The Museum of Modern Art

Consolidated Financial Statements
June 30, 2011 and 2010

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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, 2011 and 2010, 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.

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

September 29, 2011

PricewaterhouseCoopers LLP, 400 Campus Drive, P.O. Box 988, Florham Park, NJ 07932
T: (973) 236 4000, F: (973) 236 5000, www.pwc.com/us

The Museum of Modern Art
Consolidated Statements of Financial Position
June 30, 2011 and 2010

(in thousands of dollars)	**2011**	**2010**
Assets		
Cash and cash equivalents	$ 32,573	$ 51,043
Receivables		
Accounts receivable	1,994	2,276
Contributions receivable, net	170,526	161,978
Accrued investment income and other receivables	2,925	1,248
The Trust for Cultural Resources	35,645	35,645
Inventories	8,738	9,932
Prepaid expenses and other assets	13,071	11,437
Investments, at fair value	744,035	639,117
Investments held on behalf of others	4,013	3,424
Property, plant and equipment, net	527,248	545,699
Museum collections (Note 1)	-	-
Total assets	$ 1,540,768	$ 1,461,799
Liabilities and Net Assets		
Accounts payable, accrued expenses and other liabilities	$ 37,103	$ 37,143
Art acquisition payable	26,000	-
Deferred revenue	38,528	37,751
Loans payable and bond premium, net of accumulated amortization	331,252	332,536
Funds held on behalf of others	4,013	3,424
Pension and postretirement benefit obligations	33,371	41,970
Total liabilities	470,267	452,824
Net Assets		
Unrestricted		
Museum operations		
Museum funded property, plant and equipment	33,279	31,854
All other (including advances to the Trust for Cultural Resources of $35,645 in 2011 & 2010)	342,496	329,255
	375,775	361,109
Plant and equipment funded by designated gifts	292,040	316,620
	667,815	677,729
Temporarily restricted	164,992	109,239
Permanently restricted	237,694	222,007
Total net assets	1,070,501	1,008,975
Total liabilities and net assets	$ 1,540,768	$ 1,461,799

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, 2011 and 2010

	2011 Unrestricted Net Assets			2010 Unrestricted Net Assets		
(in thousands of dollars)	Museum Operations	Plant & Equipment Funded by Designated Gifts	Total Unrestricted Net Assets	Museum Operations	Plant & Equipment Funded by Designated Gifts	Total Unrestricted Net Assets
Operating revenues and other support						
Admissions	$ 22,695	$ -	$ 22,695	$ 24,792	$ -	$ 24,792
Membership	14,991	-	14,991	15,211	-	15,211
Investment income-spending policy	26,005	-	26,005	24,977	-	24,977
Board-designated (decrease) increase in spending policy		-	-	(3,250)	-	(3,250)
Annual fund contributions	8,564	-	8,564	7,924	-	7,924
Other grants and contributions	17,406	-	17,406	11,606	-	11,606
Circulating exhibition fees	3,508	-	3,508	2,898	-	2,898
Other	6,364	-	6,364	6,980	-	6,980
Revenue of auxiliary activities	50,493	-	50,493	53,245	-	53,245
Total operating revenues and other support	150,026	-	150,026	144,383	-	144,383
Net assets released from restrictions to fund operations	7,589	-	7,589	11,348	-	11,348
Total operating revenues and other support and reclassifications	157,615	-	157,615	155,731	-	155,731
Operating expenses						
Curatorial and related support services	26,603	-	26,603	24,933	-	24,933
Exhibitions	7,835	-	7,835	10,284	-	10,284
Other museum programs	3,771	-	3,771	4,931	-	4,931
Cost of sales/auxiliary activities	47,507	-	47,507	47,754	-	47,754
Depreciation (nonauxiliary)	2,295	24,580	26,875	2,136	25,876	28,012
Public services	4,530	-	4,530	4,475	-	4,475
Membership, development and cultivation	10,705	-	10,705	10,000	-	10,000
Facilities, security and other	25,950	-	25,950	25,533	-	25,533
Public information	4,205	-	4,205	3,634	-	3,634
Administration and other	21,549	-	21,549	20,174	-	20,174
Total operating expenses	154,950	24,580	179,530	153,854	25,876	179,730
Excess (deficit) of operating revenues and support over operating expenses	2,665	(24,580)	(21,915)	1,877	(25,876)	(23,999)
Nonoperating revenues, expenses and other support						
Acquisition of works of arts	(50,936)	-	(50,936)	(15,970)	-	(15,970)
Net assets released from restrictions for art acquisitions	37,691	-	37,691	15,970	-	15,970
Net assets released from restrictions for capital acquisition and financing	1,470	-	1,470	1,869	-	1,869
Excess of investment income (loss) over amounts designated for operations and specific purposes	53,636	-	53,636	34,159	-	34,159
Board-designated and other contributions, net	(186)	-	(186)	(2,804)	-	(2,804)
Defined benefit plan changes other than net periodic benefit cost	12,117	-	12,117	(10,862)	-	(10,862)
Interest expense, change in fair value of interest rate swap agreements and other financing costs	(11,025)	-	(11,025)	(12,574)	-	(12,574)
Total nonoperating revenues, expenses and other support	42,767	-	42,767	9,788	-	9,788
Change in unrestricted net assets before affect of change in law	45,432	(24,580)	20,852	11,665	(25,876)	(14,211)
Net asset reclassification based on change in law	(30,766)	-	(30,766)	-	-	-
Change in unrestricted net assets	14,666	(24,580)	(9,914)	11,665	(25,876)	(14,211)
Unrestricted net assets						
Beginning of year	361,109	316,620	677,729	349,444	342,496	691,940
End of year	$ 375,775	$ 292,040	$ 667,815	$ 361,109	$ 316,620	$ 677,729

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, 2011 and 2010

(in thousands of dollars)	**2011**	**2010**
Unrestricted net assets		
Change in unrestricted net assets	$ (9,914)	$ (14,211)
Temporarily restricted net assets		
Capital gifts and other contributions	32,483	25,275
Investment return	20,971	11,651
Net assets released from restriction	(46,750)	(29,187)
Sales of works of art	18,283	11,296
Net asset reclassification based on change in law	30,766	-
Change in temporarily restricted net assets	55,753	19,035
Permanently restricted net assets		
Capital gifts and other contributions	15,523	6,253
Investment return	164	267
Change in permanently restricted net assets	15,687	6,520
Total change in net assets	61,526	11,344
Net assets		
Beginning of year	1,008,975	997,631
End of year	$ 1,070,501	$ 1,008,975

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, 2011 and 2010

(in thousands of dollars)	**2011**	**2010**
Cash flows from operating activities		
Change in net assets	$ 61,526	$ 11,344
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation and amortization	27,453	28,517
Bond premium, net of amortization	7,391	(1,066)
Defined benefit plan changes other than net periodic benefit cost	(12,117)	10,862
Net realized gains and unrealized appreciation on investments	(98,369)	(64,516)
Receipt of contributed securities	(2,857)	(404)
Contributions and net investment income restricted for endowment	(15,687)	(6,520)
Change in fair value of interest rate swap agreement	443	(400)
Sales of works of art	(18,283)	(11,296)
Acquisition of works of art	50,936	15,970
Contributions and net investment income restricted for capital acquisition and construction	(3,323)	(7,634)
Changes in assets and liabilities		
Decrease (increase) in accounts receivable	282	(1,634)
(Increase) decrease in contributions receivable	(3,040)	16,838
Increase in accrued investment income and other receivables	(1,677)	(557)
Decrease (increase) in inventories	1,194	(182)
(Increase) decrease in prepaid expenses and other assets	(1,634)	660
Increase in accounts payable, accrued expenses and other liabilities	3,035	2,773
Increase in deferred revenue	777	242
Net cash used in operating activities	(3,950)	(7,003)
Cash flows from investing activities		
Purchase of property, plant and equipment	(9,002)	(17,431)
Proceeds from disposition of investments	258,272	149,983
Purchase of investments	(264,821)	(159,334)
Proceeds from sales of contributed securities	2,857	404
Proceeds from deposit on development rights	-	35,000
Sales of works of art	18,283	11,296
Acquisition of works of art	(24,936)	(15,970)
Net cash (used in) provided by investing activities	(19,347)	3,948
Cash flows from financing activities		
Contributions and net investment income restricted for capital acquisition and construction	3,323	7,634
Investment in endowment	10,179	2,162
Proceeds from debt issuance	55,285	24,750
Redemption of bond issues and term loan	(63,960)	(25,000)
Distributions from Trust for Cultural Resources	-	300
Net cash provided by financing activities	4,827	9,846
Net (decrease) increase in cash and cash equivalents	(18,470)	6,791
Cash and cash equivalents		
Beginning of year	51,043	44,252
End of year	$ 32,573	$ 51,043
Supplemental disclosures		
Cash paid in the year for interest	$ 14,988	$ 14,068
Noncash investing 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.

- 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 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 year ended June 30, 2011. For the year ended June 30, 2010, nonmonetary contributions of inventory (net of obsolescence) and services were valued at $1,858. 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 2011, contributed securities of $2,857 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 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.

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, 2011 and 2010. 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.

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 financing, interest expense and other financing costs, amortization of bond issuance costs, change in fair value of interest rate swap agreements, 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 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.

Membership, Development and Cultivation
Membership, development and cultivation expenses were $10,705 and $10,000, respectively, for the years ended June 30, 2011 and 2010. 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, 2011 and 2010 was $3,046 and $2,845, 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.

Subsequent Events
The Museum has performed an evaluation of subsequent events through September 29, 2011, which is the date the consolidated financial statements were issued.

2. Contributions Receivable

Contributions receivable at June 30, 2011 and 2010 are as follows:

	2011	2010
Museum operations and programs	$ 131,527	$ 114,758
Future periods-split interest agreements	1,673	1,673
Capital construction and acquisition	52,456	56,372
	185,656	172,803
Less: Discount for present value	(4,467)	(4,162)
Allowance for doubtful accounts	(10,663)	(6,663)
	$ 170,526	$ 161,978
Amounts due in		
Less than one year	$ 12,456	$ 9,860
One to five years	43,777	36,120
More than five years	129,423	126,823
	$ 185,656	$ 172,803

Multi-year pledges initially fair valued in fiscal year 2011 and 2010 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 2.26% 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, U.S. government bonds, 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 money market, fixed income, equity and hedge 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 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 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, 2011 and 2010, 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, 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

	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
Government and corporate bonds	14,906	1,353	-	16,259
Equity securities	86,405	-	-	86,405
Investment funds				
Registered mutual funds	89,729	-	-	89,729
Fixed income	-	18,162	12,944	31,106
Equity (long only)	-	44,523	44,458	88,981
Equity long/short	-	10,663	16,038	26,701
Credit	-	-	62,902	62,902
Multi-strategy and other	-	37,153	74,015	111,168
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

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 2.8%.

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

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, 2011 and 2010:

	Fair Value, July 1, 2010	Transfers out*	Realized & Unrealized Gains (Losses), Net	Net Purchases, Sales, Settlements	Fair Value, June 30, 2011
Investment funds					
Fixed income	$ 12,944	$ -	$ 756	$ (12,593)	$ 1,107
Equity (long only)	44,458	(37,378)	2,926	(640)	9,366
Equity long/short	16,038	(4,650)	(575)	2,853	13,666
Credit	62,902	-	6,440	(9,697)	59,645
Multi-strategy and other	74,015	-	9,736	(5,422)	78,329
Private equity	93,839	-	17,030	(2,142)	108,727
Real assets	19,633	-	1,982	(1,080)	20,535
Beneficial interests held by third parties	1,079	-	16	-	1,095
	$ 324,908	$ (42,028)	$ 38,311	$ (28,721)	$ 292,470

	Fair Value, July 1, 2009	Transfers out*	Realized and Unrealized Gains, Net	Net Purchases, Sales, Settlements	Fair Value, June 30, 2010
Investment funds					
Fixed income	$ 13,468	$ -	$ 832	$ (1,356)	$ 12,944
Equity (long only)	38,124	-	6,303	31	44,458
Equity long/short	27,531	(10,478)	475	(1,490)	16,038
Credit	48,121	-	8,609	6,172	62,902
Multi-strategy and other	74,113	(3,615)	11,296	(7,779)	74,015
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

* 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, 2011 and 2010.

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, 2011 and 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 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.

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 June 30, 2010
Fixed income	$ 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 (long only)	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
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.
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 triggers if redemptions surpass 25% of NAV at a fund level.	None
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
Total	$ 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.

4. Investments

Investments at June 30, 2011 and 2010 are as follows:

	June 30,			
	2011		2010	
	Cost	Fair Value	Cost	Fair Value
Cash equivalents	$ 33,544	$ 33,544	$ 17,587	$ 17,587
Government & corporate bonds	16,354	16,418	15,816	15,948
Equity securities	90,242	115,658	81,529	86,405
Investment funds				
Registered mutual funds	54,541	59,272	85,134	88,727
Fixed income	21,942	21,431	31,910	30,997
Equity (long only)	136,968	155,501	87,568	88,634
Equity long/short	22,120	38,516	18,847	26,701
Credit	55,603	59,645	60,528	62,902
Multi-strategy and other	65,751	118,801	69,411	111,168
Private equity	88,349	108,727	87,018	93,839
Real assets	16,903	20,535	17,286	19,633
Total investments	$ 602,317	$ 748,048	$ 572,634	$ 642,541

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, 2011 and 2010, 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 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, 2011 and 2010, 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 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 2011 and 2010 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 2011 and 2010:

	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

	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 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

5. Inventories

At June 30, 2011 and 2010, inventories are as follows:

	2011	2010
Publishing and retail		
Available for sales	$ 8,351	$ 9,113
Work in process	317	660
	8,668	9,773
All other	70	159
	$ 8,738	$ 9,932

6. Property, Plant and Equipment

At June 30, 2011 and 2010, property, plant and equipment is as follows:

	2011	2010
Buildings, at cost	$ 543,580	$ 543,420
Leasehold improvements, at cost	4,295	4,254
Software, equipment, machinery and furniture and fixtures, at cost	74,501	71,411
	622,376	619,085
Less: Accumulated depreciation	216,908	189,600
	405,468	429,485
Land, at cost	91,352	91,352
Undeveloped property	30,428	24,862
	$ 527,248	$ 545,699

During construction, capitalized interest primarily related to the bond financing was included in fixed assets for the years ended June 30, 2011 and 2010 and totaled $22,576 and $23,751, 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 (see Note 8).

In July 2011, the Museum purchased the former American Folk Art Museum property adjacent to the Museum. The transaction totaled $31.8 million and was funded with available cash on hand.

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, 2011 and 2010 were 2.8% and 3.2%, respectively.

At June 30, 2011 and 2010, split-interest agreements are as follows:

	2011	2010
Charitable remainder unitrusts	$ 1,310	$ 1,310
Charitable remainder annuity trusts	363	363
Charitable gift annuities	3,028	2,768
	4,701	4,441
Less: Discount for present value	(2,556)	(2,395)
	$ 2,145	$ 2,046

8. Deferred Revenue

At June 30, 2011 and 2010, deferred revenue is as follows:

	2011	2010
Deferred membership revenues	$ 1,331	$ 1,649
Deferred exhibition fees	1,056	528
Deposit on development rights	35,000	35,000
Other	1,141	574
	$ 38,528	$ 37,751

9. Loans Payable

Loans payable at June 30, 2011 and 2010 are as follows:

	2011	2010
Series 2010 One A bonds	$ 55,285	$ -
Series 2008 One A bonds	130,825	194,785
Series 2001 One D bonds	100,000	100,000
Term loans	20,000	20,000
Line of credit	13,000	13,000
Total debt	319,110	327,785
Bond premium on 2008 & 2010 One A bonds, net of amortization	12,142	4,751
Total debt and bond premium	$ 331,252	$ 332,536

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 2001 One D bonds remain outstanding and maintain a fixed rate of 5.125%. The bonds are callable in part or in whole on or after July 1, 2012.

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 Series 2008 One A bonds is paid semiannually. 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%.

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.

The Series 2008 and 2010 One A bonds consisted of the following amounts and maturities at June 30, 2011:

	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
	$ 186,110		

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 of $50,000) 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, 2011 and 2010, the total fair value of the swap agreements in place approximates a liability of $7,908 and $8,351, respectively, which has been recognized in the accompanying consolidated statements of financial position. Payments on the swaps totaled $608 and $383 for the years ended June 30, 2011 and 2010, 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.

The consolidated statements of financial position classification of the derivative financial instruments are summarized below at June 30, 2011 and 2010:

	Liability Derivatives					
	2011			2010		
	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	$	7,908	Other liabilities	$	8,351

	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			
			2011		2010
Derivatives not designated as hedging instruments					
Interest rate contract	Interest expense	$	443	$	(400)

The Museum refinanced a term loan facility of $20,000 with a commercial bank in December 2008. This facility matures in January 2012. The interest rate is based on various LIBOR maturities which ranged from .69% to .90% at June 30, 2011.

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 2011. The Museum intends to maintain line of credit arrangements. Borrowings under the line of credit as of June 30, 2011 totaled $13,000 at interest rates ranging from .70% to .88%.

Annual principal payments as of June 30, 2011 due during the next five fiscal years and in total thereafter under all of the aforementioned loans payable are approximately as follows:

2012	$	33,000
2013		-
2014		-
2015		-
2016		-
Thereafter		286,110
	$	319,110

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, 2011. The carrying value of the loans payable 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 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 will now be drawn at a percentage to be set annually by the Board 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, 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 approximately $30.8 million was reflected within the Statement of Unrestricted Revenues, Expenses and Changes in Unrestricted Net Assets until such time as they are appropriated for expenditure.

Funds share in the overall earnings rate of the Museum's portfolio except for two funds totaling $17,458 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, 2011 and 2010:

	Permanently Restricted	Temporarily Restricted	Unrestricted	Total 2011
Donor-restricted endowment funds	$ 236,946	$ 29,999	$ -	$ 266,945
Board-designated endowment funds	-	-	28,054	28,054
Donor-restricted funds below historic dollar value	748	-	(748)	-
Total funds	$ 237,694	$ 29,999	$ 27,306	$ 294,999

	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 dollar value	1,739	-	(1,739)	-
Total funds	$ 222,007	$ 20,679	$ 25,469	$ 268,155

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

	2011	2010
Permanently restricted net assets		
Museum programs	$ 52,322	$ 42,607
Acquisition of works of art	32,437	27,826
Museum operations and other activities	152,935	151,574
Total endowment funds classified as permanently restricted net assets	237,694	222,007
Temporarily restricted net assets		
Museum programs	11,881	4,450
Acquisitions of works of art	5,580	6,283
Support of exhibitions	11,997	9,664
Operating support and other purposes	541	282
Total endowment funds classified as temporarily restricted net assets	29,999	20,679
Unrestricted net assets		
Unrestricted purposes	27,306	25,469
Total endowment funds classified as unrestricted net assets	27,306	25,469
Total endowment funds	$ 294,999	$ 268,155

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, 2011 and 2010 was $748 and $1,739, respectively, and included 8 and 17 funds with original donor contributions totaling $15,034 and $28,751, 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, 2011 and 2010 is as follows:

	2011	2010
Endowment net assets	$ 294,999	$ 268,155
Subtract		
Contributions receivable, net, included in endowment net assets	(115,043)	(108,240)
Add		
Unrestricted and temporarily restricted investments, at fair value	564,079	479,202
Investments, at fair value	$ 744,035	$ 639,117

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, 2011 and 2010:

	Permanently Restricted	Temporarily Restricted	Unrestricted	Total 2011
Endowment net assets, beginning of year	$ 222,007	$ 20,679	$ 25,469	$ 268,155
Investment return				
Investment income	164	3,835	467	4,466
Net appreciation	991	9,157	904	11,052
Total investment return	223,162	33,671	26,840	283,673
Board designated transfer	-	-	-	-
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	$ 29,999	$ 27,306	$ 294,999

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

12. Temporarily Restricted Net Assets

At June 30, 2011 and 2010, temporarily restricted net assets were available for the following purposes:

	2011	2010
Museum programs	$ 37,209	$ 34,574
Acquisitions of works of art	29,387	36,875
Maintaining art collections	11,538	10,032
Support of exhibitions	18,051	10,389
Operating support and other purposes	68,807	17,369
	$ 164,992	$ 109,239

During fiscal 2011 and 2010, 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:

	2011	2010
Museum programs and other	$ 6,468	$ 4,853
Exhibitions	1,121	1,495
Operating support	-	5,000
Capital acquisitions, financing and other purposes	1,470	1,869
Acquisitions of works of art	37,691	15,970
Total releases from restriction	$ 46,750	$ 29,187

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, 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 nonunion and various union staff, all employees in the Museum's defined benefit plan opted either to: 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 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 $808 and $925 to the Plan for the years ended June 30, 2011 and 2010, 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.

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, 2011	Pension Benefits June 30, 2010	Postretirement Benefits June 30, 2011	Postretirement Benefits June 30, 2010
Change in benefit obligation				
Benefit obligation at beginning of year	$ 67,279	$ 53,674	$ 21,036	$ 17,827
Service cost	2,106	1,993	793	488
Interest cost	3,590	3,526	1,122	1,136
Amendments	-	633	-	-
Actuarial (gain)/loss, primarily attributable to discount rate	(2,906)	10,759	(1,168)	2,134
Benefits paid	(2,303)	(3,015)	(595)	(549)
Curtailment	-	(1,059)	-	-
Special Termination Benefits	-	768	-	-
Benefit obligation at end of year	67,766	67,279	21,188	21,036
Change in plan assets				
Fair value of plan assets at beginning of year	46,346	42,738	-	-
Actual return on plan assets	9,540	4,340	-	-
Employer contributions	2,000	2,282	595	549
Benefits paid	(2,303)	(3,015)	(595)	(549)
Fair value of plan assets at end of year	55,583	46,345	-	-
Funded status at end of year	$ (12,183)	$ (20,934)	$ (21,188)	$ (21,036)
Amounts recognized in the consolidated statements of financial position consist of				
Pension and postretirement benefit obligations	$ (12,183)	$ (20,934)	$ (21,188)	$ (21,036)
	$ (12,183)	$ (20,934)	$ (21,188)	$ (21,036)
Amounts recognized in unrestricted net assets consist of				
Net loss	$ (17,166)	$ (27,820)	$ (5,434)	$ (7,133)
Prior service (cost) credit	(645)	(735)	2,019	2,345
	$ (17,811)	$ (28,555)	$ (3,415)	$ (4,788)
Defined benefit plan changes other than net periodic benefit cost				
Net gain (loss)	$ 8,690	$ (9,921)	$ 1,168	$ (2,134)
Prior service credit (cost)	-	(633)	-	-
Amortization of net gain	1,964	1,610	531	398
Amortization of prior service credit (cost)	90	240	(326)	(325)
Curtailment gain	-	1,058	-	-
	$ 10,744	$ (7,646)	$ 1,373	$ (2,061)
Amounts in unrestricted net assets expected to be recognized in net periodic benefit cost in 2012				
Net loss	$ 1,010	$ 2,096	$ 359	$ 528
Prior service cost (credit)	84	90	(340)	(325)
	$ 1,094	$ 2,186	$ 19	$ 203

	2011	2010	2011	2010
Weighted-average assumptions as of June 30				
Discount rate	5.75 %	5.50 %	5.75%	5.50%
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

The accumulated benefit obligation for the pension plan at June 30, 2011 and 2010 was $58,812 and $57,525, respectively. Detail of the changes in the accumulated benefit obligation for the pension plan is as follows:

	2011	2010
Accumulated benefit obligation, beginning of year	$ 57,525	$ 45,681
Accumulation of benefits, including experience gains/losses	2,292	2,083
Change in average discount period	3,101	2,880
Benefit payments	(2,303)	(2,783)
Plan amendments	-	1,453
Change in actuarial assumptions, primarily attributable to discount rate	(1,803)	8,211
Accumulated benefit obligation, end of year	$ 58,812	$ 57,525

The accumulated benefit obligation for the Supplemental Executive Retirement Plan at June 30, 2011 and 2010 was $2,029 and $1,854, 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, 2011 and 2010:

	Pension Benefits		Postretirement Benefits	
	2011	2010	2011	2010
Service cost	$ 2,106	$ 1,993	$ 793	$ 488
Interest cost	3,590	3,526	1,122	1,136
Expected return on plan assets	(3,756)	(3,503)	-	-
Amortization of prior service (credit) cost	90	85	(326)	(325)
Special termination benefits	-	768	-	-
Curtailment gain	-	154	-	-
Amortization of accumulated loss	1,964	1,610	531	398
Net periodic benefit cost	$ 3,994	$ 4,633	$ 2,120	$ 1,697

The health care cost trend rate assumption used in determining the accumulated postretirement benefit obligation for the coming year is 7.0% and 7.1% at June 30, 2011 and 2010, respectively.

The following data shows the effect of a one percentage point health care cost trend rate increase (decrease) for 2011:

	Percentage Point Increase	Percentage Point (Decrease)
Effect on total of service and interest cost	$ 354	$ (282)
Effect on postretirement benefit obligation	2,933	(2,435)

Weighted average asset allocations at June 30, 2011 and 2010 and target allocations, by asset category are as follows:

	Pension Plan		
	June 30,		
	2011	Target allocation	2010
Asset category			
Equity securities	74%	20-80%	61%
Fixed income	26%	20-80%	39%
Other	0%	0%	0%
Total	100%	0%	100%

Fair Value Measurements
Within the fair value hierarchy, the pension plan's investments at fair value by level as of June 30, 2011 and 2010 are as follows:

	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

	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value 2010
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 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, 2011 are as follows:

	Pension Benefits	Postretirement Benefits
Expected employer contributions		
2012	$ -	$ 1,075
Projected benefit payments for the fiscal year ending June 30		
2012	3,201	1,075
2013	3,190	1,057
2014	3,276	1,099
2015	3,518	1,139
2016	3,809	1,186
2017-2021	24,074	6,830

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 2011.

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 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 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, 2011 and 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 $130,483 and $128,804 at June 30, 2011 and 2010, 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 1.01% through June 30, 2011. 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, TEPs available in accordance with the Arts and Cultural Affairs Law described above to reimburse the Museum for its advances were $300 (the amount was paid to the Museum, decreasing the receivable from the Trust). There were no reimbursements made in fiscal 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 $716 and $759 for the years ended June 30, 2011 and 2010, 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 $76 and $75 at June 30, 2011 and 2010, 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 $4,013 and $3,424 are included in Investments held on behalf of others in the consolidated statements of financial position for the years ended June 30, 2011 and 2010, 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.

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 $1,676 and $1,886 in 2011 and 2010, respectively.

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

2012	$	1,729
2013		1,727
2014		1,773
2015		1,777
2016		1,832
Thereafter		6,260
Total minimum guaranteed rents	$	15,098

At June 30, 2011, the Museum has commitments of $821 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 $2,773 and $2,634 for the years ended June 30, 2011 and 2010, respectively.

Minimum guaranteed rents under these leases as of June 30, 2011 are as follows:

2012	$	2,249
2013		1,704
2014		1,600
2015		1,235
2016		-
Total minimum guaranteed rents	$	6,788

17. Expenses by Functional Classification

Expenses by functional classification for fiscal year 2011 and 2010 are as follows:

	2011	2010
Museum operating expenses excluding depreciation	$ 152,655	$ 151,718
Depreciation	26,875	28,012
Interest and other expenses (non-operating)	11,025	12,574
	$ 190,555	$ 192,304

	2011	2010
Museum program expenses		
Curatorial and related program expenses	$ 63,081	$ 61,893
Exhibitions	18,578	25,529
Other museum programs	3,771	4,931
Public services	4,530	4,475
Cost of sales and expenses of auxiliary activities	47,507	46,943
	137,467	143,771
Supporting services		
Management and general	39,578	36,370
Fundraising (including membership and fulfillment costs)	13,510	12,163
	53,088	48,533
	$ 190,555	$ 192,304

At June 30, 2011, cost of sales/auxiliary activities included $542 of depreciation expense relating solely to such activities.