The Museum of Modern Art

Consolidated Financial Statements
June 30, 2012 and 2011

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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, of changes in net assets and of cash flows present fairly, in all material respects, the consolidated financial position of The Museum of Modern Art (the "Museum") at June 30, 2012 and 2011, and the changes in their net assets and their cash flows for the years then ended 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.

As discussed in Note 10, with the enactment of NYPMIFA (New York Prudent Management of Institutional Funds Act), the Museum adopted authoritative guidance related to Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced disclosures for All Endowment Funds, in the year ended June 30, 2011.

PricewaterhouseCoopers LLP

October 15, 2012

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The Museum of Modern Art
Consolidated Statements of Financial Position
Years Ended June 30, 2012 and 2011

(in thousands of dollars)	2012	2011
Assets		
Cash and cash equivalents	$ 31,329	$ 32,573
Receivables		
Accounts receivable	2,284	1,994
Contributions receivable, net	172,551	170,526
Accrued investment income and other receivables	2,530	2,925
The Trust for Cultural Resources	35,645	35,645
Inventories	9,321	8,738
Prepaid expenses and other assets	8,931	13,071
Investments, at fair value	668,105	744,035
Investments held on behalf of others	4,063	4,013
Property, plant and equipment, net	537,644	527,248
Museum collections (Note 1)	-	-
Total assets	$ 1,472,403	$ 1,540,768
Liabilities and Net Assets		
Accounts payable, accrued expenses and other liabilities	$ 35,347	$ 37,103
Art acquisition payable	-	26,000
Deferred revenue	39,882	38,528
Loans payable of $271,655 and bond premium, net of accumulated amortization, of $17,989	289,644	331,252
Funds held on behalf of others	4,063	4,013
Pension and postretirement benefit obligations	63,666	33,371
Total liabilities	432,602	470,267
Net Assets		
Unrestricted	628,801	667,815
Temporarily restricted	167,258	164,992
Permanently restricted	243,742	237,694
Total net assets	1,039,801	1,070,501
Total liabilities and net assets	$ 1,472,403	$ 1,540,768

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, 2012 and 2011

	2012 Unrestricted Net Assets			2011 Unrestricted Net Assets		
(in thousands of dollars)	Museum Operations	Plant and Equipment Funded by Designated Gifts	Total Unrestricted Net Assets	Museum Operations	Plant and Equipment Funded by Designated Gifts	Total Unrestricted Net Assets
Operating revenues and other support						
Admissions	$ 26,810	$ -	$ 26,810	$ 22,695	$ -	$ 22,695
Membership	16,377	-	16,377	14,991	-	14,991
Investment income-spending policy	26,782	-	26,782	26,005	-	26,005
Annual fund contributions	8,641	-	8,641	8,564	-	8,564
Other grants and contributions	18,365	-	18,365	17,406	-	17,406
Circulating exhibition fees	6,096	-	6,096	3,508	-	3,508
Other	6,101	-	6,101	6,364	-	6,364
Revenue of auxiliary activities	53,090	-	53,090	50,493	-	50,493
Total operating revenues and other support	162,262	-	162,262	150,026	-	150,026
Net assets released from restrictions to fund operations	11,115	-	11,115	7,589	-	7,589
Total operating revenues and other support and reclassifications	173,377	-	173,377	157,615	-	157,615
Operating expenses						
Curatorial and related support services	29,731	-	29,731	26,603	-	26,603
Exhibitions	11,081	-	11,081	7,835	-	7,835
Other museum programs	4,728	-	4,728	3,771	-	3,771
Cost of sales/auxiliary activities	49,845	-	49,845	47,507	-	47,507
Depreciation (nonauxiliary)	2,674	23,652	26,326	2,295	24,580	26,875
Public services	5,090	-	5,090	4,530	-	4,530
Membership, development and cultivation	11,051	-	11,051	10,705	-	10,705
Facilities, security and other	26,420	-	26,420	25,950	-	25,950
Public information	4,655	-	4,655	4,205	-	4,205
Administration and other	21,881	-	21,881	21,549	-	21,549
Total operating expenses	167,156	23,652	190,808	154,950	24,580	179,530
Excess (deficit) of operating revenues and support over operating expenses	6,221	(23,652)	(17,431)	2,665	(24,580)	(21,915)
Nonoperating revenues, expenses and other support						
Acquisition of works of arts	(31,876)	-	(31,876)	(50,936)	-	(50,936)
Net assets released from restrictions for art acquisitions	45,121	-	45,121	37,691	-	37,691
Net assets released from restrictions for capital			-			
acquisition and debt reduction	1,809	-	1,809	1,470	-	1,470
Excess of investment (loss) income under amounts designated			-			
for operations and specific purposes	(12,723)	-	(12,723)	53,636	-	53,636
Board-designated and other contributions, net	13,987	-	13,987	(186)	-	(186)
Defined benefit plan changes other than net periodic benefit cost	(26,143)	-	(26,143)	12,117	-	12,117
Interest expense, change in fair value of interest rate			-			
swap agreements and other financing costs	(11,758)	-	(11,758)	(11,025)	-	(11,025)
Total nonoperating revenues, expenses and other support	(21,583)	-	(21,583)	42,767	-	42,767
Change in unrestricted net assets before affect of change in law	(15,362)	(23,652)	(39,014)	45,432	(24,580)	20,852
Net asset reclassification based on change in law	-	-	-	(30,766)	-	(30,766)
Change in unrestricted net assets	(15,362)	(23,652)	(39,014)	14,666	(24,580)	(9,914)
Unrestricted net assets						
Beginning of year	375,775	292,040	667,815	361,109	316,620	677,729
End of year	$ 360,413	$ 268,388	$ 628,801	$ 375,775	$ 292,040	$ 667,815

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, 2012 and 2011

(in thousands of dollars)	2012	2011
Unrestricted net assets		
Change in unrestricted net assets	$ (39,014)	$ (9,914)
Temporarily restricted net assets		
Capital gifts and other contributions	35,367	32,483
Investment return	(4,246)	20,971
Net assets released from restriction	(58,045)	(46,750)
Sales of works of art	29,190	18,283
Net asset reclassification based on change in law	-	30,766
Change in temporarily restricted net assets	2,266	55,753
Permanently restricted net assets		
Capital gifts and other contributions	5,887	15,523
Investment return	161	164
Change in permanently restricted net assets	6,048	15,687
Total change in net assets	(30,700)	61,526
Net assets		
Beginning of year	1,070,501	1,008,975
End of year	$ 1,039,801	$ 1,070,501

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, 2012 and 2011

(in thousands of dollars)	**2012**	**2011**
Cash flows from operating activities		
Change in net assets	$ (30,700)	$ 61,526
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	27,090	27,453
Bond premium, net of amortization	5,847	7,391
Defined benefit plan changes other than net periodic benefit cost	26,143	(12,117)
Net realized gains and unrealized appreciation on investments	(5,821)	(98,369)
Deferred financing costs written off of extinguishment of debt	1,282	-
Receipt of contributed securities	(2,552)	(2,857)
Contributions and net investment income restricted for endowment	(6,048)	(15,687)
Change in fair value of interest rate swap agreement	(519)	443
Sales of works of art	(29,190)	(18,283)
Acquisition of works of art	31,876	50,936
Contributions and net investment income restricted for capital acquisition and construction	(2,961)	(3,323)
Changes in assets and liabilities		
(Increase) decrease in accounts receivable	(290)	282
Decrease (increase) in contributions receivable	223	(3,040)
Decrease (increase) in accrued investment income and other receivables	395	(1,677)
(Increase) decrease in inventories	(583)	1,194
Decrease (increase) in prepaid expenses and other assets	2,858	(1,634)
Increase in accounts payable, accrued expenses and other liabilities	2,915	3,035
Increase in deferred revenue	1,354	777
Net cash provided by (used in) operating activities	21,319	(3,950)
Cash flows from investing activities		
Purchase of property, plant and equipment, net	(37,486)	(9,002)
Proceeds from disposition of investments	318,655	258,272
Purchase of investments	(236,904)	(264,821)
Proceeds from sales of contributed securities	2,552	2,857
Sales of works of art	29,190	18,283
Acquisition of works of art	(57,876)	(24,936)
Net cash provided by (used in) investing activities	18,131	(19,347)
Cash flows from financing activities		
Contributions and net investment income restricted for capital acquisition and construction	2,961	3,323
Investment in endowment	3,800	10,179
Proceeds from debt issuance	52,545	55,285
Redemption of bond issues and term loan	(100,000)	(63,960)
Net cash (used in) provided by financing activities	(40,694)	4,827
Net decrease in cash and cash equivalents	(1,244)	(18,470)
Cash and cash equivalents		
Beginning of year	32,573	51,043
End of year	$ 31,329	$ 32,573
Supplemental disclosures		
Cash paid in the year for interest	$ 14,419	$ 14,988
Noncash for art acquisitions	$ -	$ 26,000

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

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. (See Note 10).

(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. Investment income and gains/losses on permanently restricted net assets are reported as temporarily restricted until appropriated for expenditure in accordance with donor imposed stipulations. The appropriation and spending of such income is subject to a standard of prudence, as more fully disclosed in Note 10.

- 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 satisfied either by the passage of time or the actions of the Museum, 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. No material nonmonetary contributions were made in the years ended June 30, 2012 and 2011. 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. During fiscal year 2012, contributed securities of $2,552 were received and subsequently liquidated.

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

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.

Equity securities, registered mutual funds and exchange traded funds 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. Government and corporate bonds are valued using market quotations. 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 investment funds, which include equity funds, fixed income funds, hedge funds, private equity funds and real assets, consist of the Museum's ownership interest in externally managed funds, which may be invested in less liquid investments. The fair value of these investments is determined based on the net asset value (the "NAV") provided by the external investment managers of the underlying funds. 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 NAV of these investments is a reasonable estimate of fair value as of June 30, 2012 and 2011. Because these investments may not be readily marketable, the fair value may be 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 and capital acquisitions and debt reduction, excess of investment (loss) income under amounts designated for operations and specific purposes, interest expense, change in fair value of interest rate swap agreements and other financing costs, board-designated and other contributions, net, 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 that amount.

Membership, Development and Cultivation
Membership, development and cultivation expenses were $11,051 and $10,705, respectively, for the years ended June 30, 2012 and 2011. 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 17.

Advertising Expense
Advertising is recorded as expense in the period incurred. Advertising expense for the years ended June 30, 2012 and 2011 was $3,149 and $3,046, 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)

New Accounting Pronouncements
In January 2010, the Financial Accounting Standards Board (FASB) issued new investment disclosure requirements. The guidance effective for the year ended June 30, 2012 requires entities to disclose gross reporting of changes in Level 3 fair value measurements. The adoption of this guidance is disclosure in nature and did not have a material impact on the Museum's consolidated financial statements.

In May 2011 the FASB issued an update on fair value measurements which will require additional disclosures including disclosures regarding sensitivity of measurement to changes in inputs, disclosure of all transfers between Level 1 and Level 2 (not just those that are "significant") and for fair value measurements presented in footnote disclosures only, ("FAS 107 disclosures"), the Museum will be required to indicate level and inputs used. The standard is effective for periods beginning after December 15, 2011 (fiscal year 2013 for the Museum). The impact of this guidance is strictly disclosure in nature and will not have a significant impact upon the consolidated financial statements.

Subsequent Events
The Museum has performed an evaluation of subsequent events through October 15, 2012, which is the date the consolidated financial statements were issued.

2. Contributions Receivable

Contributions receivable at June 30, 2012 and 2011 are as follows:

	2012	2011
Museum operations and programs	$ 140,546	$ 131,527
Future periods-split interest agreements	1,673	1,673
Capital construction and acquisition	46,767	52,456
	188,986	185,656
Less: Discount for present value	(3,630)	(4,467)
Allowance for doubtful accounts	(12,805)	(10,663)
	$ 172,551	$ 170,526
Amounts due in		
Less than one year	$ 15,581	$ 12,456
One to five years	44,232	43,777
More than five years	129,173	129,423
	$ 188,986	$ 185,656

Multi-year pledges initially fair valued in fiscal year 2012 and 2011 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 2010, 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 .80% to 7%.

3. Financial Instruments

The Museum follows guidance with respect to accounting and reporting for the fair value of their financial assets and liabilities. This guidance 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 also 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.

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, registered mutual funds and exchange traded 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 valuations 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 U.S. government bonds, money market funds, fixed income, equity and hedge funds and other multi-strategy and other, 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 equity fund investments, hedge funds, private equity funds, real asset funds, and other similar funds. The values of these investments represent the ownership interest in the net asset value 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 of the securities held by limited partnerships that do not have readily determinable fair

(in thousands of dollars)

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 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 summarize the financial instruments reported within the consolidated statements of financial position carried at fair value as of June 30, 2012 and 2011, 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, 2012 Total Fair Value
Assets				
Cash equivalents	$ -	$ 31,997	$ -	$ 31,997
Government and corporate bonds	-	305	-	305
Equity securities	90,328	-	-	90,328
Investment funds				-
Registered mutual funds	84,845	-	-	84,845
Fixed income	-	22,539	-	22,539
Equity (long only)	16,841	121,828	-	138,669
Equity long/short	-	25,263	12,360	37,623
Credit	-	-	49,440	49,440
Multi-strategy and other	-	21,174	84,508	105,682
Private equity	-	-	106,445	106,445
Real assets	-	-	23,625	23,625
Total investments and cash equivalents	192,014	223,106	276,378	691,498
Beneficial interests held by third parties	-	-	1,152	1,152
Total assets at fair value	$ 192,014	$ 223,106	$ 277,530	$ 692,650
Liabilities				
Interest rate swaps	$ -	$ 8,427	$ -	$ 8,427
Total liabilities at fair value	$ -	$ 8,427	$ -	$ 8,427

(in thousands of dollars)

	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	June 30, 2011 Total Fair Value
Assets				
Cash equivalents	$ -	$ 64,356	$ -	$ 64,356
Government and corporate bonds	14,838	2,138	-	16,976
Equity securities	115,658	-	-	115,658
Investment funds				
Registered mutual funds	60,658	-	-	60,658
Fixed income	-	20,605	1,107	21,712
Equity (long only)	21,421	124,714	9,366	155,501
Equity long/short	-	24,850	13,666	38,516
Credit	-	-	59,645	59,645
Multi-strategy and other	-	40,472	78,329	118,801
Private equity	-	-	108,727	108,727
Real assets	-	-	20,535	20,535
Total investments and cash equivalents	212,575	277,135	291,375	781,085
Beneficial interests held by third parties	-	-	1,095	1,095
Total assets at fair value	$ 212,575	$ 277,135	$ 292,470	$ 782,180
Liabilities				
Interest rate swaps	$ -	$ 7,908	$ -	$ 7,908
Total liabilities at fair value	$ -	$ 7,908	$ -	$ 7,908

There were no significant transfers in or out of Level 1 and Level 2 of the fair value hierarchy. Changes from Level 3 to 2 are discussed in the following tables.

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 nonperformance of contract terms by obligors and counter parties.

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 1.2%.

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, 2012 and 2011

	Fair Value, July 1, 2011	Transfers out*	Realized and Unrealized Gains (Losses), Net	Purchases	Sales/ Settlements	Fair Value, June 30, 2012
Investment funds						
Fixed income	$ 1,107	$ -	$ -	$ -	$ (1,107)	$ -
Equity (long only)	9,366	(8,709)	(642)	36	(51)	-
Equity long/short	13,666	-	(636)	-	(670)	12,360
Credit	59,645	-	(1,371)	1,594	(10,428)	49,440
Multi-strategy/ other	78,329	-	4,944	5,047	(3,812)	84,508
Private equity	108,727	-	2,460	7,607	(12,349)	106,445
Real assets	20,535	-	2,092	3,500	(2,502)	23,625
Beneficial interests held by third parties	1,095	-	57	-	-	1,152
	$ 292,470	$ (8,709)	$ 6,904	$ 17,784	$ (30,919)	$ 277,530

	Fair Value, July 1, 2010	Transfers out*	Realized and Unrealized Gains (Losses), Net	Purchases	Sales/ Settlements	Fair Value, June 30, 2011
Investment funds						
Fixed income	$ 12,944	$ -	$ 756	$ 719	$ (13,312)	$ 1,107
Equity (long only)	44,458	(37,378)	2,926	514	(1,154)	9,366
Equity long/short	16,038	(4,650)	(575)	12,000	(9,147)	13,666
Credit	62,902	-	6,440	1,305	(11,002)	59,645
Multi-strategy/ other	74,015	-	9,736	24	(5,446)	78,329
Private equity	93,839	-	17,030	20,150	(22,292)	108,727
Real assets	19,633	-	1,982	2,680	(3,760)	20,535
Beneficial interests held by third parties	1,079	-	16	-	-	1,095
	$ 324,908	$ (42,028)	$ 38,311	$ 37,392	$ (66,113)	$ 292,470

*Transferred from Level 3 to Level 2 due to redemption rights gained on such investments. It is the Museum's policy to recognize transfers at the beginning of the reporting period.

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, 2012 and 2011.

(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 tables list investments in other investment companies (in partnership format) by major category. All percentages are based on NAV as of June 30, 2012 and 2011.

Investment Strategy	Fair Value Determined Using NAV	# of Funds	Remaining Life[1] (Years)	Unfunded Commitments	Redemption Terms	Redemption Restrictions and Terms	Redemption Restrictions and Terms in Place at June 30, 2012
Fixed Income - investment funds	$ 22,026	2	N/A	N/A	Month-end: 100% (with 15 days notice)	See redemption terms	None
Equity - Investment funds	121,828	3	N/A	N/A	Bimonthly: 17% (with 3 days notice) Month-end: 33% (with 15 days notice) Quarterly: 50% (with 30 days notice)	See redemption terms	None
Absolute Return - Multi-strategy and other	105,682	7	N/A	N/A	Quarterly: 20% Annual at 12/31: 45% At 6/30 every year: 2% 12/31/12 and relocking for 36 months: 8% 12/31/13 and relocking for 36 months: 8% Sidepocket (> 3 Yrs): 19% (All funds require notice periods that range from 45 to 180 days.)	2 funds, representing 20% of assets have gates. The gates range from 10-20% of total fund-level NAV.	Full redemption request 12/31/08 on one fund (representing 5% of assets), with remaining balance comprised of special investments not expected to be realized for a minimum of 3 years.
Absolute Return - equity long/short	37,623	5	N/A	N/A	Quarterly: 67% 12/31/11 and then Semi-Annually: 32% Pending final redemption: 1% 2 funds, representing 56% of assets, require 30 days notice. 2 funds representing 43% of assets,require 60 days notice.	2 funds, representing 56% of assets have gates. Gates are triggered at 25% of fund-level NAV for both funds.	The remaining fund (1% of assets) is pending final redemption.
Absolute Return - credit	49,440	4	N/A	N/A	Annual at 12/31: 40% 6/30/13 and relocking for 36 months: 29% 12/31/14 and relocking for 36 months: 29% Sidepocket (> 3 Yrs): 2% Pending final redemption: 2% 1 fund, representing 16% of assets,requires 60 days notice. 2 funds, representing 82% of assets, require 90 days notice. The remaining fund is pending final redemption.	2 funds, representing 41% of assets have gates. One gate is triggered at 20% and the other is triggered at 10% of fund-level NAV / year.	2% (one fund) was fully redeemed on 6/30/11. An investor-level gate was imposed, and the investment will be fully redeemed over 4 quarters.
Private Equity	106,445	25	0-3 Years: 13% 3-5 Years: 46% >5 Years: 41%	$ 33,856	N/A	N/A	N/A
Real Assets	23,625	8	0-3 Years: 16% 3-5 Years: 6% >5 Years: 78%	14,253	N/A	N/A	N/A
	$ 466,669			$ 48,109			

[1] Defined as the period between 6/30/2012 and the Termination Date of the fund as defined in legal documentation.

(in thousands of dollars)

Investment Strategy	Fair Value Determined Using NAV	# of Funds	Remaining Life[1] (Years)	Unfunded Commitments	Redemption Terms	Redemption Restrictions and Terms	Redemption Restrictions and Terms in Place at June 30, 2011
Fixed income	$ 21,431	3	N/A	N/A	Month-end: 95% (with 15 days notice) Pending final redemption: 5%	See redemption terms	5% (one fund) was fully redeemed on 3/31/11. Assets are held in cash pending completion of audit of fund.
Equity (long only)	134,080	5	N/A	N/A	Bimonthly: 12% (with 3 days notice) Month-end: 44% (with 15 days notice) Quarterly: 37% (with 30 days notice) 12/31/11: 7% (with 30 days notice)	See redemption terms	None
Multi-strategy and other	118,801	7	N/A	N/A	Quarterly: 34% Annual at 12/31: 35% 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): 19% (All funds require notice periods that range from 30 to 180 days.)	2 funds, representing 34% of assets have gates. The gates range from 10-20% of total fund-level NAV.	Full redemption request 12/31/08 on one fund (representing 7% of assets), with remaining balance comprised of special investments not expected to be realized for a minimum of 3 years.
Equity long/short	38,516	5	N/A	N/A	Quarterly: 65% 12/31/11 and then Semi-Annually: 33% Sidepocket (> 3 Yrs): 1% Pending final redemption: 1% Notice periods range from 30-60 days.	2 funds, representing 49% of assets have gates. Gates are triggered at 25% of fund-level NAV for both funds.	1% (one fund) was fully redeemed
Credit	59,645	4	N/A	N/A	Annual at 12/31: 33% 12/31/11 and relocking for 36 months: 24% 6/30/13 and relocking for 36 months: 24% Sidepocket (> 3 Yrs): 3% Pending final redemption: 16% Notice periods range from 60-90 days.	2 funds, representing 33% of assets have gates. One gate is triggered at 20% and the other is triggered at 10% of fund-level NAV / year.	16% (one fund) was fully redeemed on 6/30/11. An investor-level gate was imposed, and the investment will be fully redeemed over 4 quarters.
Private equity	108,727	24	0-3 Years: 16% 3-5 Years: 48% >5 Years: 36%	$ 29,377	N/A	N/A	N/A
Real assets	20,535	10	0-3 Years: 17% 3-5 Years: 7% >5 Years: 76%	15,636	N/A	N/A	N/A
	$ 501,735			$ 45,013			

[1] Defined as the period between 6/30/2011 and the Termination Date of the fund as defined in legal documentation.

(in thousands of dollars)

4. Investments

Investments at June 30, 2012 and 2011 are as follows:

	June 30,			
	2012		2011	
	Cost	Fair Value	Cost	Fair Value
Cash equivalents	$ 14,772	$ 14,772	$ 33,544	$ 33,544
Government and corporate bonds	-	-	16,354	16,418
Equity securities	79,035	90,328	90,242	115,658
Investment funds				
Registered mutual funds	75,392	83,558	54,541	59,272
Fixed income	23,698	22,026	21,942	21,431
Equity (long only)	129,827	138,669	136,968	155,501
Equity long/short	21,360	37,623	22,120	38,516
Credit	48,586	49,440	55,603	59,645
Multi-strategy and other	52,972	105,682	65,751	118,801
Private equity	86,061	106,445	88,349	108,727
Real assets	18,521	23,625	16,903	20,535
Total investments	$ 550,224	$ 672,168	$ 602,317	$ 748,048

During the year, in addition to supporting Museum operations, approximately $35,000 was used in the retirement of the Series 2001 One D bonds. Approximately $23,000 was additionally used to facilitate the purchase of property adjacent to the Museum, which is shown in undeveloped property.

Equity and fixed income investments consist of investments in publicly traded U.S. equities, mutual funds, government and corporate bonds and funds that invest in equity and fixed income based strategies. The fair values of publicly traded investments are 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 that are not exchange traded 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 of the funds represents the amount the Museum expects to receive at June 30, 2012 and 2011, if it had liquidated its investments in the funds on these dates.

Private equity fund holdings include investments in buyouts, distressed companies and venture capital. Hedge funds 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 based upon NAV provided by the investment managers of the underlying funds. As a general rule, investment managers of hedge funds, 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. Hedge funds, private equity and real asset funds may make investments in securities that are publicly traded, which are generally valued based on observable

(in thousands of dollars)

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, 2012 and 2011, if it had liquidated its investments in the funds on these dates.

The Museum invests in investment funds 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. Such 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 Finance Committee of the Board, an amount equal to 5% of a lagged average market value of endowment assets for twelve quarters was made available in fiscal 2012 for operating the Museum. The previous policy for fiscal year 2011 and earlier years called for the appropriation based on a lagged average market value for the three most recent year-ends.

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 2012 and 2011:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2012
Dividends and interest, net of investment management and related fees of $5,091 in 2012 and $5,465 in 2011	$ 4,321	$ 225	$ 64	$ 4,610
Net realized gains, changes in unrealized depreciation, and operating transfers in excess of spending	10,195	(4,471)	97	5,821
Total return on long-term investments	14,516	(4,246)	161	10,431
Museum operations (spending policy)	(26,782)	-	-	(26,782)
Excess of spending policy over investment return	(12,266)	(4,246)	161	(16,351)
Auxiliary activities	(457)	-	-	(457)
Excess of amounts designated for operations and specific purposes over investment return	$ (12,723)	$ (4,246)	$ 161	$ (16,808)

(in thousands of dollars)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2011
Dividends and interest, net of investment management and related fees of $5,465 in 2011 and $4,268 in 2010	$ 2,082	$ 496	$ 164	$ 2,742
Net realized gains and changes in unrealized appreciation	77,894	20,475	-	98,369
Total return on long-term investments	79,976	20,971	164	101,111
Museum operations (spending policy)	(26,005)	-	-	(26,005)
Excess of investment return over spending policy amount	53,971	20,971	164	75,106
Auxiliary activities	(335)	-	-	(335)
Excess of investment return over amounts designated for operations and specific purposes	$ 53,636	$ 20,971	$ 164	$ 74,771

5. Inventories

At June 30, 2012 and 2011, inventories are as follows:

	2012	2011
Publishing and retail		
Available for sales	$ 8,892	$ 8,351
Work in process	377	317
	9,269	8,668
All other	52	70
	$ 9,321	$ 8,738

6. Property, Plant and Equipment

At June 30, 2012 and 2011, property, plant and equipment is as follows:

	2012	2011
Buildings, at cost	$ 546,402	$ 543,580
Leasehold improvements, at cost	4,325	4,295
Software, equipment, machinery and furniture and fixtures, at cost	78,151	74,501
	628,878	622,376
Less: Accumulated depreciation	243,998	216,908
	384,880	405,468
Land, at cost	91,352	91,352
Undeveloped property	61,412	30,428
	$ 537,644	$ 527,248

(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, 2012 and 2011 and totaled $21,401 and $22,576, respectively.

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 (Note 8).

In July 2011, the Museum purchased property adjacent to the Museum. The transaction totaled $31,800 and was funded with approximately $23,000 from the investment portfolio plus available cash on hand and is included in undeveloped property.

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, 2012 and 2011 were 1.2% and 2.8%, respectively.

At June 30, 2012 and 2011, split-interest agreements are as follows:

	2012	2011
Charitable remainder unitrusts	$ 1,310	$ 1,310
Charitable remainder annuity trusts	363	363
Charitable gift annuities	3,028	3,028
	4,701	4,701
Less: Discount for present value	(2,653)	(2,556)
	$ 2,048	$ 2,145

(in thousands of dollars)

8. Deferred Revenue

At June 30, 2012 and 2011, deferred revenue is as follows:

	2012	2011
Deferred membership revenues	$ 3,477	$ 1,331
Deferred exhibition fees	744	1,056
Deposit on development rights	35,000	35,000
Other	661	1,141
	$ 39,882	$ 38,528

9. Loans Payable

Loans payable at June 30, 2012 and 2011 are as follows:

	2012	2011
Series 2012 One D bonds	$ 52,545	$ -
Series 2010 One A bonds	55,285	55,285
Series 2008 One A bonds	130,825	130,825
Series 2001 One D bonds	-	100,000
Term loans	20,000	20,000
Line of credit	13,000	13,000
Total debt	271,655	319,110
Bond premium on 2008, 2010 One A, and 2012 One D bonds, net of amortization	17,989	12,142
Total debt and bond premium	$ 289,644	$ 331,252

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.

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 2000 One A/B bonds and Series 2001 One A/B/C bonds were redeemed by the Series 2008 One A bonds issued by the Trust for the benefit of the Museum in July 2008. A portion of these bonds was subsequently redeemed by the Series 2010 One A bonds issued in July 2010.

The Series 2001 One D bonds callable on July 1, 2012 were defeased in May 2012 (and subsequently redeemed on July 2, 2012) through a combination of refinancing proceeds from the Series 2012 One D bonds and a $43,000 short term bridge loan, which the Museum repaid shortly after issuance. This bridge loan was issued on May 1, 2012, and then repaid by the Museum on May 2, 2012. Its due date was May 31, 2012 and had an interest rate of 1.65%. The Museum

(in thousands of dollars)

incurred a loss on the extinguishment of Series 2001 One D of $1,282 related to unamortized deferred financing costs. The retired Series 2001 One D bonds met the criteria of defeasance and are not reflected in the consolidated balance sheet at June 30, 2012.

The Series 2008 One A bonds, 2010 One A bonds, and 2012 One D bonds consisted of the following amounts and maturities at June 30, 2012:

	Principal	Rate	Maturity
Refunding Bonds, Series 2008 One A			
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
Refunding Bonds, Series 2010 One A			
Serial bonds	55,285	5.0 %	October 1, 2017
Refunding Bonds, Series 2012 One D			
Serial bonds	52,545	4.0 %	August 1, 2017
	$ 238,655		

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) and reversed a swap entered into in August 2005 (notional amount at the time of reversal of $50,000) with an offsetting swap. The counterparty for the two remaining offsetting swap agreements is Goldman Sachs Bank USA (the "Counterparty"). Notional amount schedules, 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 contract for an agreed upon cash settlement amount based on market conditions. Under certain triggering events tied to the Museum's overall credit ratings, the Museum may be required to post collateral to the Counterparty or the Counterparty may terminate the swap contracts, provided both are terminated simultaneously. At June 30, 2012 and 2011, the total fair value of the swap agreements in place approximates a liability of $8,427 and $7,908, respectively, which has been recognized in the accompanying consolidated statements of financial position. Payments on the swaps totaled $609 and $608 for the years ended June 30, 2012 and 2011, respectively.

The accounting guidance for accounting and reporting derivatives and hedging 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 are summarized below at June 30, 2012 and 2011:

	Liability Derivatives		
	Consolidated Statement of Financial Position Location	**2012 Fair Value**	**2011 Fair Value**
Derivatives not designated as hedging instruments			
Interest rate contract	Other liabilities	$ 8,427	$ 7,908

	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**	
		2012	**2011**
Derivatives not designated as hedging instruments			
Interest rate contract	Interest expense	$ (519)	$ 443

The Museum refinanced a term loan facility of $20,000 with a commercial bank in December 2008. This facility matures in January 2013. The interest rate is based on various LIBOR maturities which ranged from .65% to 1.14% at June 30, 2012.

At June 30, 2012, the Museum has available a $35,000 line of credit with a commercial bank. The line of credit expires in November 2012. Borrowings under the line of credit as of June 30, 2012 totaled $13,000 at interest rates ranging from .59% to.70%.

Annual principal payments as of June 30, 2012 due during the next five fiscal years and in total thereafter under all of the aforementioned loans payable are approximately as follows:

2013	$ 33,000
2014	-
2015	-
2016	-
2017	-
Thereafter	238,655
	$ 271,655

The Museum's term loan and line of credit agreements contain covenants requiring, among other restrictions, the maintenance of certain levels of cash and investments. The requirements were met as of June 30, 2012 and 2011. The carrying value of the loans payable including the bond premium approximates market as the loans bear interest at market rates.

10. Endowment Funds

The Museum's endowment consists of approximately 150 individual funds established for a variety of purposes. As required by GAAP, net assets associated with donor restricted endowment funds, and funds designated by the Board of Trustees to function as endowments ("Board Designated"), are classified and reported based on the existence or absence of donor-imposed restrictions.

On September 17, 2010, New York State enacted the New York Prudent Management of Institutional Funds Act ("NYPMIFA"). NYPMIFA contains provisions that govern charitable institutions' appropriation and use, among other things, of donor-restricted endowment funds. NYPMIFA updated certain provisions of prior endowment management law that had become outdated. Most significantly, under prior law, charitable institutions were required to maintain the "historic dollar value" of endowment funds, meaning that institutions could appropriate only: a prudent portion of a fund if the value of the fund were greater than the dollar value of the donor's contribution(s) to the fund (i.e., the "historic dollar value"), and the appropriation would not take the fund below that amount; or a prudent portion only of the income from the fund, if the value of the fund were less than the historic dollar value.

Under NYPMIFA, a detailed prudence standard governs appropriation from endowment funds, and there is no longer a requirement to maintain historic dollar value. Prudent appropriation from a fund whose value is less than its historic dollar value is permitted. In particular, NYPMIFA provides that, unless a donor expresses a contrary intention in a gift instrument, a charitable institution may appropriate as much of an endowment fund as it "determines is prudent for the uses, benefits, purposes and duration for which the fund is established," without regard for historic dollar value. As with prior law, NYPMIFA retains the requirement that in making any decision to appropriate, "the institution shall act in good faith, with the care that an ordinarily prudent person in a like position would exercise under similar circumstances." It further provides a new requirement that the institution "shall consider, if relevant" the following eight factors in deciding whether or not to appropriate from a fund:

- The duration and preservation of the endowment fund;
- The purposes of the Museum and the endowment fund;
- General economic conditions;
- The possible effect of inflation or deflation;
- The expected total return from income and the appreciation of investments;
- Other resources of the Museum;
- Alternatives to expenditure of the endowment fund; and
- The investment policy of the Museum.

The provisions of NYPMIFA allowing prudent appropriation without regard to historic dollar value apply to funds created after its effective date of September 17, 2010. Donors of funds created before that date were given the option of requiring institutions to continue to observe the historic dollar value restrictions contained in prior law. Some donors of Museum funds have elected this option. Moreover, as with prior law, a donor may incorporate in a gift instrument specific

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restrictions on appropriation that are different from either NYPMIFA or prior law. Certain of the Museum's funds are governed by such instruments. Thus the Museum has funds that fall into three categories with respect to appropriation: those from which it may prudently appropriate without regard to historic dollar value; those from which it may prudently appropriate appreciation only above historic dollar value; and those whose appropriation is governed by specific instructions in the constitutive gift instrument.

During fiscal year 2011, the Board adopted a new spending policy calculation effective for fiscal year 2012. Distributions available for spending are now drawn at 5% annually of a lagged average market value of endowment assets for twelve quarters (for those funds not governed by contrary donor-imposed restrictions.) The previous policy, in place for fiscal years 2011 and earlier, called for appropriation based on a lagged average market value for the three most recent year-ends.

The Museum's spending policies are consistent with the Museum's objectives to utilize income to support mission-critical programs while preserving capital and ensuring future growth of the endowment. 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.

11. Financial Reporting of Endowments

Consistent with endowment accounting for not-for-profit organizations for funds subject to an enacted version of UPMIFA, the Museum classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, (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) accumulations, including appreciation, gains and income, to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

For financial reporting purposes, donor-restricted endowment fund appreciation, gains and income exceeding donor restrictions are classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Museum in a manner consistent with the standard of prudence prescribed by law. Upon appropriation, appreciation and earnings are reclassified as unrestricted net assets.

For each donor-restricted endowment fund the Museum shall classify the portion of the fund that is not classified as permanently restricted net assets as temporarily restricted net assets until appropriated for expenditure by the Museum. In initially applying the guidance to its donor-restricted endowment funds in existence upon NYPMIFA enactment during fiscal year 2011, the Museum determined the accumulated amounts earned on donor restricted endowment funds in excess of appropriation which were previously reflected within unrestricted net assets. As a result, a reclassification to temporarily restricted net assets of $30,766 was reflected within the fiscal year 2011 Statement of Unrestricted Revenues, Expenses and Changes in Unrestricted Net Assets until such time as they are appropriated for expenditure.

(in thousands of dollars)

Funds share in the overall earnings rate of the Museum's portfolio except for two funds totaling $18,036 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, 2012 and 2011:

	Permanently Restricted	Temporarily Restricted	Unrestricted	Total 2012
Donor-restricted endowment funds	$ 243,173	$ 65,821	$ -	$ 308,994
Board-designated endowment funds	-	-	28,508	28,508
Donor-restricted funds below historic dollar value	569	-	(569)	-
Total funds	$ 243,742	$ 65,821	$ 27,939	$ 337,502

	Permanently Restricted	Temporarily Restricted	Unrestricted	Total 2011
Donor-restricted endowment funds	$ 236,946	$ 60,765	$ -	$ 297,711
Board-designated endowment funds	-	-	28,054	28,054
Donor-restricted funds below historic dollar value	748	-	(748)	-
Total funds	$ 237,694	$ 60,765	$ 27,306	$ 325,765

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

	2012	2011
Permanently restricted net assets		
Museum programs	$ 55,331	$ 52,322
Acquisition of works of art	33,175	32,437
Museum operations and other activities	155,236	152,935
Total endowment funds classified as permanently restricted net assets	243,742	237,694
Temporarily restricted net assets		
Museum programs	21,977	11,881
Acquisitions of works of art	3,332	5,580
Support of exhibitions	9,562	11,997
Operating support and other purposes	30,950	31,307
Total endowment funds classified as temporarily restricted net assets	65,821	60,765
Unrestricted net assets		
Unrestricted purposes	27,939	27,306
Total endowment funds classified as unrestricted net assets	27,939	27,306
Total endowment funds	$ 337,502	$ 325,765

(in thousands of dollars)

As a result of unfavorable market fluctuations the fair market value of assets associated with some individual donor-restricted endowment funds are below historic dollar value. The aggregate amount by which fair value was below historic dollar value at June 30, 2012 and 2011 was $569 and $748, respectively, and included 8 funds with original donor contributions totaling $12,185 and $15,034, 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, 2012 and 2011 is as follows:

	2012	2011
Endowment net assets	$ 337,502	$ 325,765
Subtract		
Contributions receivable, net, included in endowment net assets	(120,792)	(115,043)
Add		
Unrestricted and temporarily restricted investments, at fair value	451,395	533,313
Investments, at fair value	$ 668,105	$ 744,035

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, 2012 and 2011:

	Permanently Restricted	Temporarily Restricted	Unrestricted	Total 2012
Endowment net assets, beginning of year	$ 237,694	$ 60,765	$ 27,306	$ 325,765
Investment return				
Investment income	161	8,545	531	9,237
Net appreciation	179	2,986	428	3,593
Total investment return	340	11,531	959	12,830
Contributions	5,887	-	-	5,887
Appropriation of endowment assets for expenditure	-	(6,475)	(505)	(6,980)
Donor-restricted funds below historic dollar value	(179)	-	179	-
Endowment net assets, end of year	$ 243,742	$ 65,821	$ 27,939	$ 337,502

(in thousands of dollars)

	Permanently Restricted	Temporarily Restricted	Unrestricted	Total 2011
Endowment net assets, beginning of year	$ 222,007	$ 20,679	$ 56,235	$ 298,921
Net asset reclassification based on law	-	30,766	(30,766)	-
Endowment net assets after reclassification	222,007	51,445	25,469	298,921
Investment return				
Investment income	164	3,835	467	4,466
Net appreciation	991	9,157	904	11,052
Total investment return	1,155	12,992	1,371	15,518
Contributions	15,523	-	-	15,523
Appropriation of endowment assets for expenditure	-	(3,672)	(525)	(4,197)
Donor-restricted funds below historic dollar value	(991)	-	991	-
Endowment net assets, end of year	$ 237,694	$ 60,765	$ 27,306	$ 325,765

12. Temporarily Restricted Net Assets

At June 30, 2012 and 2011, temporarily restricted net assets were available for the following purposes:

	2012	2011
Museum programs	$ 35,118	$ 37,209
Acquisitions of works of art	36,707	29,387
Maintaining art collections	11,932	11,538
Support of exhibitions	17,002	18,051
Operating support and other purposes	66,499	68,807
	$ 167,258	$ 164,992

During fiscal 2012 and 2011, 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:

	2012	2011
Museum programs and other	$ 9,821	$ 6,468
Exhibitions	1,294	1,121
Capital acquisitions, financing and other purposes	1,809	1,470
Acquisitions of works of art	45,121	37,691
Total releases from restriction	$ 58,045	$ 46,750

13. 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. Generally, with certain differences amongst the Museum's nonunion and various union staff, all employees in the Museum's defined benefit plan opted either to remain

(in thousands of dollars)

in the defined benefit pension plan and forgo future matching contributions from the Museum in the Museum's 403(b) defined contribution plan, or 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.

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 nondiscretionary contribution for employees under certain base compensation levels dependent on length of service. The Museum contributed $844 and $808 to the Plan for the years ended June 30, 2012 and 2011, respectively. Regardless of match eligibility, the 403(b) retirement savings plan is open for all nonunion 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 nonunion 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 the benefit obligation, the change in plan assets, the funded status, and weighted-average assumptions for the pension plans and postretirement benefit plan:

	Pension Benefits June 30, 2012	Pension Benefits June 30, 2011	Postretirement Benefits June 30, 2012	Postretirement Benefits June 30, 2011
Change in benefit obligation				
Benefit obligation at beginning of year	$ 67,766	$ 67,279	$ 21,188	$ 21,036
Service cost	2,098	2,106	763	793
Interest cost	3,872	3,590	1,177	1,122
Actuarial (gain)/loss, primarily attributable to discount rate	19,770	(2,906)	3,646	(1,168)
Benefits paid	(2,465)	(2,303)	(707)	(609)
Employee contributions	-	-	23	14
Medicare Part D reimbursements	-	-	20	-
Benefit obligation at end of year	91,041	67,766	26,110	21,188
Change in plan assets				
Fair value of plan assets at beginning of year	55,583	46,346	-	-
Actual return on plan assets	367	9,540	-	-
Employer contributions	-	2,000	664	595
Employee contributions	-	-	23	14
Medicare Part D reimbursements	-	-	20	
Benefits paid	(2,465)	(2,303)	(707)	(609)
Fair value of plan assets at end of year	53,485	55,583	-	-
Funded status at end of year	$ (37,556)	$ (12,183)	$ (26,110)	$ (21,188)
Amounts recognized in the consolidated statements of financial position consist of				
Pension and postretirement benefit obligations	$ (37,556)	$ (12,183)	$ (26,110)	$ (21,188)
Amounts recognized in unrestricted net assets consist of				
Net loss	$ (39,754)	$ (17,166)	$ (8,733)	$ (5,434)
Prior service (cost) credit	(561)	(645)	1,679	2,019
	$ (40,315)	$ (17,811)	$ (7,054)	$ (3,415)
Defined benefit plan changes other than net periodic benefit cost				
Net gain (loss)	$ (23,740)	$ 8,690	$ (3,646)	$ 1,168
Amortization of net gain	1,151	1,964	348	531
Amortization of prior service credit (cost)	84	90	(340)	(326)
	$ (22,505)	$ 10,744	$ (3,638)	$ 1,373

	2012	2011	2012	2011
Weighted-average assumptions as of June 30				
Discount rate	4.25%	5.75%	4.25%	5.75%
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

Amounts in unrestricted net assets expected to be recognized in net periodic benefit cost in 2013	Pension Benefits	Postretirement Benefits
Net loss	$ 3,179	$ 688
Prior service cost (credit)	76	(340)
	$ 3,255	$ 348

(in thousands of dollars)

The accumulated benefit obligation for the pension plan at June 30, 2012 and 2011 was $77,591 and $58,812, respectively. Detail of the changes in the accumulated benefit obligation for the pension plan is as follows:

		2012		2011
Accumulated benefit obligation at beginning of year	$	58,812	$	57,525
Accumulation of benefits, including experience gains/losses		3,708		2,292
Change in average discount period		3,312		3,101
Benefit payments		(2,465)		(2,303)
Change in actuarial assumptions, primarily attributable to discount rate		14,224		(1,803)
Accumulated benefit obligation at end of year	$	77,591	$	58,812

The accumulated benefit obligation for the Supplemental Executive Retirement Plan at June 30, 2012 and 2011 was $3,144 and $2,029, respectively. The plan was frozen in fiscal year 2009.

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, 2012 and 2011:

	Pension Benefits				Postretirement Benefits			
		2012		2011		2012		2011
Service cost	$	2,098	$	2,106	$	763	$	793
Interest cost		3,872		3,590		1,177		1,122
Expected return on plan assets		(4,338)		(3,756)		-		-
Amortization of prior service (credit) cost		84		90		(340)		(326)
Amortization of accumulated loss		1,151		1,964		348		531
Net periodic benefit cost	$	2,867	$	3,994	$	1,948	$	2,120

The health care cost trend rate assumption used in determining the accumulated postretirement benefit obligation for the coming year is 7.6% and 7.0% at June 30, 2012 and 2011, respectively.

(in thousands of dollars)

The following data shows the effect of a one percentage point health care cost trend rate increase (decrease) for 2012, inclusive of the impact of a lower discount rate in fiscal 2012:

	Percentage Point Increase	Percentage Point (Decrease)
Effect on total of service and interest cost	$ 369	$ (293)
Effect on postretirement benefit obligation	2,282	1,621

Target allocations at June 30, 2012 and 2011 and target allocations, by asset category are as follows:

Asset category	
Equity securities	20-80%
Fixed income	20-80%
Other	0%

The composition of asset categories and valuation techniques used to measure fair value are described in Note 3.

Fair Value Measurements
Within the fair value hierarchy, the pension plan's investments at fair value by level as of June 30, 2012 and 2011 are as follows:

	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value 2012
Assets				
Cash and cash equivalents	$ 14	$ 670	$ -	$ 684
Fixed Income				
Registered mutual funds	13,201	-	-	13,201
Equities				-
Securities	8,432	-	-	8,432
Registered mutual funds	24,902	-	-	24,902
Investment funds	-	6,266	-	6,266
Total investments and cash equivalents	$ 46,549	$ 6,936	$ -	$ 53,485

(in thousands of dollars)

	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value 2011
Assets				
Cash and cash equivalents	$ 13	$ 667	$ -	$ 680
Fixed Income				
Government bonds	-	875	-	875
Registered mutual funds	12,909	-	-	12,909
Equities				
Securities	13,610	-	-	13,610
Registered mutual funds	16,804	-	-	16,804
Investment funds	-	10,705	-	10,705
Total investments and cash equivalents	$ 43,336	$ 12,247	$ -	$ 55,583

The investment funds categorized as Level 2 have monthly redemptions with a 15 day notice period. There were no significant transfers between Level 1 and Level 2. For fair value disclosures relating to plan assets, refer to Note 3.

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, 2012 are as follows:

	Pension Benefits	Postretirement Benefits
Expected employer contributions		
2013	$ 2,100	$ 951
Projected benefit payments for the fiscal year ending June 30		
2013	3,496	951
2014	3,324	985
2015	3,586	1,043
2016	3,910	1,095
2017	4,135	1,133
2018-2022	26,161	6,637

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

(in thousands of dollars)

gain. The effects of the Act are not significant. Accordingly, there was minimal impact on the net periodic postretirement benefit cost for fiscal year 2012.

14. 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, 1993, 1996 and 2001. In May 2012, the Trust refinanced the 1996 and 2001 bond issues with Series 2012A Refunding Revenue Bonds of $38,360 with a final maturity in 2023. The Series 2012A bonds did not extend the maturity of the 1996 and 2001 bond issues.

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 the 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 $35,645 at June 30, 2012 and 2011.

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 $131,913 and $130,483 at June 30, 2012 and 2011, 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 .85% for fiscal year 2012. 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.

(in thousands of dollars)

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.

In accordance with the Arts and Cultural Affairs Law described above available TEPs should be reimbursed to the Museum for its advances. There were no reimbursements made in fiscal 2012 and 2011.

The Museum receives annual audited financial statements of the Trust. In addition, the Museum reviews the tax equivalency billings, subsequent collection and allocation of proceeds.

15. 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 $553 and $716 for the years ended June 30, 2012 and 2011, 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 $95 and $76 at June 30, 2012 and 2011, 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 $4,063 and $4,013 are included in Investments held on behalf of others in the consolidated statements of financial position for the years ended June 30, 2012 and 2011, 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.

(in thousands of dollars)

16. 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 $1,729 and $1,676 in 2012 and 2011, respectively.

Minimum lease payments under noncancelable operating leases as of June 30, 2012 are as follows:

2013	$	1,727
2014		1,773
2015		1,777
2016		1,832
2017		570
Thereafter		5,690
Total minimum guaranteed rents	$	13,369

At June 30, 2012, the Museum has commitments of $150 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 $2,187 and $2,773 for the years ended June 30, 2012 and 2011, respectively.

Minimum guaranteed rents under these leases as of June 30, 2012 are as follows:

2013	$	1,974
2014		1,995
2015		1,465
2016		-
2017		-
Total minimum guaranteed rents	$	5,434

(in thousands of dollars)

17. Expenses by Functional Classification

Expenses by functional classification for fiscal year 2012 and 2011 are as follows:

	2012	**2011**
Museum operating expenses excluding depreciation	$ 164,482	$ 152,655
Depreciation	26,326	26,875
Interest and other expenses (nonoperating)	11,758	11,025
	$ 202,566	$ 190,555

	2012	**2011**
Museum program expenses		
Curatorial and related program expenses	$ 64,341	$ 63,081
Exhibitions	23,980	18,578
Other museum programs	4,728	3,771
Public services	5,090	4,530
Cost of sales and expenses of auxiliary activities	49,845	47,507
	147,984	137,467
Supporting services		
Management and general	40,600	39,578
Fundraising (including membership and fulfillment costs)	13,982	13,510
	54,582	53,088
	$ 202,566	$ 190,555

At June 30, 2012, cost of sales/auxiliary activities included $659 of depreciation expense relating solely to such activities.