The Museum of Modern Art
Consolidated Financial Statements
June 30, 2015 and 2014

The Museum of Modern Art
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June 30, 2015 and 2014

Independent Auditor's Report

To the Board of Trustees of
The Museum of Modern Art

We have audited the accompanying consolidated financial statements of The Museum of Modern Art (the "Museum"), which comprise the consolidated statements of financial position as of June 30, 2015 and 2014, and the related consolidated statements of unrestricted revenues, expenses and changes in unrestricted net assets, of changes in net assets and of cash flows for the years then ended.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audits. We conducted our audits 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Museum's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Museum's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Museum of Modern Art at June 30, 2015 and 2014, and their changes in net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers LLP

October 7, 2015

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The Museum of Modern Art
Consolidated Statements of Financial Position
June 30, 2015 and 2014

(in thousands of dollars)	**2015**	**2014**
Assets		
Cash and cash equivalents	$ 83,882	$ 54,076
Receivables		
Accounts receivable and other	7,852	7,001
Contributions receivable, net	191,310	176,107
The Trust for Cultural Resources	34,532	35,395
Inventories	12,680	11,210
Prepaid expenses and other assets	9,710	12,046
Investments		
Accrued investment income and other receivables	2,541	4,186
Investments, at fair value	907,428	838,906
Interest in net assets of International Council	6,632	6,427
Property, plant and equipment, net	480,163	502,310
Museum collections (Note 1)	-	-
Total assets	$ 1,736,730	$ 1,647,664
Liabilities and Net Assets		
Accounts payable, accrued expenses and other liabilities	$ 42,708	$ 41,395
Deferred revenue	2,310	58,227
Loans payable and bond premium, net of accumulated amortization, of $9,111 and $12,070 in 2015 and 2014, respectively	266,766	269,725
Pension and postretirement benefit obligations	65,181	54,918
Total liabilities	376,965	424,265
Net Assets		
Unrestricted	777,724	704,936
Temporarily restricted	332,895	270,545
Permanently restricted	249,146	247,918
Total net assets	1,359,765	1,223,399
Total liabilities and net assets	$ 1,736,730	$ 1,647,664

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, 2015 and 2014

	2015 Unrestricted Net Assets			2014 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	$ 32,989	$ -	$ 32,989	$ 31,759	$ -	$ 31,759
Membership	18,042	-	18,042	16,975	-	16,975
Investment income-spending policy	29,628	-	29,628	28,296	-	28,296
Annual fund contributions	11,308	-	11,308	12,661	-	12,661
Other grants and contributions	20,929	-	20,929	18,608	-	18,608
Circulating exhibition fees	1,234	-	1,234	2,627	-	2,627
Other	8,030	-	8,030	7,873	-	7,873
Revenue of auxiliary activities	58,813	-	58,813	54,152	-	54,152
Total operating revenues and other support	180,973	-	180,973	172,951	-	172,951
Net assets released from restrictions to fund operations	20,690	-	20,690	19,574	-	19,574
Total operating revenues and other support and reclassifications	201,663	-	201,663	192,525	-	192,525
Operating expenses						
Curatorial and related support services	41,990	-	41,990	40,419	-	40,419
Exhibitions	12,955	-	12,955	11,596	-	11,596
Other museum programs	5,802	-	5,802	5,321	-	5,321
Cost of sales/auxiliary activities	54,471	-	54,471	50,663	-	50,663
Depreciation (nonauxiliary)	4,747	21,855	26,602	4,064	22,353	26,417
Public services	4,293	-	4,293	4,725	-	4,725
Membership, development and cultivation	11,646	-	11,646	11,292	-	11,292
Facilities, security and other	28,525	-	28,525	27,478	-	27,478
Public information	4,784	-	4,784	4,712	-	4,712
Administration and other	28,154	-	28,154	26,454	-	26,454
Total operating expenses	197,367	21,855	219,222	186,724	22,353	209,077
Excess (deficit) of operating revenues and support over operating expenses	4,296	(21,855)	(17,559)	5,801	(22,353)	(16,552)
Nonoperating revenues, expenses and other support						
Acquisition of works of arts	(25,249)	-	(25,249)	(33,265)	-	(33,265)
Net assets released from restrictions for art acquisitions	25,249	-	25,249	33,265	-	33,265
Net assets released from restrictions for debt service and reduction	3,144	-	3,144	5,718	-	5,718
Excess of investment income over amounts designated for operations and specific purposes	2,510	-	2,510	51,053	-	51,053
Board-designated and other contributions, net	2,215	-	2,215	3,557	-	3,557
Defined benefit plan changes other than net periodic benefit cost	(4,865)	-	(4,865)	(2,168)	-	(2,168)
Interest expense, change in fair value of interest rate swap agreements and other financing costs	(8,565)	-	(8,565)	(6,040)	-	(6,040)
Gain on sale of development rights	95,908	-	95,908	-	-	-
Total nonoperating revenues, expenses and other support	90,347	-	90,347	52,120	-	52,120
Change in unrestricted net assets	94,643	(21,855)	72,788	57,921	(22,353)	35,568
Unrestricted net assets						
Beginning of year	481,558	223,378	704,936	423,637	245,731	669,368
End of year	$ 576,201	$ 201,523	$ 777,724	$ 481,558	$ 223,378	$ 704,936

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, 2015 and 2014

(in thousands of dollars)	**2015**	**2014**
Unrestricted net assets		
Change in unrestricted net assets	$ 72,788	$ 35,568
Temporarily restricted net assets		
Capital gifts and other contributions	85,053	73,016
Interest in net assets of International Council	2	5,372
Investment return	7,687	36,060
Net assets released from restriction	(49,083)	(58,557)
Sales of works of art	18,691	29,832
Change in temporarily restricted net assets	62,350	85,723
Permanently restricted net assets		
Capital gifts and other contributions	1,131	1,452
Interest in net assets of International Council	34	1,055
Investment return	63	49
Change in permanently restricted net assets	1,228	2,556
Total change in net assets	136,366	123,847
Net assets		
Beginning of year	1,223,399	1,099,552
End of year	$ 1,359,765	$ 1,223,399

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, 2015 and 2014

(in thousands of dollars)	**2015**	**2014**
Cash flows from operating activities		
Change in net assets	$ 136,366	$ 123,847
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities		
Depreciation and amortization	24,377	24,135
Defined benefit plan changes other than net periodic benefit cost	4,865	2,168
Change in interest in net assets of International Council	(205)	(6,427)
Net realized gains and unrealized appreciation on investments	(40,574)	(111,497)
Contributions restricted for capital acquisition and permanent endowment	(41,112)	(34,279)
Contributed securities	(1,769)	(3,768)
Change in fair value of interest rate swap agreement	(358)	(359)
Sales of works of art	(18,691)	(29,832)
Acquisition of works of art	25,249	33,265
Gain on sale of development rights	(95,908)	-
Changes in assets and liabilities		
Increase in accounts receivable and other	(851)	(640)
Increase in contributions receivable	(15,203)	(6,044)
Decrease in accrued investment income and other investment receivables	3,414	13,384
(Increase) decrease in inventories	(1,470)	567
Decrease (increase) in prepaid expenses and other assets	2,336	(567)
Increase in accounts payable, accrued expenses and other liabilities	4,674	17
(Decrease) increase in deferred revenue	(1,007)	6,627
Net cash (used in) provided by operating activities	(15,867)	10,597
Cash flows from investing activities		
Purchases of property, plant and equipment	(23,882)	(11,309)
Proceeds from disposition of investments	209,876	304,035
Purchase of investments	(237,824)	(310,962)
Distributions from Trust for Cultural Resources	863	250
Sales of works of art	18,691	29,832
Acquisition of works of art	(25,249)	(33,265)
Proceeds from sale of development rights	62,086	-
Net cash provided by (used in) investing activities	4,561	(21,419)
Cash flows from financing activities		
Contributions restricted for capital acquisition and permanent endowment	41,112	34,279
Proceeds from debt issuance	1,200	6,200
Repayment of debt	(1,200)	(8,200)
Net cash provided by financing activities	41,112	32,279
Net increase in cash and cash equivalents	29,806	21,457
Cash and cash equivalents		
Beginning of year	54,076	32,619
End of year	$ 83,882	$ 54,076
Supplemental disclosures		
Cash paid in the year for interest	$ 12,157	$ 12,160
Accruals of property, plant and equipment acquisitions	2,395	2,331

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

(in thousands of dollars)

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

Intercompany transactions have been eliminated in consolidation. The Museum is the sole member of MoMA PS1, the Support Corp, and AFE, LLC. In addition, the International Council of The Museum of Modern Art (the "Council") provides exhibition and programming support to the Museum. In 2014, the Council amended its by-laws to exclusively support the Museum in its international programs and activities. As a result of this amendment, the Museum has recorded its interest in 100% of the Council's net assets of $6,632 and $6,427 in the consolidated statements of financial position as of June 30, 2015 and 2014, respectively. These net assets are classified as either temporarily or permanently restricted due to timing or donor restrictions. The Council's net assets consist primarily of cash and cash equivalents and investments which were $379 and $6,272, respectively, at June 30, 2015 and $304 and $6,084, respectively, at June 30, 2014. All of the Council's investments (as of June 30, 2015 and 2014) are maintained within the Museum's investment portfolio (Notes 3 and 4).

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

(in thousands of dollars)

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 sales of works of art, 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 (Note 10).

- 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.

(in thousands of dollars)

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 and 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, 2015 and 2014. 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. Contributed securities of $7,722 and $12,175 were received and subsequently liquidated in 2015 and 2014, respectively. Additionally, contributed securities of approximately $1,769 and $3,768 were received in June 2015 and June 2014, respectively, and subsequently liquidated after the fiscal year end.

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 by the straight-line basis over the estimated useful life of the

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.

(in thousands of dollars)

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, 2015 and 2014. 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 debt reduction, excess of investment income over 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 defined benefit plan changes other than net periodic benefit cost, or gain on sale of development rights. 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 \$11,646 and \$11,292, respectively, for the years ended June 30, 2015 and 2014. These amounts include costs attributable to all fundraising activities including Museum operations, expansion and renovation, 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.

(in thousands of dollars)

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 15.

Advertising Expense
Advertising is recorded as expense in the period incurred. Advertising expense for the years ended June 30, 2015 and 2014 was $3,460 and $3,102, 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 fair values, net realizable value of contributions receivable, and pension and postretirement 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.

New Accounting Pronouncements
During 2015, the Museum early adopted new guidance about Fair Value Measurement and Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent). This guidance requires the Museum to present investments that use net asset value (NAV) as a practical expedient for valuation purposes separately from other investments categorized in the fair value hierarchy described in Note 3. This disclosure change, which was applied retrospectively, can be seen in the investment leveling tables shown in Note 3 for both fiscal years 2015 and 2014.

In May 2014, the FASB issued a standard on Revenue from Contracts with Customers. This standard implements a single framework for recognition of all revenue earned from customers. This framework ensures that entities appropriately reflect the consideration to which they expect to be entitled in exchange for goods and services by allocating transaction price to identified performance obligations and recognizing revenue as performance obligations are satisfied. Qualitative and quantitative disclosures are required to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The standard is effective for fiscal years beginning after December 15, 2017. The Museum is evaluating the impact this will have on the consolidated financial statements beginning in fiscal year 2019.

(in thousands of dollars)

2. Contributions Receivable

Contributions receivable at June 30, 2015 and 2014 are as follows:

	2015	2014
Museum operations and programs	$ 124,488	$ 130,449
Future periods-split interest agreements	1,418	1,418
Capital construction and acquisition	82,937	60,587
	208,843	192,454
Less: Discount for present value	(4,734)	(3,542)
Allowance for doubtful accounts	(12,799)	(12,805)
	$ 191,310	$ 176,107
Amounts due in		
Less than one year	$ 39,994	$ 25,288
One to five years	40,930	35,011
More than five years	127,919	132,155
	$ 208,843	$ 192,454

Multi-year pledges initially fair valued in fiscal year 2015 and 2014 are computed using a risk free rate adjusted for a market risk premium or the credit worthiness of the donor.

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.

(in thousands of dollars)

The three input levels are as follows:

Level 1 Quoted prices in active markets that the Museum has the ability to access for identical assets and liabilities for which significant observable inputs exist. Market price data is generally obtained from exchange or dealer markets. The Museum does not adjust the quoted price for such assets and liabilities. Investments included in Level 1 may include certain equity securities, 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 funds and other multi-strategy 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.

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 Fair Value Option for financial assets and liabilities gives entities the option, at specific election dates, to measure certain financial assets and liabilities at fair value. The election may be applied to financial assets and liabilities on an instrument by instrument basis, is irrevocable, and may only be applied to entire instruments. Unrealized gains and losses on instruments for which the fair value option has been elected are reported in earnings at each subsequent reporting date. During fiscal year 2015 and 2014, the Museum did not elect fair value accounting for any assets or liabilities that are not currently required to be measured at fair value.

(in thousands of dollars)

The following tables summarize the financial instruments reported within the consolidated statements of financial position carried at fair value as of June 30, 2015 and 2014, 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, 2015 Total Fair Value
Assets				
Cash equivalents	$ -	$ 98,095	$ -	$ 98,095
Government and corporate bonds	-	43,382	-	43,382
Equity securities	223,972	-	-	223,972
Futures contracts	3,765	-	-	3,765
Investment funds				
Registered mutual funds	35,722	-	-	35,722
Fixed income	-	532	-	532
	263,459	142,009	-	405,468
Investments measured at NAV				584,962
Total assets at fair value				$ 990,430
Liabilities				
Interest rate swaps	$ -	$ 6,821	$ -	$ 6,821
Total liabilities at fair value	$ -	$ 6,821	$ -	$ 6,821

	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	June 30, 2014 Total Fair Value
Assets				
Cash equivalents	$ -	$ 88,902	$ -	$ 88,902
Government and corporate bonds	-	35,751	-	35,751
Equity securities	200,947	-	-	200,947
Investment funds				
Registered mutual funds	34,436	-	-	34,436
Fixed income	-	607	-	607
	235,383	125,260	-	360,643
Investments measured at NAV				534,109
Total assets at fair value				$ 894,752
Liabilities				
Interest rate swaps	$ -	$ 7,179	$ -	$ 7,179
Total liabilities at fair value	$ -	$ 7,179	$ -	$ 7,179

There were no significant transfers in or out of Level 1 and Level 2 of the fair value hierarchy.

(in thousands of dollars)

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.

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 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.

(in thousands of dollars)

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, 2015 and 2014.

Investment Strategy	Adjusted Fair Value Determined Using NAV in (000's)	Number of Funds	Remaining Life1	Unfunded Commitments (in 000's)	Redemption Terms	Redemption Restrictions and Terms	Redemption Restrictions and Terms in Place at Year End
Fixed Income - Investment funds	$ 31,794	2	N/A	N/A	Monthly: 67% (with 30 days notice) Quarterly: 33% (with 60 days notice)	1 fund, representing 67% of assets has a Gate, triggered at 10% of fund-level NAV monthly or 40% annually.	None
Equity - Investment funds	239,591	5	N/A	N/A	Bimonthly: 14% (with 3 days notice) Month-end: 26% (with 15 days notice) Quarterly: 41% (with 30 days notice) Annual at 12/31: 10% (with 90 days notice) 12/31/17 and then annual: 9% (with 90 days notice)	None	None
Absolute Return - Multi-strategy and other	67,178	5	N/A	N/A	Quarterly: 23% Annual at 12/31: 62% Sidepocket (> 3 Yrs): 15% (All funds require notice periods that range from 60 to 180 days)	1 fund, representing 23% of assets has a Gate, triggered at 33% of original investment over a rolling 12-month period.	Full redemption requests made for two funds (representing 5% of assets), with remaining balances comprised of special investments to be liquidated over time.
Absolute Return - Equity long/short	23,122	3	N/A	N/A	Quarterly: 100% (with 30 days notice) Pending final redemption: <1%	2 funds, representing 100% 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	93,487	6	N/A	N/A	Annual at 12/31: 47% Quarterly: 12% 6/30/16 and relocking for 36 months: 17% 3/31/17 and relocking for 24 months: 3% 12/31/17 and relocking for 36 months: 17% 3/31/18 and relocking for 24 months: 3% Sidepocket (> 3 Yrs): <1% Pending final redemption: <1% 5 funds, representing 100% of assets, require 90 days notice. The remaining fund is pending final redemption.	1 fund, representing 24% of assets has a Gate, triggered at 20% of fund-level NAV annually.	<1% (one fund) was fully redeemed on 6/30/11. An investor-level gate was imposed, and the investment will be fully redeemed over several quarters.
Absolute Return - Event driven	41,016	2	N/A	N/A	Quarterly: 100% (All funds require notice periods that range from 45 to 60 days)	2 funds, representing 100% of assets have Gates. One Gate is triggered at 25% of investor-level NAV / quarter, and the other is triggered at 25% of fund-level NAV / quarter.	None
Private Equity	80,240	27	0-3 Years: 42% 3-5 Years: 37% >5 Years: 21%	$ 98,989	N/A	N/A	N/A
Real Assets	8,534	7	0-3 Years: 30% 3-5 Years: 0% >5 Years: 70%	13,726	N/A	N/A	N/A
	$ 584,962			$ 112,715			

[1] Defined as the period between June 30, 2015 and the Termination Date of the fund as defined in legal documentation.

The Museum of Modern Art
Notes to Consolidated Financial Statements
June 30, 2015 and 2014

(in thousands of dollars)

Investment Strategy	Adjusted Fair Value Determined Using NAV in (000's)	Number of Funds	Remaining Life[1]	Unfunded Commitments (in 000's)	Redemption Terms	Redemption Restrictions and Terms	Redemption Restrictions and Terms in Place at Year End
Fixed Income–Investment funds	$ 26,501	2	N/A	N/A	Monthly: 60% (with 30 days notice) Quarterly: 40% (with 60 days notice)	1 fund, representing 60% of assets has a Gate, triggered at 10% of fund-level NAV monthly or 40% annually.	None
Equity–Investment funds	202,374	5	N/A	N/A	Bimonthly: 16% (with 3 days notice) Month-end: 30% (with 15 days notice) Quarterly: 43% (with 30 days notice) 12/31/14 and then annual (with 90 days notice): 10%	See redemption terms.	None
Absolute Return Multi-strategy and other	76,611	7	N/A	N/A	Quarterly: 52% Annual at 12/31: 36% Sidepocket (> 3 Yrs): 11% (All funds require notice periods that range from 45 to 180 days)	3 funds, representing 52% of assets have Gates. One Gate is triggered at 33% of original investment over a rolling 12-month period, another is triggered at 25% of investor-level NAV / quarter, and the third is triggered at 25% of fund-level NAV / quarter.	Full redemption requests made for two funds (representing 4% of assets with remaining balances comprised of special investments to be liquidated over time.
Absolute Return-Equity long/short	20,947	3	N/A	N/A	Quarterly: 100% (with 30 days notice) Pending final redemption: <1%	2 funds, representing 100% of assets have Gates. Gates are triggered at 25% of fund-level NAV for both funds.	The remaining fund (<1% c assets) is pending final redemption.
Absolute Return-Credit	81,162	5	N/A	N/A	Quarterly: 13% 12/31/14 and relocking for 36 months: 22% 6/30/16 and relocking for 36 months: 22% Sidepocket (> 3 Yrs): <1% Pending final redemption: <1% 4 funds, representing 100% of assets, require 90 days notice. The remaining fund is pending final redemption.	1 fund, representing 21% of assets has a Gate, triggered at 20% of fund-level NAV annually	<1% (one fund) was fully redeemed on 6/30/11. An investor-level gate was imposed, and the investment will be fully redeemed over several quarters.
Absolute Return-Event driven	36,587	2	N/A	N/A	Quarterly: 100% (All funds require notice periods that range from 45 to 60 days)	2 funds, representing 100% of assets have Gates. One Gate is triggered at 25% of investor-level NAV/ quarter, and the other is triggered at 25% of fund-level NAV/ quarter.	N/A
Private Equity	80,983	22	0-3 Years: 24% 3-5 Years: 43% >5 Years: 33%	$ 22,538	N/A	N/A	N/A
Real Assets	8,944	9	0-3 Years: 3% 3-5 Years: 0% >5 Years: 97%	16,937	N/A	N/A	N/A
	$ 534,109			$ 39,475			

[1] Defined as the period between June 30, 2014 and the Termination Date of the fund as defined in legal documentation.

(in thousands of dollars)

4. Investments

Investments at June 30, 2015 and 2014 are as follows:

	2015		2014	
	Cost	**Fair Value**	**Cost**	**Fair Value**
Cash equivalents	$ 23,122	$ 23,122	$ 41,160	$ 41,159
Equity securities	174,736	223,972	147,519	200,947
Government and corporate bonds	43,597	43,196	35,318	35,535
Investment funds				
Registered mutual funds	25,891	34,683	26,314	33,240
Fixed income	32,450	31,794	26,220	26,501
Equity (long only)	207,732	239,591	166,257	202,374
Equity long/short	3,186	23,122	3,194	20,947
Credit	87,046	93,487	68,352	81,162
Multi-strategy and other	30,624	67,178	36,839	76,611
Event-driven	39,665	41,016	34,789	36,587
Private equity	56,080	80,240	54,204	80,983
Real assets	8,330	8,534	6,680	8,944
Investments	$ 732,459	909,935	$ 646,846	844,990
Futures contracts		3,765		-
		913,700		844,990
Less: Investments maintained for the Council		(6,272)		(6,084)
Investments per the consolidated statements of financial position		$ 907,428		$ 838,906

For fiscal year 2015 and 2014, the total investment return was approximately 5.1% and 16.5%, respectively.

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, 2015 and 2014, if it had liquidated its investments in the funds on these dates. The Museum’s investment return is calculated as a time weighted internal rate of return for all of the investments over the 2015 fiscal year.

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. 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

(in thousands of dollars)

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, 2015 and 2014, 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 Museum's spending policy, an amount equal to 5% of a lagged average market value of endowment assets for twelve quarters was made available in fiscal 2015 and 2014 for operating the Museum.

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 2015 and 2014:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2015
Dividends and interest, net of investment management and related fees of $11,208	$ 240	$ 712	$ 63	$ 1,015
Net realized gains, changes in unrealized appreciation	32,476	6,975	-	39,451
Total return on long-term investments	32,716	7,687	63	40,466
Museum operations (spending policy)	(29,628)	-	-	(29,628)
Investment return in excess of spending policy	3,088	7,687	63	10,838
Auxiliary activities	(578)	-	-	(578)
Investment return in excess of amounts designated for operations and specific purposes	$ 2,510	$ 7,687	$ 63	$ 10,260

(in thousands of dollars)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2014
Dividends and interest, net of investment management and related fees of $7,004	$ 3,567	$ 177	$ 49	$ 3,793
Net realized gains, changes in unrealized appreciation	76,328	35,883	-	112,211
Total return on long-term investments	79,895	36,060	49	116,004
Museum operations (spending policy)	(28,296)	-	-	(28,296)
Investment return in excess of spending policy	51,599	36,060	49	87,708
Auxiliary activities	(546)	-	-	(546)
Investment return in excess of amounts designated for operations and specific purposes	$ 51,053	$ 36,060	$ 49	$ 87,162

5. Inventories

At June 30, 2015 and 2014, inventories are as follows:

	2015	2014
Publishing and retail		
Available for sales	$ 11,971	$ 10,903
Work in process	677	239
	12,648	11,142
All other	32	68
	$ 12,680	$ 11,210

6. Property, Plant and Equipment

At June 30, 2015 and 2014, property, plant and equipment are as follows:

	2015	2014
Buildings	$ 549,181	$ 548,057
Leasehold improvements	4,427	4,427
Software, equipment, machinery and furniture and fixtures	89,667	85,699
Total property, plant and equipment at cost	643,275	638,183
Less: Accumulated depreciation	325,144	297,830
Property, plant and equipment, net	318,131	340,353
Land, at cost	91,352	91,352
Undeveloped property	70,680	70,605
	$ 480,163	$ 502,310

(in thousands of dollars)

Capitalized interest primarily related to bond financing from the Museum's prior expansion project (Note 8) was included in fixed assets for the years ended June 30, 2015 and 2014 and totaled $17,875 and $19,050, respectively.

In 2007 the Museum sold development rights to a developer to construct a building adjacent to the Museum on undeveloped property. The Museum retained certain development rights that will be used to add gallery space within the building when construction is completed. In addition, in 2009, the Museum exercised an option to purchase additional development rights that were conveyed to the development site; the developer contracted to purchase these additional development rights from the Museum. In December 2009, the Museum and the developer agreed to delay the closing of the sale of the additional development rights over undeveloped property to 2013 with additional extensions to 2015. As of June 30, 2014, the developer had exercised an extension through 2015. In consideration of these extensions the Museum had received deposits of the purchase price totaling $54,440 which was reflected in deferred revenue on the consolidated statements of financial position (Note 7).

As of June 30, 2014, costs related to the completed transactions totaled approximately $21,000 and were included in undeveloped property within property, plant and equipment.

In September 2014, the Museum and the developer completed the sale of the additional development rights over the undeveloped property, at which point the developer paid the Museum approximately $62,000 to complete the transaction, for a total of approximately $116,000. At the time of closing, all consideration affecting a sale had been exchanged between the parties and the Museum surrendered title of the development rights to the developer. As a result, the Museum recognized a gain on sale of development rights of $95,908 within nonoperating revenues on the 2015 consolidated statement of unrestricted revenues, expenses and changes in unrestricted net assets.

7. Deferred Revenue

At June 30, 2015 and 2014, deferred revenue is as follows:

	2015	2014
Deposits on development rights	$ -	$ 54,440
Deferred membership revenues	1,802	1,615
Other, principally deaccession proceeds	353	1,179
Deferred exhibition fees	155	993
	$ 2,310	$ 58,227

(in thousands of dollars)

8. Loans Payable

Loans payable at June 30, 2015 and 2014 are as follows:

	2015	2014
Series 2008 One A bonds	$ 130,825	$ 130,825
Series 2010 One A bonds	55,285	55,285
Series 2012 One D bonds	52,545	52,545
Revolvers	18,200	18,200
Line of credit	800	800
Total debt	257,655	257,655
Bond premium on 2008, 2010 One A, and 2012 One D bonds, net of amortization	9,111	12,070
Total debt and bond premium	$ 266,766	$ 269,725

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 (Series 2000 One A/B) and bond proceeds of $235,000 in December 2001 (Series 2001 One A/B/C/D). The bonds were issued by the Trust for Cultural Resources (the "Trust"), a public benefit organization created by the State of New York. 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 redeemed in July 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.

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, 2015:

	Principal	Yield at Issuance	Rate	Maturity
Refunding Bonds, Series 2008 One A				
Serial bonds (callable in 2018)	$ 67,570	4.36% - 4.51%	5.0%	April 1, 2025-2028
Term Bonds (callable in 2018)	63,255	4.63%	5.0%	April 1, 2031
Refunding Bonds, Series 2010 One A				
Term bonds	55,285	2.43%	5.0%	October 1, 2017
Refunding Bonds, Series 2012 One D				
Term bonds	52,545	1.21%	4.0%	August 1, 2017
	$ 238,655			

(in thousands of dollars)

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.

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.

At June 30, 2015 and 2014, the fair value of the Museum’s derivative financial instruments were in a liability position of $6,821 and $7,179, respectively, and included in other liabilities on the consolidated statements of financial position. The total gain recognized on these derivatives for the years ended June 30, 2015 and 2014 was $358 and $359, respectively, and was included in interest expense, change in fair value of interest rate swap agreement and other financing costs on the consolidated statements of unrestricted revenues, expenses, and changes in unrestricted net assets. Payments on the swaps totaled $608 for the years ended June 30, 2015 and 2014.

In January 2015, the Museum refinanced its $20,000 revolving note agreement. This revolver will mature in January 2016 and has an interest rate based on various LIBOR maturities that was 0.5% at June 30, 2015. In June 2015, MoMA PS1 entered into a $2,000 revolving note agreement with a commercial bank. This revolver will mature in June 2016 and has an interest rate based on various LIBOR maturities that was 1.0% as of June 30, 2015. Borrowings under these two facilities totaled $18,200 at June 30, 2015.

At June 30, 2015, the Museum has available a $35,000 line of credit with a commercial bank. The line of credit expires in November 2015. As of June 30, 2015, borrowings under the line of credit totaled $800, at an interest rate based on LIBOR maturities that was 0.5%.

Annual principal payments as of June 30, 2015 due during the next five fiscal years and in total thereafter under all of the aforementioned loans payable are approximately as follows:

2016	$ 19,000
2017	-
2018	107,830
2019	-
2020	-
Thereafter	130,825
	$ 257,655

(in thousands of dollars)

The Museum's revolver and line of credit agreements contain financial covenants, the most restrictive of which requires a certain ratio of unrestricted net assets to its principal amount of outstanding debt. The Museum met all covenant requirements as of June 30, 2015 and 2014.

Fair values of the Museum's bonds are based on current traded value and are classified as Level 2. The fair value of the Museum's other loans approximate carrying value. These fair values are based on unobservable market data and are therefore classified as Level 3.

The carrying amounts and fair values of the loans payable at June 30, 2015 and 2014 are as follows:

	2015		2014	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Level 1	$ -	$ -	$ -	$ -
Level 2	247,766	261,503	250,725	268,906
Level 3	19,000	19,000	19,000	19,000
	$ 266,766	$ 280,503	$ 269,725	$ 287,906

9. 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

(in thousands of dollars)

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.

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 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.

10. 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

(in thousands of dollars)

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.

Funds share in the overall earnings rate of the Museum's portfolio except for two funds totaling $18,297 and $18,467 as of June 30, 2015 and 2014, respectively, which are managed by third parties. Earnings are utilized in accordance with donor stipulations.

Endowment net asset composition by type of fund as of June 30, 2015 and 2014:

	Permanently Restricted	Temporarily Restricted	Unrestricted	Total 2015
Donor-restricted endowment funds	$ 248,059	$ 103,700	$ -	$ 351,759
Board-designated endowment funds	-	-	30,394	30,394
Total funds	$ 248,059	$ 103,700	$ 30,394	$ 382,153

	Permanently Restricted	Temporarily Restricted	Unrestricted	Total 2014
Donor-restricted endowment funds	$ 246,863	$ 102,791	$ -	$ 349,654
Board-designated endowment funds	-	-	30,428	30,428
Total funds	$ 246,863	$ 102,791	$ 30,428	$ 380,082

(in thousands of dollars)

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

	2015	2014
Permanently restricted net assets		
Museum programs	$ 55,808	$ 54,186
Acquisition of works of art	36,361	36,298
Museum operations and other activities	155,890	156,379
Total endowment funds classified as permanently restricted net assets	248,059	246,863
Temporarily restricted net assets		
Museum programs	21,571	21,316
Acquisitions of works of art	12,143	11,900
Support of exhibitions	15,201	15,171
Operating support and other purposes	54,785	54,404
Total endowment funds classified as temporarily restricted net assets	103,700	102,791
Unrestricted net assets		
Unrestricted purposes	30,394	30,428
Total endowment funds classified as unrestricted net assets	30,394	30,428
Total endowment funds	$ 382,153	$ 380,082

At June 30, 2015 and 2014, there were no donor-restricted endowment funds where fair market value was below historic dollar value.

Reconciliation from endowment net assets to investments, at fair value for June 30, 2015 and 2014 is as follows:

	2015	2014
Endowment net assets	$ 382,153	$ 380,082
Subtract		
Contributions receivable, net, included in endowment net assets	(113,000)	(113,757)
Add		
Unrestricted and temporarily restricted investments, at fair value	638,275	572,581
Investments, at fair value	$ 907,428	$ 838,906

(in thousands of dollars)

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

	Permanently Restricted	Temporarily Restricted	Unrestricted	Total
Endowment net assets as of June 30, 2013	$ 245,362	$ 80,413	$ 29,507	$ 355,282
Investment return				
Investment income	49	25,119	1,450	26,618
Net appreciation	6	6,087	4	6,097
Total investment return	55	31,206	1,454	32,715
Contributions	1,452	-	-	1,452
Appropriation of endowment assets for expenditure	-	(8,828)	(539)	(9,367)
Donor-restricted funds below historic dollar value	(6)	-	6	-
Endowment net assets as of June 30, 2014	246,863	102,791	30,428	380,082
Investment return				
Investment income	63	16,692	945	17,700
Net appreciation	2	(6,234)	(410)	(6,642)
Total investment return	65	10,458	535	11,058
Contributions	1,131	-	-	1,131
Appropriation of endowment assets for expenditure	-	(9,549)	(569)	(10,118)
Endowment net assets as of June 30, 2015	$ 248,059	$ 103,700	$ 30,394	$ 382,153

11. Temporarily Restricted Net Assets

At June 30, 2015 and 2014, temporarily restricted net assets were available for the following purposes:

	2015	2014
Museum programs	$ 43,043	$ 40,589
Acquisitions of works of art	49,739	40,299
Maintaining art collections	13,634	13,205
Support of exhibitions	21,054	22,356
Expansion and renovation	115,060	52,868
Operating support and other purposes	90,365	101,228
	$ 332,895	$ 270,545

During fiscal 2015 and 2014, 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:

	2015	2014
Museum programs and other	$ 18,354	$ 18,574
Exhibitions	2,336	1,000
Debt service and reduction	3,144	5,718
Acquisitions of works of art	25,249	33,265
Total releases from restriction	$ 49,083	$ 58,557

(in thousands of dollars)

12. Pension Plans and Other Postretirement Benefits

In fiscal year 2009, as part of the Museum's proactive plan to stabilize operations in response to the global economic and financial crisis, the Museum approved changes to its pension plans, effective November 1, 2009. Generally, with certain differences amongst the Museum's non-union and various union staff, all employees in the Museum's defined benefit plan opted either to 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 $1,243 and $1,035 to the Plan for the years ended June 30, 2015 and 2014, respectively. Regardless of match eligibility, the 403(b) retirement savings plan is open for all non-union employees and employees in several unions under collective bargaining agreements. Employees may contribute up to Internal Revenue code limits.

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

In fiscal year 2015, the Society of Actuaries released updated mortality tables which reflect longer actuarial life expectancies. The Museum has incorporated these updated mortality tables in its underlying estimates and financial obligations associated with the Museum's defined pension plans and other postretirement benefits as required as of and for the year ended June 30, 2015.

(in thousands of dollars)

The following table sets 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 plans:

	Pension Benefits		Postretirement Benefits	
	June 30,		June 30,	
	2015	2014	2015	2014
Change in benefit obligation				
Benefit obligation at beginning of year	$ 94,458	$ 84,173	$ 31,874	$ 27,089
Service cost	2,470	2,307	1,053	886
Interest cost	4,299	4,173	1,503	1,367
Actuarial loss (gain)	7,379	6,518	(3,659)	3,124
Benefits paid	(2,864)	(2,713)	(718)	(640)
Employee contributions	-	-	28	19
Medicare Part D reimbursements	-	-	34	29
Benefit obligation at end of year	105,742	94,458	30,115	31,874
Change in plan assets				
Fair value of plan assets at beginning of year	71,414	60,568	-	-
Actual return on plan assets	2,126	10,339	-	-
Employer contributions	-	3,220	656	592
Employee contributions	-	-	28	19
Medicare Part D reimbursements	-	-	34	29
Benefits paid	(2,864)	(2,713)	(718)	(640)
Fair value of plan assets at end of year	70,676	71,414	-	-
Funded status at end of year	$ (35,066)	$ (23,044)	$ (30,115)	$ (31,874)
Amounts recognized in the consolidated statements of financial position consist of				
Pension and postretirement benefit obligations	$ (35,066)	$ (23,044)	$ (30,115)	$ (31,874)
Amounts recognized in unrestricted net assets consist of				
Net loss	$ (31,500)	$ (22,111)	$ (5,222)	$ (9,893)
Prior service (cost) credit	(333)	(409)	787	1,011
	$ (31,833)	$ (22,520)	$ (4,435)	$ (8,882)
Defined benefit plan changes other than net periodic benefit cost				
Net (loss) gain	$ (10,835)	$ (945)	$ 3,659	$ (3,124)
Amortization of net gain	1,446	1,510	1,013	643
Amortization of prior service credit (cost)	76	76	(224)	(328)
	$ (9,313)	$ 641	$ 4,448	$ (2,809)

	2015	2014	2015	2014
Weighted-average assumptions as of June 30				
Discount rate	4.47 %	4.61 %	4.47 %	4.61 %
Expected return on plan assets	8.00	8.00	N/A	N/A
Rate of compensation increase	3.50	3.50	N/A	N/A

(in thousands of dollars)

Amounts in unrestricted net assets expected to be recognized in net periodic benefit cost in 2015	**Pension Benefits**	**Postretirement Benefits**
Net loss	$ 2,266	$ 294
Prior service cost (credit)	76	(224)
	$ 2,342	$ 70

The accumulated benefit obligation for the pension plan at June 30, 2015 and 2014 was $91,506 and $81,679, respectively. Detail of the changes in the accumulated benefit obligation for the pension plan is as follows:

	2015	**2014**
Accumulated benefit obligation at beginning of year	$ 81,679	$ 72,905
Accumulation of benefits, including experience gains/losses	3,444	2,507
Change in average discount period	3,700	3,628
Benefit payments	(2,864)	(2,713)
Change in actuarial assumptions	5,547	5,352
Accumulated benefit obligation at end of year	$ 91,506	$ 81,679

The accumulated benefit obligation for the Supplemental Executive Retirement Plan at June 30, 2015 and 2014 was $2,832 and $2,569, 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, 2015 and 2014:

	Pension Benefits		**Postretirement Benefits**	
	2015	**2014**	**2015**	**2014**
Service cost	$ 2,470	$ 2,307	$ 1,053	$ 885
Interest cost	4,299	4,173	1,503	1,367
Expected return on plan assets	(5,582)	(4,767)	-	-
Amortization of prior service (credit) cost	76	76	(224)	(328)
Amortization of accumulated loss	1,446	1,510	1,013	643
Net periodic benefit cost	$ 2,709	$ 3,299	$ 3,345	$ 2,567

The health care cost trend rate assumption used in determining the accumulated postretirement benefit obligation for the coming year is 6.4% and 8.1% at June 30, 2015 and 2014, respectively.

(in thousands of dollars)

The following data shows the effect of a one percentage point health care cost trend rate increase (decrease) for 2015, inclusive of the impact of a lower discount rate in fiscal 2015:

	Percentage Point Increase	Percentage Point (Decrease)
Effect on total of service and interest cost	$ 525	$ (414)
Effect on postretirement benefit obligation	5,292	(4,250)

Target allocations at June 30, 2015, by asset category are as follows:

Asset category	
Equity securities	78 %
Fixed income	22 %

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, 2015 and 2014 are as follows:

	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value 2015
Assets				
Cash and cash equivalents	$ 146	$ 191	$ -	$ 337
Fixed income				
Fixed income – other	-	6,151	-	6,151
Government & corporate	-	9,712	-	9,712
Equities				
Securities	15,894	-	-	15,894
Registered mutual funds	28,689	-	-	28,689
Investment funds	-	9,893	-	9,893
Total investments and cash equivalents	$ 44,729	$ 25,947	$ -	$ 70,676

(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 2014
Assets				
Cash and cash equivalents	$ 546	$ 1,163	$ -	$ 1,709
Fixed income				
Fixed income – other	-	5,623	-	5,623
Government & corporate	-	9,872	-	9,872
Equities				
Securities	21,499	-	-	21,499
Registered mutual funds	22,871	-	-	22,871
Investment funds	-	9,840	-	9,840
Total investments and cash equivalents	$ 44,916	$ 26,498	$ -	$ 71,414

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 in fiscal years 2015 and 2014.

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, 2015 are as follows:

	Pension Benefits	Postretirement Benefits
Expected employer contributions		
2016	$ 391	$ 903
Projected benefit payments for the fiscal year ending June 30		
2016	$ 3,963	$ 903
2017	4,158	961
2018	4,426	1,055
2019	4,758	1,114
2020	6,405	1,179
2021–2025	28,712	6,957

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 2015.

(in thousands of dollars)

13. Advances to the Trust

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

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

Over the years, the Trust has issued serial bonds to the public for the purpose of refinancing earlier bond issues in 1980, 1984, 1991, 1993, 1996 and 2001. In May 2012, the Trust refinanced the remaining 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 and are the only outstanding bonds with respect to the 1980 expansion.

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 $34,532 and $35,395 at June 30, 2015 and 2014.

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 $135,236 and $133,694 at June 30, 2015 and 2014, 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 0.90% and 0.65% for fiscal years 2015 and 2014, respectively. 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.

During fiscal year 2015, TEPs available in accordance with the Arts and Cultural Affairs Law described above to reimburse the Museum for its advances were $863 and $250 in 2015 and 2014, respectively. The amounts were paid to the Museum, decreasing the receivable from the Trust. 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.

14. 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 $1,777 and $1,773 in 2015 and 2014, respectively.

Minimum lease payments under noncancelable operating leases as of June 30, 2015 are as follows:

2016	$	1,832
2017		570
2018		599
2019		599
2020		659
Thereafter		3,793
Total minimum guaranteed rents	$	8,052

(in thousands of dollars)

15. Expenses by Functional Classification

Expenses by functional classification for fiscal year 2015 and 2014 are as follows:

	2015	2014
Museum operating expenses excluding depreciation	$ 192,620	$ 182,660
Depreciation	26,602	26,417
Interest and other expenses (nonoperating)	8,565	6,040
	$ 227,787	$ 215,117
Museum program expenses		
Curatorial and related program expenses	$ 77,447	$ 74,726
Exhibitions	23,894	21,438
Other museum programs	5,802	5,321
Public services	4,293	4,725
Cost of sales and expenses of auxiliary activities	54,471	50,663
	165,907	156,873
Supporting services		
Management and general	47,233	44,251
Fundraising (including membership and fulfillment costs)	14,647	13,993
	61,880	58,244
	$ 227,787	$ 215,117

For the years ended June 30, 2015 and 2014, cost of sales and expenses of auxiliary activities included $734 and $679 of depreciation expense, respectively, relating solely to such activities.

16. Subsequent Events

The Museum has performed an evaluation of subsequent events through October 7, 2015, which is the date the consolidated financial statements were issued.