The Museum of Modern Art

Consolidated Financial Statements
June 30, 2010 and 2009

The Museum of Modern Art
Index
June 30, 2010 and 2009

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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, 2010 and 2009, 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 of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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.

PricewaterhouseCoopers LLP

October 8, 2010

The Museum of Modern Art
Consolidated Statements of Financial Position
June 30, 2010 and 2009

(in thousands of dollars)	**2010**	**2009**
Assets		
Cash and cash equivalents	$ 51,043	$ 44,252
Receivables		
Accounts receivable	2,276	642
Contributions receivable, net	161,978	174,458
Accrued investment income and other receivables	1,248	691
The Trust for Cultural Resources	35,645	35,945
Inventories	9,932	9,750
Prepaid expenses and other assets	11,437	12,096
Investments, at fair value	639,117	565,741
Investments held on behalf of others	3,424	2,933
Property, plant and equipment, net	545,699	556,785
Museum collections (Note 1)	-	-
Total assets	$ 1,461,799	$ 1,403,293
Liabilities and net assets		
Accounts payable, accrued expenses and other liabilities	$ 37,143	$ 37,606
Deferred revenue	37,751	2,509
Loans payable and bond premium, net of accumulated amortization	332,536	333,852
Funds held on behalf of others	3,424	2,933
Pension and postretirement benefit obligations	41,970	28,762
Total liabilities	452,824	405,662
Net assets		
Unrestricted		
Museum operations		
Museum funded property, plant and equipment	31,854	17,168
All other (including advances to the Trust for Cultural Resources of $35,645 in 2010 and $35,945 in 2009)	329,255	332,276
	361,109	349,444
Plant and equipment funded by designated gifts	316,620	342,496
	677,729	691,940
Temporarily restricted	109,239	90,204
Permanently restricted	222,007	215,487
Total net assets	1,008,975	997,631
Total liabilities and net assets	$ 1,461,799	$ 1,403,293

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, 2010 and 2009

(in thousands of dollars)	2010 Unrestricted Net Assets Museum Operations	2010 Plant & Equipment Funded by Designated Gifts	2010 Total Unrestricted Net Assets	2009 Unrestricted Net Assets Museum Operations	2009 Plant & Equipment Funded by Designated Gifts	2009 Total Unrestricted Net Assets
Operating revenues and other support						
Admissions	$ 24,792	$ -	$ 24,792	$ 22,373	$ -	$ 22,373
Membership	15,211	-	15,211	14,151	-	14,151
Investment income-spending policy	24,977	-	24,977	30,959	-	30,959
Board-designated (decrease) increase in spending policy	(3,250)	-	(3,250)	2,885	-	2,885
Annual fund contributions	7,924	-	7,924	7,738	-	7,738
Other grants and contributions	11,606	-	11,606	9,962	-	9,962
Government support	-	-	-	275	-	275
Circulating exhibition fees	2,898	-	2,898	749	-	749
Other	6,980	-	6,980	5,895	-	5,895
Revenue of auxiliary activities	53,245	-	53,245	51,700	-	51,700
Total operating revenues and other support	144,383	-	144,383	146,687	-	146,687
Net assets released from restrictions to fund operations	11,348	-	11,348	11,208	-	11,208
Total operating revenues and other support and reclassifications	155,731	-	155,731	157,895	-	157,895
Operating expenses						
Curatorial and related support services	24,933	-	24,933	27,083	-	27,083
Exhibitions	10,284	-	10,284	12,885	-	12,885
Other museum programs	4,931	-	4,931	3,897	-	3,897
Cost of sales/auxiliary activities	47,754	-	47,754	47,739	-	47,739
Depreciation (non-auxiliary)	2,136	25,876	28,012	1,713	26,787	28,500
Public services	4,475	-	4,475	4,628	-	4,628
Membership, development and cultivation	10,000	-	10,000	11,215	-	11,215
Facilities, security and other	25,533	-	25,533	26,023	-	26,023
Public information	3,634	-	3,634	3,536	-	3,536
Administration and other	20,174	-	20,174	18,856	-	18,856
Total operating expenses	153,854	25,876	179,730	157,575	26,787	184,362
Excess (deficit) of operating revenues and support over operating expenses	1,877	(25,876)	(23,999)	320	(26,787)	(26,467)
Non-operating revenues, expenses and other support						
Acquisition of works of arts	(15,970)	-	(15,970)	(33,638)	-	(33,638)
Net assets released from restrictions for art acquisitions	15,970	-	15,970	31,953	-	31,953
Net assets released from restrictions for capital acquisition and financing	1,869	-	1,869	1,613	-	1,613
Excess of investment income (loss) over amounts designated for operations and specific purposes	34,159	-	34,159	(125,959)	-	(125,959)
Board-designated and other contributions, net	(2,804)	-	(2,804)	34	-	34
Defined benefit plan changes other than net periodic benefit cost	(10,862)	-	(10,862)	(13,187)	-	(13,187)
Interest expense, change in fair value of interest rate swap agreements and other financing costs	(12,574)	-	(12,574)	(19,635)	-	(19,635)
Total non-operating revenues, expenses and other support	9,788	-	9,788	(158,819)	-	(158,819)
Change in unrestricted net assets	11,665	(25,876)	(14,211)	(158,499)	(26,787)	(185,286)
Unrestricted net assets						
Beginning of year	349,444	342,496	691,940	507,943	369,283	877,226
End of year	$ 361,109	$ 316,620	$ 677,729	$ 349,444	$ 342,496	$ 691,940

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, 2010 and 2009

(in thousands of dollars)	**2010**	**2009**
Unrestricted net assets		
Change in unrestricted net assets	$ (14,211)	$ (185,286)
Temporarily restricted net assets		
Capital gifts and other contributions	25,275	18,177
Investment return (loss)	11,651	(35,474)
Net assets released from restriction	(29,187)	(44,774)
Sales of works of art	11,296	1,774
Change in temporarily restricted net assets	19,035	(60,297)
Permanently restricted net assets		
Capital gifts and other contributions	6,253	10,416
Investment return	267	225
Change in permanently restricted net assets	6,520	10,641
Total change in net assets	11,344	(234,942)
Net assets		
Beginning of year	997,631	1,232,573
End of year	$ 1,008,975	$ 997,631

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, 2010 and 2009

(in thousands of dollars)	**2010**	**2009**
Cash flows from operating activities		
Change in net assets	$ 11,344	$ (234,942)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation and amortization	28,517	28,995
Amortization of bond premium	(1,066)	(1,668)
Defined benefit plan changes other than net periodic benefit cost	10,862	13,187
Write off of deferred financing costs	-	2,108
Net realized (gains) losses and unrealized (appreciation) depreciation on investments	(64,516)	128,517
Receipt of contributed securities	(404)	(1,490)
Contributions and net investment income restricted for endowment	(6,520)	(6,641)
Change in fair value of interest rate swap agreement	(400)	(238)
Sales of works of art	(11,296)	(1,774)
Acquisition of works of art	15,970	33,638
Contributions and net investment income restricted for capital acquisition and construction	(7,634)	(8,419)
Changes in assets and liabilities		
(Increase) decrease in accounts receivable	(1,634)	302
Decrease in contributions receivable	16,838	13,253
(Increase) decrease in accrued investment income and other receivables	(557)	432
(Increase) decrease in inventories	(182)	128
Decrease in prepaid expenses and other assets	660	5,909
Increase in accounts payable, accrued expenses and other liabilities	2,773	9,090
Increase (decrease) in deferred revenue	242	(1,046)
Net cash used in operating activities	(7,003)	(20,659)
Cash flows from investing activities		
Purchase of property, plant and equipment	(17,431)	(4,835)
Proceeds from disposition of investments	149,983	206,340
Purchase of investments	(159,334)	(185,252)
Proceeds from sales of contributed securities	404	1,490
Proceeds from deposit on development rights	35,000	-
Sales of works of art	11,296	1,774
Acquisition of works of art	(15,970)	(33,638)
Net cash provided by (used in) investing activities	3,948	(14,121)
Cash flows from financing activities		
Contributions and net investment income restricted for capital acquisition and construction	7,634	8,419
Investment in endowment	2,162	5,912
Proceeds from debt issuance	24,750	222,520
Redemption of bond issues and term loan	(25,000)	(218,875)
Distributions from Trust for Cultural Resources	300	400
Net cash provided by financing activities	9,846	18,376
Net increase (decrease) in cash and cash equivalents	6,791	(29,591)
Cash and cash equivalents		
Beginning of year	44,252	73,843
End of year	$ 51,043	$ 44,252
Supplemental disclosures		
Cash paid in the year for interest	$ 14,068	$ 16,397

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

(in thousands of dollars)

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:

- The Museum of Modern Art (the "Museum")
- Modern and Contemporary Art Support Corp. (the "Support Corp.")
- P.S. 1 Contemporary Art Center ("MoMA PS1")
- AFE, LLC

Intercompany transactions have been eliminated in consolidation. The Museum is the sole member of the Support Corp, MoMA PS1 and AFE, LLC.

The Museum, the Support Corp. and MoMA PS1 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 consolidated 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.

(in thousands of dollars)

- 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:

  a. 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.

  b. 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 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 (GAAP) for recognition as contributions. For the year ended June 30, 2010, nonmonetary contributions of inventory (net of obsolescence) and services were valued at $1,858. No material nonmonetary contributions were made in the year ended June 30, 2009. 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 GAAP.

(in thousands of dollars)

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:

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

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, 2010 (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.

Purchases and sales 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. 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.

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.

(in thousands of dollars)

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 acquisition of art work, net assets released from restrictions for art acquisition, interest expense and other financing costs, amortization of bond issuance costs, board-designated and other contributions, net of applicable reserves, or defined benefit plan changes other than net periodic benefit cost. The measure of operations also includes 5% of investment income pursuant to the spending policy (Note 4), but excludes investment return in excess of or less than that amount. In 2010, to further long-term goals, the Board authorized a transfer to Board-designated reserves of $3,250 through a reduction in the spending policy. 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.

Membership, Development and Cultivation
Membership, development and cultivation expenses were $10,000 and $11,215, respectively, for the years ended June 30, 2010 and 2009. 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 in the consolidated statements of financial position, 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, 2010 and 2009 was $2,845 and $2,419, respectively.

Use of Estimates
The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America 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, net realizable value of contributions receivable, pension and post retirement benefit liabilities. Actual results could differ from those estimates.

Derivative Instruments
The Museum records derivative instruments (e.g., interest rate swap agreements) at fair value in accordance with Derivatives and Hedges Accounting and Fair Value Accounting guidance. 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 consolidated statements of unrestricted revenues, expenses and changes in unrestricted net assets.

(in thousands of dollars)

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

Recent Accounting Pronouncements
During the year ended June 30, 2010, the Museum adopted the new Accounting Standards Codification (ASC) as issued by the Financial Accounting Standards Board (FASB). The ASC has become the source of authoritative GAAP recognized by the FASB to be applied by nongovernmental entities. The ASC is not intended to change or alter existing GAAP. The adoption of the ASC did not have an impact on the Museum's consolidated financial statements.

In September 2009, the FASB issued guidance which amends the current fair value measurements, adds disclosures, and provides guidance for estimating the fair value of investments in investment companies that calculate net asset value per share (NAV), allowing the NAV to be used as a practical expedient for fair value where investment companies follow the American Institute of Certified Public Accountants (AICPA) Guide in arriving at their reported NAV. The Museum has adopted the guidance within the June 30, 2010 consolidated financial statements.

In January 2010, the FASB issued additional fair value guidance that requires additional disclosures. The guidance requires entities to disclose transfers of assets in and out of Levels 1 and 2 of the fair value hierarchy and the reasons for those transfers. The standard is effective for the Museum's year end beginning July 1, 2010. In addition, the guidance requires separate presentation of purchases and sales in the Level 2 asset reconciliation; this will be effective for the Museum's year end beginning July 1, 2011. The adoption of this guidance is not expected to have a material impact on the Museum's consolidated financial statements.

Effective June 30, 2010, the Museum adopted amendments to authoritative guidance on disclosure of derivative instruments and hedging activities. The guidance requires the disclosure of the Museum's objectives and strategies for using derivatives (interest rate swap agreements) as well as quantitative disclosures about fair value amounts and gains and losses on derivative instruments. The adoption of this standard resulted in enhanced footnote disclosure but did not have an impact on the consolidated statement of unrestricted revenue, expenses and changes in unrestricted net assets, cash flows or financial position. The Museum does not designate any derivative instruments as hedging instruments under the guidance.

For the year ended June 30, 2010, the Museum adopted new pension guidance that requires enhanced disclosures for pension plan assets including the fair value of each major category of plan assets, the nature and amount of concentrations of risk within or across categories of plan assets and the fair value disclosures similar to those required by fair value accounting for the Museum's portfolio including leveling disclosures (see Note 12).

Subsequent Events
The Museum has performed an evaluation of subsequent events through October 8, 2010, which is the date the consolidated financial statements were issued.

(in thousands of dollars)

2. Contributions Receivable

Contributions receivable at June 30, 2010 and 2009 are as follows:

	2010	2009
Museum operations and programs	$ 114,758	$ 124,423
Future periods-split interest agreements	1,673	1,673
Capital construction and acquisition	56,372	63,028
	172,803	189,124
Less: Discount for present value	(4,162)	(11,503)
Allowance for doubtful accounts	(6,663)	(3,163)
	$ 161,978	$ 174,458
Amounts due in		
Less than one year	$ 9,860	$ 20,575
One to five years	36,120	41,626
More than five years	126,823	126,923
	$ 172,803	$ 189,124

Multi-year pledges initially fair valued in fiscal year 2010 and 2009 are computed using a risk free rate adjusted for a market risk premium or the credit worthiness of the donor. 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. The discount rates utilized ranged from 3.04% to 7%.

3. Financial Instruments

Fair Value Accounting establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Fair value is defined 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.

This guidance 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 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.

(in thousands of dollars)

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. Investments included in level 1 may include certain equity securities and registered mutual funds.

- 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 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 general partner and are based on appraisals or other estimates that require varying degrees of judgment.

The Museum considers several factors in appropriately classifying the investment funds in the fair value hierarchy. An investment is generally classified as Level 2 if the Museum has the ability to withdraw its investment with the investment fund at NAV at the measurement date. An investment is generally classified as Level 3 if the Museum does not have the ability to withdraw its investment with the investment fund at NAV, such as investments in closed-end funds, "side pockets", or funds with suspended withdrawals imposed. If the Museum cannot withdraw its investment with the investment funds at NAV when such investment is subject to "lock-up" or gate, or its withdrawal period does not coincide with the Museum's measurement date, the Museum considers the length of time until the investment will become redeemable in determining whether the fair value measurement of the investment should be classified as a Level 2 or Level 3 fair value measurement. In general, if the Museum has the ability to redeem its investment with the investment fund at or within three months of the measurement date, the investment fund interest is classified as level 2. Otherwise, the investment fund interest has been classified as level 3.

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

(in thousands of dollars)

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 tables summarizes the financial instruments reported within the consolidated statements of financial position carried at fair value as of June 30, 2010 and 2009, by caption and level within the Fair Value Accounting hierarchy:

	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	June 30, 2010 Total Fair Value
Assets				
Cash equivalents	$ -	$ 67,706	$ -	$ 67,706
Fixed income				
Government and corporate bonds	14,906	1,353	-	16,259
Registered mutual funds	88,727	-	-	88,727
Other investment funds	-	18,162	12,944	31,106
Equities				
Securities	86,405	-	-	86,405
Investment funds	1,002	44,523	44,458	89,983
Absolute returns				
Multi-strategy and other	-	37,153	74,015	111,168
Equity long/short	-	10,663	16,038	26,701
Credit	-	-	62,902	62,902
Private equity	-	-	93,839	93,839
Real assets	-	-	19,633	19,633
Total investments and cash equivalents	191,040	179,560	323,829	694,429
Beneficial interests held by third parties	-	-	1,079	1,079
Total assets at fair value	191,040	179,560	324,908	695,508
Liabilities				
Interest rate swaps	-	8,351	-	8,351
Total liabilities at fair value	$ -	$ 8,351	$ -	$ 8,351

(in thousands of dollars)

	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	June 30, 2009 Total Fair Value
Assets				
Cash equivalents	$ -	$ 88,867	$ -	$ 88,867
Fixed income				
Government and corporate bonds	-	677	-	677
Registered mutual funds	83,645	-	-	83,645
Other investment funds	-	17,074	13,468	30,542
Equities				
Securities	80,091	-	-	80,091
Investment funds	-	28,955	38,124	67,079
Absolute returns				
Multi-strategy and other	-	16,017	74,113	90,130
Equity long/short	-	-	27,531	27,531
Credit	-	-	48,121	48,121
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 consolidated 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 3.2%.

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

(in thousands of dollars)

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.

The following tables are a roll forward of the consolidated statements of financial position amounts for financial instruments classified by the Museum within level 3 of the fair value hierarchy defined above as of June 30, 2010 and 2009:

	Fair Value, July 1, 2009	Transfers in(out)	Realized and unrealized gains, net	Net Purchases, sales, settlements	Fair Value, June 30, 2010
Fixed income investment funds	$ 13,468	$ -	$ 832	$ (1,356)	$ 12,944
Equity investment funds	38,124		6,303	31	44,458
Absolute returns					
Multi-strategy and other	74,113	(3,615)	11,296	(7,779)	74,015
Equity long/short	27,531	(10,478)	475	(1,490)	16,038
Credit	48,121	-	8,609	6,172	62,902
Private equity	82,034	-	10,874	931	93,839
Real assets	16,263	-	278	3,092	19,633
Beneficial interests held by third parties	1,034	-	-	45	1,079
	$ 300,688	$ (14,093)	$ 38,667	$ (354)	$ 324,908

	Fair Value, July 1, 2008	Realized and unrealized gains (losses), net	Net Purchases, sales, settlements	Fair Value, June 30, 2009
Fixed income investment funds	$ -	$ 1,439	$ 12,029	$ 13,468
Equity investment funds	51,385	(13,261)	-	38,124
Absolute returns				
Multi-strategy and other	111,306	(18,829)	(18,364)	74,113
Equity long/short	39,075	(11,544)	-	27,531
Credit	34,891	(1,770)	15,000	48,121
Private equity	93,612	(17,402)	5,824	82,034
Real assets	16,961	(3,107)	2,409	16,263
Beneficial interests held by third parties	826	-	208	1,034
	$ 348,056	$ (64,474)	$ 17,106	$ 300,688

All net realized and unrealized gains (losses) in the tables 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, 2010 and 2009.

(in thousands of dollars)

The Museum uses NAV to determine the fair value of all underlying investments which (a) do not have a readily determinable fair value and (b) prepare their financial statements consistent with the measurement policies of an investment company or have the attributes of an investment company. Per the applicable guidance, the following table lists investments in other investment companies (in partnership format) by major category. All percentages are based on NAV as of June 30, 2010.

Investment Strategy	Fair Value Determined Using NAV ($000s)	# of Funds	Remaining Life[1] (Years)	Unfunded Commitments ($000s)	Redemption Terms	Redemption Restrictions and Terms	Redemption Restrictions and Terms in Place at Year End
Fixed Income - Investment Funds	$ 30,997	3	N/A	N/A	Monthly: 58% (15 days notice) Quarterly: 42% (60 days notice)	One fund has a gate that can be raised if redemption requests surpass 10% of NAV at a fund level.	None
Equity - Investment Funds	88,634	4	N/A	N/A	Monthly: 50% (15 days notice) Quarterly: 3% (30 days notice) 12/31/10: 39% (30 days notice) 12/31/11: 8% (30 days notice)	N/A	None
Absolute Return - Multi-Strategy and Other	111,168	7	N/A	N/A	Quarterly: 33% Annual at 12/31: 38% Annual at 6/30: 2% 12/31/11 and relocking for 36 months: 5% 12/31/12 and relocking for 36 months: 5% Sidepocket (> 3 Yrs): 17% (Notice periods range from 30 to 180 days)	Two funds (38% of assets) have gates. Gate triggers range from 10-20% of total fund-level NAV.	Full redemption request 12/31/08 on 1 fund (8% of assets), with remaining balance comprised of investments not expected to be realized for a minimum of 3 years.
Absolute Return - Equity Long/Short	26,701	3	N/A	N/A	Quarterly: 43% 3/31/11 and relocking for 1 year at which point 33% becomes available: 43% 6/30/11 and relocking for 36 months: 14% (Notice periods range from 30 to 65 days)	Two funds (57% of assets) have gates. Gates trigger if redemptions surpass 25% of NAV at a fund level.	None
Absolute Return - Credit	62,902	4	N/A	N/A	Quarterly: 26% Annual at 12/31: 32% 12/31/11 and relocking for 36 months: 20% 6/30/13 and relocking for 36 months: 20% Sidepocket (> 3 Yrs): 2% (Notice periods range from 65 to 90 days)	Two funds (39% of assets) have gates. One is triggered at 20% at the investor level, and the other is triggered at 25% of fund-level. In both cases, total proceeds would be distributed within a year of initial withdrawal request.	None
Private Equity	93,839	24	0-3: 11% 3-5: 12% >5: 77%	$ 35,693	N/A	N/A	N/A
Real Assets	19,633	10	0-3: 3% >5: 97%	19,529	N/A	N/A	N/A
	$ 433,874			$ 55,222			

[1] Defined as the period between 6/30/2010 and the Termination Date of the fund as defined in legal documentation.

(in thousands of dollars)

4. Investments

Investments at June 30, 2010 and 2009 are as follows:

	June 30,			
	2010		2009	
	Cost	Fair Value	Cost	Fair Value
Cash equivalents	$ 17,587	$ 17,587	$ 43,470	$ 43,470
Fixed income				
Government & corporate bonds	15,816	15,948		
Registered mutual funds	85,134	88,727	82,590	83,645
Other investment funds	31,910	30,997	32,854	30,542
Equities				
Securities	81,529	86,405	88,715	80,091
Investment funds	87,568	88,634	68,250	66,847
Absolute returns				
Multi-strategy and other	69,411	111,168	57,573	90,130
Equity long/short	18,847	26,701	19,759	27,531
Credit	60,528	62,902	39,358	48,121
Private equity	87,018	93,839	100,502	82,034
Real assets	17,286	19,633	14,657	16,263
Total Investments	$ 572,634	$ 642,541	$ 547,728	$ 568,674

Equity and Fixed Income Investments
Equities and fixed income investments consist of investments in publicly traded U.S. equities, publicly traded mutual funds, government and corporate bonds and funds that invest in equity and fixed income based strategies. The fair value of these publicly traded 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 based upon NAV 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, 2010 and 2009, 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. Private equity fund holdings include investments in buyouts, distressed companies and venture capital. Absolute return strategies include credit, equity long/short, multi-strategy and other. Real Assets include fund holdings in real estate and natural resources such as oil and gas. 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

(in thousands of dollars)

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, 2010 and 2009, 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 2010 and 2009 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 average market value of endowment assets over a multi-year period.

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 2010 and 2009:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2010
Dividends and interest, net of investment management and related fees of $4,268 in 2010 and $4,164 in 2009	$ 2,788	$ 578	$ 267	$ 3,633
Net realized gains/losses and changes in unrealized appreciation	53,443	11,073	-	64,516
Total return on long-term investments	56,231	11,651	267	68,149
Museum operations (spending policy)	(24,977)	-	-	(24,977)
Decrease in spending policy per Board authorization	3,250	-	-	3,250
Excess of investment return over spending policy amount	34,504	11,651	267	46,422
Auxiliary activities	(345)	-	-	(345)
Excess of investment return over amounts designated for operations and specific purposes	$ 34,159	$ 11,651	$ 267	$ 46,077

(in thousands of dollars)

	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)

5. Inventories

At June 30, 2010 and 2009, inventories are as follows:

	2010	2009
Publishing and retail		
Available for sales	$ 9,113	$ 9,206
Work in process	660	350
	9,773	9,556
All other	159	194
	$ 9,932	$ 9,750

6. Property, Plant and Equipment

At June 30, 2010 and 2009, property, plant and equipment is as follows:

	2010	2009
Buildings, at cost	$ 543,420	$ 542,139
Leasehold improvements, at cost	4,254	4,254
Machinery, equipment, software and furniture and fixtures, at cost	71,411	70,276
	619,085	616,669
Less: Accumulated depreciation	189,600	161,346
	429,485	455,323
Land, at cost	91,352	91,352
Undeveloped property	24,862	10,110
	$ 545,699	$ 556,785

(in thousands of dollars)

During construction, capitalized interest primarily related to the bond financing was included in fixed assets for the years ended June 30, 2010 and 2009 and totaled $23,751 and $24,927, 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 $65,000 under the agreement. A payment of $300 was received in 2010; there were no payments received in 2009.

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 and approximately 48,000 square feet of development rights as well as below grade space, all to be utilized for gallery, storage, and mechanical facilities.

In December 2009, the Museum and the developer agreed to delay the closing of the sale of the additional air rights over undeveloped property until at least 2013, with additional extensions to 2015, in consideration of which the Museum has received a deposit of the purchase price which is reflected in deferred revenue on the consolidated statements of financial position (see Note 8).

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 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 assumptions. The discount rates used in the calculation at June 30, 2010 and 2009 were 3.2% and 2.8%, respectively.

At June 30, 2010 and 2009, split-interest agreements are as follows:

	2010	2009
Charitable remainder unitrusts	$ 1,310	$ 1,310
Charitable remainder annuity trusts	363	363
Charitable gift annuities	2,768	2,658
	4,441	4,331
Less: Discount for present value	(2,395)	(2,490)
	$ 2,046	$ 1,841

(in thousands of dollars)

8. Deferred Revenue

At June 30, 2010 and 2009, deferred revenue is as follows:

	2010	2009
Deferred membership revenues	$ 1,649	$ 1,254
Deferred exhibition fees	528	129
Deposit on development rights	35,000	-
Other	574	1,126
	$ 37,751	$ 2,509

9. Loans Payable

Loans payable at June 30, 2010 and 2009 are as follows:

	2010	2009
Series 2008-One-A bonds	$ 194,785	$ 195,035
Series 2001-One-D bonds	100,000	100,000
Term loans	20,000	20,000
Line of credit	13,000	13,000
Total debt	327,785	328,035
Bond premium on 2008-One-A bonds, net of amortization	4,751	5,817
Total debt and bond premium	$ 332,536	$ 333,852

Loans payable by the Museum relate primarily to both the renovation and expansion project of its main facility, which reopened to the public in November 2004 and to the construction project of MoMAQNS, the Museum’s storage facility in Long Island City, New York.

(in thousands of dollars)

The Museum received bond proceeds of $75,750 in March 2000 and bond proceeds of $235,000 in December 2001; the bonds were 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 $40,000 Series 2000 One A bond issue, $35,750 Series 2000 One B bond issue, $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 D bonds remain outstanding and maintain a fixed rate of 5.125%. The Series 2000 One A/B bonds and Series 2001 One A/B/C bonds are no longer outstanding as the remaining principal was redeemed by the Series 2008 One A bonds issued by the Trust for the benefit of the Museum in July 2008. Interest on the outstanding 2008 One A bonds is paid semiannually. The Series 2008 One A bonds consisted of the following amounts and maturities at June 30, 2010:

Refunding Bonds, Series 2008-One-A	Principal	Rate	Maturity
Mandatory Tender Bonds	$ 24,750	2.5%	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
	$ 194,785		

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

As part of the July 2008 transaction, the Museum terminated a swap that was entered into as part of the December 2001 bond transaction (notional amount of $85,000,000) and reversed a swap entered into in August 2005 (notional amount of $50,000,000) with an offsetting swap. The counterparty for the two remaining offsetting swap agreements is Goldman Sachs Bank USA (the "Counterparty"). Notional amounts, payment dates, and final maturity dates are identical under each agreement, but the Museum is a fixed rate-payer under one and a floating rate-payer under the other. The Museum has the right to optionally terminate each swap agreement for an agreed upon cash settlement amount based on market conditions. Under certain triggering events tied to overall credit ratings, the Counterparty may also terminate the swap agreements, provided it terminates both transactions. At June 30, 2010 and 2009, the total fair value of the swap agreements in place approximates a liability of $8,351 and $7,951, respectively, which has been recognized in the accompanying consolidated statements of financial position. Payments on the swaps totaled $383 and $314 for the years ended June 30, 2010 and 2009, respectively.

Derivative and Hedge Accounting guidance requires that all derivatives be recognized in the consolidated statement of financial position as either an asset or liability and be measured at fair value. Under GAAP, certain criteria must be satisfied in order for derivative financial instruments to be classified and accounted for as either a cash flow or a fair value hedge. Accounting for gains and losses on derivatives that are not elected for hedge accounting treatment or that do not meet hedge accounting requirements are recorded in the consolidated statements of unrestricted revenues, expenses and changes in unrestricted net assets.

(in thousands of dollars)

The consolidated statements of financial position classification of the derivative financial instruments is summarized below at June 30, 2010 and 2009:

	Liability Derivatives					
	2010			2009		
	Consolidated Statement of Financial Position Location		Fair Value	Consolidated Statement of Financial Position Location		Fair Value
Derivatives not designated as hedging instruments:						
Interest rate contract	Other liabilities	$	8,351	Other liabilities	$	7,951

	Location of Gain (Loss) Recognized in Consolidated Statements of Unrestricted Revenues, Expenses, and Changes in Unrestricted Net Assets	Amount of Gain (Loss) Recognized in Consolidated Statements of Unrestricted Revenues, Expenses, and Changes in Unrestricted Net Assets			
			2010		2009
Derivatives not designated as hedging instruments:					
Interest rate contract	Interest expense	$	(400)	$	(2,327)

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 net assets.

The Museum refinanced a term loan facility of $20,000 with a commercial bank in December 2008. This facility matures in December 2010. The interest rate is based on various LIBOR maturities which ranged from 1% to 1.4% at June 30, 2010.

At June 30, 2010, the Museum has available a $35,000 line of credit with a commercial bank. The line of credit expires in November 2010. The Museum intends to maintain line of credit arrangements. Borrowings under the line of credit as of June 30, 2010 totaled $13,000 at interest rates ranging from .89 % to .99 %.

Annual principal payments as of June 30, 2010 due during the next five fiscal years and in total thereafter under all of the aforementioned loans payable are approximately as follows:

2011	$	96,960
2012		-
2013		-
2014		-
2015		-
Thereafter		230,825
	$	327,785

(in thousands of dollars)

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, 2010. The carrying value of the loans payable approximates market as the loans bear interest at market rates.

In July 2010, the Trust issued the Series 2010 One A fixed rate bonds for the benefit of the Museum. The principal amount of the bonds was $55,285 with a coupon rate of 5.0%. Proceeds of $64,583 were issued to redeem the Series 2008 One A bonds maturing in August and October totaling $63,960 and to pay the cost of issuance.

10. Endowment Funds

In August 2008, the FASB issued guidance on classifying the net assets associated with donor-restricted endowment funds held by organizations that are subject to an enacted version of Uniform Prudent Management of Institutional Funds Act ("UPMIFA"), which serves as a model act for states to modernize their laws governing donor-restricted endowment funds. This guidance also requires additional disclosures about endowments (both donor-restricted funds and board-designated funds) for all organizations, including those that were not yet subject to an enacted version of UPMIFA as of June 30, 2010, such as New York State.

The Museum's endowment funds consist of approximately 150 individual funds established for a variety of purposes. The Museum's endowment includes both donor restricted endowment funds and funds designated by the Board to function as endowments. Net assets associated with endowment funds, including funds designated by 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") as of June 30, 2010 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 permanently 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

(in thousands of dollars)

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 $16,226 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:

Endowment Net Asset Composition by Type of Fund as of June 30, 2010:

	Permanently Restricted	Temporarily Restricted	Unrestricted	Total 2010
Donor-restricted endowment funds	$ 220,268	$ 20,679	$ -	$ 240,947
Board-designated endowment funds			27,208	27,208
Donor-restricted funds below historic	1,739	-	(1,739)	-
Total funds	$ 222,007	$ 20,679	$ 25,469	$ 268,155

Endowment Net Asset Composition by Type of Fund as of June 30, 2009:

	Permanently Restricted	Temporarily Restricted	Unrestricted	Total 2009
Donor-restricted endowment funds	$ 210,555	$ 15,398	$ -	$ 225,953
Board-designated endowment funds			23,436	23,436
Donor-restricted funds below historic	4,932	-	(4,932)	-
Total funds	$ 215,487	$ 15,398	$ 18,504	$ 249,389

(in thousands of dollars)

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

	2010	2009
Permanently Restricted Net Assets		
Museum programs	$ 42,607	$ 45,497
Acquisition of works of art	27,826	26,128
Museum operations and other activities	151,574	143,862
Total endowment funds classified as permanently restricted net assets	222,007	215,487
Temporarily Restricted Net Assets		
Museum programs	4,450	3,002
Acquisitions of works of art	6,283	3,363
Support of exhibitions	9,664	8,920
Operating support and other purposes	282	113
Total endowment funds classified as temporarily restricted net assets	20,679	15,398
Unrestricted Net Assets		
Unrestricted purposes	25,469	18,504
Total endowment funds classified as unrestricted net assets	25,469	18,504
Total endowment funds	$ 268,155	$ 249,389

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, 2010 and 2009 was $1,739 and $4,932, respectively, and included 17 and 33 funds with original donor contributions totaling $28,751 and $49,644, respectively. 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.

Reconciliation from endowment net assets to investments, at fair value for June 30, 2010 and 2009 is as follows:

	2010	2009
Endowment net assets	$ 268,155	$ 249,389
Subtract		
Contributions receivable, net, included in endowment net assets	(108,240)	(106,657)
Add		
Unrestricted and temporarily restricted investments, at fair value	479,202	423,009
Investments, at fair value	$ 639,117	$ 565,741

(in thousands of dollars)

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, 2010:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2010
Endowment net assets, beginning of year	$ 18,504	$ 15,398	$ 215,487	$ 249,389
Investment return:				
Investment income	357	722	267	1,346
Net appreciation	706	7,303	3,193	11,202
Total Investment Return	19,567	23,423	218,947	261,937
Board Designated transfer	3,250	-	-	3,250
Contributions	-	-	6,253	6,253
Appropriation of endowment assets for expenditure	(541)	(2,744)	-	(3,285)
Donor-restricted funds below historic dollar value	3,193	-	(3,193)	-
Endowment net assets, end of year	$ 25,469	$ 20,679	$ 222,007	$ 268,155

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2009:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2009
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

In September 2010, New York State enacted that state's own version of UPMIFA. This law will now govern management spending of donor- restricted endowment funds and permanently restricted gifts. It will be applicable to the Museum for the year ending June 30, 2011. Management is presently assessing the implications of UPMIFA to the consolidated financial statements within the parameters of New York State law.

(in thousands of dollars)

11. Temporarily Restricted Net Assets

At June 30, 2010 and 2009, temporarily restricted net assets were available for the following purposes:

	2010	2009
Museum programs	$ 34,574	$ 28,753
Acquisitions of works of art	36,875	26,354
Maintaining art collections	10,032	8,915
Support of exhibitions	10,389	12,839
Operating support and other purposes	17,369	13,343
	$ 109,239	$ 90,204

During fiscal 2010 and 2009, 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:

	2010	2009
Museum programs and other	$ 4,853	$ 4,445
Exhibitions	1,495	1,763
Operating support	5,000	5,000
Capital acquisitions, financing and other purposes	1,869	1,613
Acquisitions of works of art	15,970	31,953
Total Releases from Restriction	$ 29,187	$ 44,774

12. Pension Plans and Other Postretirement Benefits

In fiscal year 2009, as part of the Museum’s proactive plan to stabilize operations in response to the global economic and financial crisis, the Museum approved changes to its pension plans, effective November 1, 2009, and froze future accruals for those certain senior management employees who participated in the Supplemental Executive Retirement Plan, effective July 1, 2009. This plan is closed to new participants.

Generally, with certain differences amongst the Museum’s non-union and various union staff, all employees in the Museum’s defined benefit plan opted either to: 1) remain in the defined benefit pension plan and forgo future matching contributions from the Museum in the Museum’s 403(b) defined contribution plan, or 2) receive an enhanced match in the Museum’s 403(b) defined contribution plan and forgo future accruals in the defined benefit plan. New employees hired after June 30, 2009 are eligible to participate in the enhanced 403(b) Plan only, thereby freezing the number of participants in the defined benefit plan.

For those remaining in the trusteed defined benefit pension plan future 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, although it may make additional contributions beyond these requirements.

(in thousands of dollars)

For those eligible for matching contributions in the 403(b) retirement savings plan based on the choice noted above, the Museum matches up to a percentage 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 $925 and $1,214 to the Plan for the years ended June 30, 2010 and 2009, respectively. Regardless of match eligibility, the 403(b) retirement savings plan is open for all non-union employees and employees in several unions under collective bargaining agreements. Employees may contribute up to Internal Revenue code limits.

Postretirement health and welfare benefit costs are funded by the Museum on a pay-as-you-go basis. Only employees hired before February 1, 2003 are eligible for these benefits. Additionally, as part of the package of changes in fiscal year 2009, employees who retire after November 1, 2009 share the cost of health coverage at the same percentage level as when an active employee. Effective July 1, 2009, the Museum required that, for active employees, most non-union and certain union employees contribute to the Museum-provided healthcare plan based on salary and coverage level. Plan design changes affecting all staff on the Museum's active healthcare plan and future retirees were also effective as of July 1, 2009.

(in thousands of dollars)

The following tables set forth the amounts recognized in the consolidated statements of financial position, the change in plan assets, the funded status, and weighted-average assumptions for the pension plans and postretirement benefit plan:

	Pension Benefits June 30, 2010	Pension Benefits June 30, 2009	Postretirement Benefits June 30, 2010	Postretirement Benefits June 30, 2009
Change in benefit obligation				
Benefit obligation at beginning of year	$ 53,674	$ 53,341	$ 17,827	$ 16,137
Service cost	1,993	2,248	488	620
Interest cost	3,526	3,259	1,136	1,002
Amendments	633	40	-	(2,130)
Actuarial (gain)/loss, primarily attributable to discount rate	10,759	(2,635)	2,134	2,922
Benefits paid	(3,015)	(2,579)	(549)	(724)
Curtailment	(1,059)	-	-	-
Special Termination Benefits	768	-	-	-
Benefit obligation at end of year	67,279	53,674	21,036	17,827
Change in plan assets				
Fair value of plan assets at beginning of year	42,738	55,052	-	-
Actual return on plan assets	4,340	(10,923)	-	-
Employer contributions	2,282	1,188	549	724
Benefits paid	(3,015)	(2,579)	(549)	(724)
Fair value of plan assets at end of year	46,345	42,738	-	-
Funded status at end of year	$ (20,934)	$ (10,936)	$ (21,036)	$ (17,827)
Amounts recognized in the consolidated statements of financial position consist of				
Pension and postretirement benefit obligations	$ (20,934)	$ (10,936)	$ (21,036)	$ (17,827)
	$ (20,934)	$ (10,936)	$ (21,036)	$ (17,827)
Amounts recognized in unrestricted net assets consist of				
Net loss	$ (27,820)	$ (20,568)	$ (7,133)	$ (5,396)
Prior service (cost) credit	(735)	(342)	2,345	2,670
	$ (28,555)	$ (20,910)	$ (4,788)	$ (2,726)
Defined benefit plan changes other than net periodic benefit cost				
Net loss	$ (9,921)	$ (13,292)	$ (2,134)	$ (2,922)
Prior service credit (cost)	(633)	(40)	-	2,130
Amortization of net gain	1,610	333	398	193
Amortization of prior service credit (cost)	240	(174)	(325)	(101)
Curtailment gain	1,058	686	-	-
	$ (7,646)	$ (12,487)	$ (2,061)	$ (700)
Amounts in unrestricted net assets expected to be recognized in net periodic benefit cost in 2011				
Net loss	$ 2,096	$ 1,310	$ 528	$ 410
Prior service cost (credit)	90	62	(325)	(342)
	$ 2,186	$ 1,372	$ 203	$ 68
Weighted-average assumptions as of June 30	**2010**	**2009**	**2010**	**2009**
Discount rate	5.50%	6.50%	5.50%	6.50%
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

(in thousands of dollars)

The accumulated benefit obligation for the pension plan at June 30, 2010 and 2009 was $57,525 and $45,681, respectively. Detail of the changes in the accumulated benefit obligation for the pension plan is as follows:

	2010	2009
Accumulated benefit obligation, beginning of year	$ 45,681	$ 44,977
Accumulation of benefits, including experience gains/losses	2,083	2,321
Change in average discount period	2,880	2,686
Benefit payments	(2,783)	(1,911)
Plan amendments	1,453	-
Change in actuarial assumptions, primarily attributable to discount rate	8,211	(2,392)
Accumulated benefit obligation, end of year	$ 57,525	$ 45,681

The accumulated benefit obligation for the Supplemental Executive Retirement Plan at June 30, 2010 and 2009 was $1,854 and $1,676, respectively.

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, 2010 and 2009:

	Pension Benefits		Postretirement Benefits	
	2010	2009	2010	2009
Service cost	$ 1,993	$ 2,248	$ 488	$ 620
Interest cost	3,526	3,259	1,136	1,001
Expected return on plan assets	(3,503)	(4,319)	-	-
Amortization of prior service (credit) cost	85	17	(325)	(101)
Special termination benefits	768	-	-	-
Curtailment gain	154	(191)	-	-
Amortization of accumulated loss	1,610	333	398	193
Net periodic benefit cost	$ 4,633	$ 1,347	$ 1,697	$ 1,713

The health care cost trend rate assumption used in determining the accumulated postretirement benefit obligation for the coming year is 7.1% and 8.5% at June 30, 2010 and 2009, respectively. At June 30, 2009, the rates used gradually decrease to 4.0% in fiscal year 2097 and thereafter.

(in thousands of dollars)

The following data shows the effect of a one percentage point health care cost trend rate increase (decrease) for 2010:

	Percentage Point Increase	Percentage Point (Decrease)
Effect on total of service and interest cost	$ 262	$ (213)
Effect on postretirement benefit obligation	2,901	(2,409)

Weighted average asset allocations at June 30, 2010 and 2009 and target allocations, by asset category are as follows:

	Pension Plan June 30,			Postretirement Benefits June 30,	
	2010	**Target allocation**	**2009**	**2010**	**2009**
Asset Category					
Equity Securities	61%	20-80%	43%	N/A	N/A
Fixed income	39%	20-80%	57%	N/A	N/A
Other	0%	0%	0%	N/A	N/A
Total	100%	100%	100%	N/A	N/A

Fair value Measurements
Within the fair value hierarchy, the pension plan's investments at fair value by level as of June 30, 2010 are as follows:

	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Assets:				
Cash and cash equivalents	$ 14	$ 541	$ -	$ 555
Fixed Income				
Registered mutual funds	17,282	-	-	17,282
Equities				
Securities	7,149	-	-	7,149
Registered mutual funds	13,394	-	-	13,394
Investment funds	-	7,965	-	7,965
Total investments and cash equivalents	$ 37,839	$ 8,506	$ -	$ 46,345

The investment funds categorized as level 2 have monthly liquidity with a 15 day notice period.

(in thousands of dollars)

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.

Cash flows for the fiscal year ending June 30, 2010 are as follows:

	Pension Benefits	Postretirement Benefits
Expected Employer contributions		
2011	$ 2,000	$ 1,080
Projected benefit payments for the fiscal year ending June 30		
2011	2,721	1,080
2012	3,227	1,117
2013	3,172	1,108
2014	3,255	1,140
2015	3,582	1,164
2016-2020	22,504	6,547

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 postretirement 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 2010.

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. Under 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 $23,090 in serial bonds in 2001 (of which $20,090 remain outstanding) 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 thousands of dollars)

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 $35,645 at June 30, 2010.

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 $128,804 and $126,232 at June 30, 2010 and 2009, respectively.

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 was 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 2010 and 2009, TEPs available in accordance with the Arts and Cultural Affairs Law described above to reimburse the Museum for its advances were $300 and $400, 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 consolidated statements of unrestricted revenues, expenses and changes in unrestricted net assets are contributions of $759 and $736 for the years ended June 30,

(in thousands of dollars)

2010 and 2009, 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 $75 and $84 at June 30, 2010 and 2009, respectively, as amounts due from the Council.

In accordance with an investment agreement between the Museum and the Council, the Museum manages investments of the Council. The investment and earnings of $3,424 and $2,933 are included in Investments held on behalf of others in the consolidated statements of financial position for the years ended June 30, 2010 and 2009, 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 $1,886 and $1,963 in 2010 and 2009, respectively.

Minimum lease payments under noncancelable operating leases as of June 30, 2010 are as follows:

2011	$	1,676
2012		1,715
2013		1,727
2014		1,773
2015		1,777
Thereafter		8,092
	$	16,760

At June 30, 2010, the Museum has commitments of $570 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 $3,167and $3,068 for the years ended June 30, 2010 and 2009, respectively.

Minimum guaranteed rents under these leases as of June 30, 2010 are as follows:

2011	$	3,311
2012		2,793
2013		1,829
2014		1,600
2015		1,235
Total minimum guaranteed rents	$	10,768

(in thousands of dollars)

16. Expenses by Functional Classification

Expenses by functional classification for fiscal year 2010 and 2009 are as follows:

	2010	2009
Museum operating expenses excluding depreciation	$ 151,718	$ 155,862
Depreciation	28,012	28,500
Interest and other expenses (non-operating)	12,574	17,308
	192,304	201,670

	2010	2009
Museum program expenses		
Curatorial and related program expenses	61,893	66,890
Exhibitions	25,529	31,823
Other museum programs	4,931	3,897
Public services	4,475	4,628
Cost of sales and expenses of auxiliary activities	46,943	47,739
	143,771	154,977
Supporting services		
Management and general	36,370	34,869
Fundraising (including membership and fulfillment costs)	12,163	11,824
	48,533	46,693
	$ 192,304	$ 201,670

At June 30, 2010, cost of sales/auxiliary activities included $472 of depreciation expense relating solely to such activities.