498	$ 28,838	$ 204,846	$ 263,182

(dollars in thousands)

11. Temporarily Restricted Net Assets

At June 30, 2009 and 2008, temporarily restricted net assets were available for the following purposes:

Temporarily Restricted Net Assets		
Museum programs	$ 28,753	$ 59,516
Acquisitions of works of art	26,354	45,351
Maintaining art collections	8,915	14,460
Support of exhibitions	12,839	15,192
Operating support and other purposes	13,343	15,982
	$ 90,204	$ 150,501

During fiscal 2009 and 2008, net assets were released from donor restrictions as a result of either satisfying the restricted purpose or by the occurrence of other events specified by donors, as follows:

	2009	**2008**
Museum programs and other	$ 4,445	$ 3,058
Exhibitions	1,763	4,012
Operating support	5,000	4,850
Capital acquisitions, financing and other purposes	1,613	13,649
Acquisitions of works of art	31,953	18,416
Total Releases From Restriction	$ 44,774	$ 43,985

12. Pension Plans and Other Postretirement Benefits

The Museum has a trusteed pension plan covering substantially all of its nonunion employees and those employees belonging to a union where provided for under union contract. The benefits are based, among other factors, on years of service, age, and average monthly compensation during the final years of service. The Museum's funding policy is to contribute annually amounts to meet ERISA's minimum requirements. In addition, the Museum has a Supplemental Executive Retirement Pension Plan for certain senior staff. The plan was amended in 2009 to freeze benefits for current participants at June 30, 2009. There will be no new participants in the plan. The Museum also provides certain postretirement health and supplemental life insurance benefits for substantially all of its retired nonunion employees and for those union employees for which it is provided for under union contract. Employees hired before February 2003 are eligible for these benefits. Current benefits are based, among other factors, on years of service and age. The Museum funds its postretirement benefit costs on a pay-as-you-go basis. The following tables set forth the amounts recognized in the statement of financial position, the change in plan assets, the funded status, and weighted-average assumptions for the pension plans and postretirement benefit plan:

(dollars in thousands)

	Pension Benefits June 30, 2009	Pension Benefits June 30, 2008	Postretirement Benefits June 30, 2009	Postretirement Benefits June 30, 2008
Change in benefit obligation				
Benefit obligation at beginning of year	$ 53,341	$ 48,393	$ 16,137	$ 14,414
Service cost	2,248	2,003	620	563
Interest cost	3,259	3,005	1,001	920
Amendments	40	(256)	(2,130)	-
Actuarial (gain)/loss	(2,635)	2,301	2,922	1,001
Benefits paid	(2,579)	(2,105)	(724)	(761)
Benefit obligation at end of year	$ 53,674	$ 53,341	$ 17,826	$ 16,137
Change in plan assets				
Fair value of plan assets at beginning of year	$ 55,052	$ 61,368	$ -	$ -
Actual return on plan assets	(10,923)	(4,643)	-	-
Employer contributions	1,188	432	724	761
Benefits paid	(2,579)	(2,105)	(724)	(761)
Fair value of plan assets at end of year	$ 42,738	$ 55,052	$ -	$ -
Funded status at end of year	$ (10,936)	$ 1,711	$ (17,826)	$ (16,137)
Amounts recognized in the consolidated statements of financial position consist of				
Pension and postretirement benefit obligations	$ (10,936)	$ (2,570)	$ (17,826)	$ (16,137)
Other assets		4,281		
	$ (10,936)	$ 1,711	$ (17,826)	$ (16,137)
Amounts recognized in unrestricted net assets consist of				
Net (loss)	$ (20,568)	$ (8,294)	$ (5,396)	$ (2,668)
Prior service (cost) credit	(342)	(128)	2,670	641
	$ (20,910)	$ (8,422)	$ (2,726)	$ (2,027)
Pension related changes and other				
Net loss	$ (13,292)	$ (11,770)	$ (2,922)	$ (1,000)
Prior service credit (cost)	(40)	256	2,130	-
Amortization of net gain	333	247	193	119
Amortization of prior service credit (cost)	(174)	52	(101)	(101)
Curtailment gain	686	-	-	-
	$ (12,487)	$ (11,215)	$ (700)	$ (982)
Amounts in unrestricted net assets expected to be recognized in net periodic benefit cost in 2010				
Net loss	$ 1,310	$ 274	$ 410	$ 118
Prior service cost (credit)	62	13	(342)	(101)
	$ 1,372	$ 287	$ 68	$ 17
Weighted-average assumptions as of June 30	**2009**	**2008**	**2009**	**2008**
Discount rate	6.50%	6.10%	6.50%	6.10%
Expected return on plan assets	8.00%	8.00%	N/A	N/A
Rate of compensation increase	3.50%	3.50%	N/A	N/A

The accumulated benefit obligation for the pension plan at June 30, 2009 and 2008 was $45,681 and $44,977, respectively. The accumulated benefit obligation for the Supplemental Executive Retirement Plan at June 30, 2009 and 2008 was $1,676 and $2,188, respectively.

(dollars in thousands)

In selecting the expected long-term rate of return on assets, the Museum considered the average rate of earnings expected on the funds invested or to be invested to provide for the benefits of the plan. This included considering the trust's asset allocation and the expected returns likely to be earned over the life of the plan.

The following table sets forth the components of the net pension and postretirement benefits cost for the years ended June 30, 2009 and 2008:

	Pension Benefits		Postretirement Benefits	
	2009	**2008**	**2009**	**2008**
Service cost	$ 2,248	$ 2,003	$ 620	$ 563
Interest cost	3,259	3,004	1,001	920
Expected return on plan assets	(4,319)	(4,825)		-
Amortization of prior service (credit) cost	17	51	(101)	(101)
Curtailment gain	(191)	-		
Amortization of accumulated loss	333	247	193	120
Net periodic benefit cost	$ 1,347	$ 480	$ 1,713	$ 1,502

The health care cost trend rate assumption used in determining the accumulated postretirement benefit obligation for the coming year is 8.5% at June 30, 2009 and 2008. At June 30, 2009, the rates used gradually decrease to 4.0% in fiscal year 2097 and thereafter. At June 30, 2008, the rates decreased to 5% by the fiscal year 2016 and thereafter.

The following data shows the effect of a one percentage point health care cost trend rate increase (decrease) for 2009:

	Percentage Point Increase	Percentage Point (Decrease)
Effect on total of service and interest cost	$ 242	$ (235)
Effect on postretirement benefit obligation	2,514	(1,910)

Weighted average asset allocations at June 30, 2009 and 2008 and target allocations, by asset category are as follows:

	Pension Plan			Postretirement Benefits	
	June 30,			June 30,	
	2009	**Target allocation**	**2008**	**2009**	**2008**
Asset Category					
Equity Securities	43%	20-80%	69%	N/A	N/A
Fixed income	57%	10-60%	29%	N/A	N/A
Other	0%	0%	2%	N/A	N/A
Total	100%	100%	100%	N/A	N/A

(dollars in thousands)

The Museum's primary investment objective is to maximize the total rate of return, subject to the preservation of capital. The primary means by which capital preservation is to be achieved is through diversification of the Plan's assets across asset classes. The assets are viewed as a having a long term horizon with high liquidity needs.

The Museum maintains a 403(b) retirement savings plan for all non-union employees and employees in several unions under collective bargaining agreements. Employees may contribute up to Internal Revenue code limits. The Museum currently matches up to 4% of compensation dependent on an employee's compensation, contribution and length of service. In addition, the Museum provides a non-discretionary contribution for employees under certain base compensation levels dependent on length of service. The Museum contributed $1,214 and $1,138 to the Plan for the years ended June 30, 2009 and 2008, respectively.

Cash flows for the fiscal year ending June 30:

	Pension Benefits	Postretireme Benefits
Expected Employer contributions		
2010	$ 1,400	$ 1,007
Projected benefit payments for the fiscal year ending June 30		
2010	2,513	1,007
2011	2,649	1,049
2012	3,047	1,085
2013	2,996	1,094
2014	3,034	1,115
2015-2018	17,495	6,141

The Medicare Prescription Drug Act (The "Act") introduced a prescription drug benefit under Medicare Part D as well as a Federal subsidy to employers whose plans provide an "actuarial equivalent" prescription drug benefit. The Museum's post retirement prescription drug benefit qualified for this subsidy and consequently the Museum treats the effects of the Act as an actuarial gain. The effects of the Act are not significant. Accordingly, there was minimal impact on the net periodic postretirement benefit cost for fiscal year 2009.

In fiscal year 2009, as one part of the Museum's proactive plan to stabilize operations in response to the global economic and financial crisis, the Museum undertook a comprehensive review of employee benefits. Aspects described below went or will go into effect in fiscal year 2010.

Employee compensation was frozen at June 30, 2009 levels for most employees. Employees at higher levels of compensation were subject to salary rollbacks ranging from 2-10% dependent on pay levels. The Museum maintains a hiring freeze initiated in 2008, with limited exceptions subject to review.

(dollars in thousands)

Additionally, as part of the aforementioned comprehensive review of employee benefits the Museum undertook the following initiatives after June 30, 2009:

The Museum restructured its pension plan and 403(b) retirement savings plan. Participants in the pension plan as of June 30, 2009 were offered the choice to either stay in the plan or have benefits frozen as of November 1, 2009 and participate in a 403(b) savings plan with an enhanced company match. Employees choosing to stay in the pension plan may voluntarily contribute to the 403(b) plan but are not eligible for a company match going forward. Employees newly hired after June 30, 2009 are not eligible for the pension plan. These changes will lower future projected benefit payments under the pension plan.

Employee medical and dental plans were also revised to require higher employee contributions and co-pays, among other changes. These changes will lower the Museum's projected out-of-pocket expenses for active and retiree healthcare costs.

Finally, the Museum initiated a voluntary exit incentive plan for employees meeting specific service and age criteria. Employees electing the plan retired on or before September 30, 2009. The program provided for an enhanced early exit benefit and additional compensation based on length of service and totaled $1,700.

13. Advances to the Trust

The Museum, together with the Trust and a private developer, completed construction of a combined-use building in 1980, providing renovated and expanded facilities for the Museum and a condominium project using development rights from the Museum's real estate ("Museum Tower").

In connection with the 1980 expansion, real property used for part of the expansion was transferred to the Trust, and a portion of the new construction was leased back to the Museum under a renewable 99-year net lease for a payment of one dollar annually. The lease also provides for the Museum's right to purchase the leased premises for one dollar under certain circumstances. Because of this arrangement, as further described below, related expenditures and the associated debt for the 1980 expansion and renovation of the Museum are not reflected in these consolidated financial statements.

Over the years, the Trust has issued serial bonds to the public for the purpose of refinancing earlier bond issues in 1980, 1984, 1991 and 1993. The Trust issued $28,530 of serial bonds in 1996 with a final maturity in January 2021 and $22,490 in serial bonds in 2001 with a final maturity of April 2023 (collectively, the "Serial Bonds").

In accordance with the New York State legislation pertaining to the Trust, the Museum Tower is exempt from real property taxation, but the Trust collects the equivalent of real property taxes from the owners of individual condominium units in Museum Tower. These tax-equivalency payments ("TEPs") are based on the real property tax assessment of the Museum Tower.

In connection with the 1980 expansion, the Museum agreed to advance funds to the Trust to the extent that TEPs and the proceeds of the Serial Bonds are not sufficient to pay debt service due from time to time from the Trust to the holders of the Serial Bonds and to complete the 1980 expansion project. Such advances totaled $35,945 at June 30, 2009.

(dollars in thousands)

The advances bore interest at a rate of 9% annually through June 30, 2004. Pursuant to an agreement in January 2006 between the Museum and the Trust, the interest rate on the outstanding advances from the Museum was converted to a market-based floating rate. The Museum also agreed that no additional interest would accrue on the advances for a five-year period beginning July 1, 2004 through June 30, 2009. Cumulative interest totaled $126,232 at June 30, 2009 and 2008.

Commencing on July 1, 2009 and thereafter, the unpaid balance of any outstanding advances will accrue interest at a floating rate equal to the 3-year Treasury rate in effect on July 1 of that year. The rate will be 1.57% through June 30, 2010. This agreement provided for the issuance of new instruments to the Museum to evidence the obligations of the Trust, which required the authorization of the Comptroller of the State of New York and of the Comptroller of the City of New York. These authorizations were obtained in August 2006, and the new instruments evidencing the Trust's obligations have now been issued.

Pursuant to the New York Arts and Cultural Affairs Law, the Trust uses TEPs to pay administrative expenses, the portion of the TEPs due to The City of New York, and debt service on the Serial Bonds. Any TEPs that remain after such payments have been made are applied to repay the Museum advances made to the Trust described above and interest earned thereon.

In the event that the Museum is required to make further advances to cover debt service on the Serial Bonds described above, the Trust has agreed to issue to the Museum instruments for the amount of each such advance, which will be subject to the same terms and conditions as the instruments currently outstanding with respect to the previous advances from the Museum.

Statutory law limits the Museum’s right to collect unpaid interest and principal with respect to any advance not paid within 57 years from the date of the original advance. Accordingly, to the extent that any advance and all accrued interest are not repaid in full within 57 years, the obligation of the Trust to the Museum will be extinguished and the Museum will thereafter have no right to collect from the Trust with respect to such obligations. The earliest expiration date for any advance will occur in 2039.

During fiscal 2009 and 2008, TEPs available in accordance with the Arts and Cultural Affairs Law described above to reimburse the Museum for its advances were $400 and $1,000, respectively. These amounts were paid to the Museum, decreasing the receivable from the Trust.

14. Related-Party Transactions

The International Council of the Museum of Modern Art (the “Council”) has provided exhibition and programming support to the Museum. The purpose of the Council is to develop international understanding in the field of art, especially the contemporary arts, through a program of exhibitions, national and international conferences, lectures and publications, and otherwise. Included in other grants and contributions in the statements of unrestricted revenues, expenses and changes in unrestricted net assets are contributions of $736 and $299 for the years ended June 30, 2009 and 2008, respectively, from the Council in support of the Museum. The Council also reimburses the Museum for costs incurred in connection with the administration, preparation and presentation of the activities of the Council. Included in accrued investment income and other receivables are $84 and $84 at June 30, 2009 and 2008, respectively, as amounts due from the Council.

(dollars in thousands)

In accordance with an investment agreement between the Museum and the Council, the Museum manages investments of the Council. The investment and earnings of $2,933 and $3,844 are included in Investments held on behalf of others in the statements of financial position for the years ended June 30, 2009 and 2008, respectively.

From time to time, the Museum enters into transactions with individuals or entities that have a relationship to a member of the Board of Trustees of the Museum. These transactions have been subject to Board review and management believes that they approximate fair value.

15. Commitments

The Museum is obligated under lease agreements, which generally require the payment of base rents plus escalations. Rent expense under these leases amounted to $1,963 and $1,830 in 2009 and 2008, respectively.

Minimum lease payments under noncancelable operating leases as of June 30, 2009 are as follows:

2010	$ 1,604
2011	1,676
2012	1,037
2013	973
2014	973
Thereafter	7,607
	$ 13,870

At June 30, 2009, the Museum has commitments to make additional investments in venture capital partnerships aggregating approximately $57,308.

At June 30, 2009, the Museum has commitments of $805 for art acquisitions.

Rental Income

The Museum leases office space to various tenants in an office tower adjacent to the Museum and a facility in Queens. Rental income under these leases amounted to $3,068 and $2,745 for the years ended June 30, 2009 and 2008, respectively.

Minimum guaranteed rents under these leases as of June 30, 2009 are as follows:

2010	$ 3,167
2011	3,311
2012	2,793
2013	1,829
2014	1,600
Thereafter	1,235
	$ 13,935

(dollars in thousands)

16. Expenses by Functional Classification

Expenses by functional classification for fiscal year 2009 and 2008 are shown below:

	2009	2008
Museum operating expenses excluding depreciation	$ 155,862	$ 159,052
Depreciation	28,500	28,099
Interest and other expenses (non-operating)	17,308	16,421
	$ 201,670	$ 203,572
Museum program expenses		
Curatorial and related program expenses	$ 66,890	$ 66,646
Exhibitions	31,823	35,085
Other museum programs	3,897	3,534
Public services	4,628	4,549
Cost of sales and expenses of auxiliary activities	47,739	50,633
	154,977	160,447
Supporting services		
Management and general	34,869	31,421
Fundraising (including membership and fullfillment costs)	11,824	11,704
	46,693	43,125
	$ 201,670	$ 203,572

Cost of sales/auxiliary activities included $476 of depreciation expense relating solely to such activities.