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**THE MUSEUM OF MODERN ART**

**ANNUAL REPORT**  
**FOR THE**  
**FISCAL YEAR ENDED JUNE 30, 2012**

**Dated December 20, 2012**

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THE MUSEUM OF MODERN ART  
ANNUAL REPORT  
FOR THE  
FISCAL YEAR ENDED JUNE 30, 2012

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## **I. INTRODUCTION**

The Museum of Modern Art (the “Museum”), pursuant to (a) the Continuing Disclosure Agreement dated July 23, 2008 relating to the Series 2008-One-A Refunding Revenue Bonds described below, (b) the Continuing Disclosure Agreement dated July 29, 2010 relating to the Series 2010-One-A Refunding Revenue Bonds described below, (c) the Continuing Disclosure Agreement dated May 1, 2012 relating to the Series 2012-One-D Refunding Revenue Bonds described below, and (d) the Continuing Disclosure Agreement dated May 1, 2012 relating to the Series 2012A Bonds described below (collectively, the “Continuing Disclosure Agreements”), hereby provides its annual information for the fiscal year ended June 30, 2012 (the “Annual Report”).

### **Bond Issues**

The Trust for Cultural Resources of The City of New York Refunding Revenue Bonds, Series 2008-One-A (The Museum of Modern Art) dated July 23, 2008 (the “Series 2008 Bonds”).

The Trust for Cultural Resources of The City of New York Refunding Revenue Bonds, Series 2010-One-A (The Museum of Modern Art) dated July 29, 2010 (the “Series 2010 Bonds”).

The Trust for Cultural Resources of The City of New York Refunding Revenue Bonds, Series 2012-One-D (The Museum of Modern Art) dated May 1, 2012 (the “Series 2012-One-D Bonds”).

The Trust for Cultural Resources of The City of New York Refunding Revenue Bonds, Series 2012A (The Museum of Modern Art) dated May 1, 2012 (the “Series 2012A Bonds”).

## Annual Report

The Museum's Annual Report includes this Introduction and all appendices attached hereto.

## Other Matters

This Annual Report is provided solely for purposes of the Continuing Disclosure Agreements described above. The Continuing Disclosure Agreements require that an Annual Report be filed within 180 days after the end of its fiscal year (i.e., 180 days after June 30). This Annual Report of the Museum does not contain information with respect to the Trust or the information to be provided by the Trust in its Annual Report. The filing of this Annual Report does not constitute or imply any representation (i) that all of the information provided is material to investors, (ii) regarding any other financial, operating or other information about the Museum, the Series 2008 Bonds, the Series 2010 Bonds, the Series 2012-One-D Bonds, or the Series 2012A Bonds or (iii) that no changes, circumstances or events have occurred since the end of the fiscal year to which this Annual Report relates (other than as referred to in this Annual Report), or that no other information exists, which may have a bearing on the Museum's financial condition, the security for the Series 2008 Bonds, the Series 2010 Bonds, the Series 2012-One-D Bonds, or the Series 2012A Bonds or an investor's decision to buy, sell, or hold the Series 2008 Bonds, the Series 2010 Bonds, the Series 2012-One-D Bonds, or the Series 2012A Bonds. The information contained in this Annual Report has been obtained from sources which are believed to be reliable, but such information is not guaranteed as to accuracy or completeness. No statement in this Annual Report should be construed as a prediction or representation about future financial performance of the Museum.

Dated: December 20, 2012

The Museum Modern Art

By:   
Name: Jan Postma  
Title: Chief Financial Officer

**II. AUDITED FINANCIAL STATEMENTS OF THE MUSEUM OF MODERN ART  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**The Museum of Modern Art**  
**Consolidated Financial Statements**  
**June 30, 2012 and 2011**

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## Report of Independent Auditors

To the Board of Trustees of  
The Museum of Modern Art

In our opinion, the accompanying consolidated statements of financial position and the related consolidated statements of unrestricted revenues, expenses and changes in unrestricted net assets, of changes in net assets and of cash flows present fairly, in all material respects, the consolidated financial position of The Museum of Modern Art (the "Museum") at June 30, 2012 and 2011, and the changes in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These consolidated financial statements are the responsibility of the Museum's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

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

*PricewaterhouseCoopers LLP*

October 15, 2012



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

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

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

**The Museum of Modern Art**  
**Consolidated Statements of Unrestricted Revenues,**  
**Expenses and Changes in Unrestricted Net Assets**  
**Years Ended June 30, 2012 and 2011**

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

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

**The Museum of Modern Art**  
**Consolidated Statements of Changes in Net Assets**  
**Years Ended June 30, 2012 and 2011**

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

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

**The Museum of Modern Art**  
**Consolidated Statements of Cash Flows**  
**Years Ended June 30, 2012 and 2011**

(in thousands of dollars)

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

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

# The Museum of Modern Art

## Notes to Consolidated Financial Statements

### June 30, 2012 and 2011

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#### 1. Summary of Significant Accounting Policies

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America and reflect the consolidation of the following entities:

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

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

The Museum, the Support Corp. and MoMA PS1 are not-for-profit organizations exempt from tax under Section 501(c)(3) of the Internal Revenue Code; AFE, LLC is a limited liability corporation.

The Museum's significant accounting policies are described below:

#### **Collections**

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

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

#### **Net Assets**

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

- Permanently restricted net assets contain donor-imposed restrictions stipulating that the resources be maintained permanently but permit the Museum to use or expend part or all of the investment return from the donated assets for specified or unspecified purposes. (See Note 10).

# The Museum of Modern Art

## Notes to Consolidated Financial Statements

### June 30, 2012 and 2011

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*(in thousands of dollars)*

- Temporarily restricted net assets contain donor-imposed restrictions that permit the Museum to use up or expend the donated assets as specified. The restriction is satisfied either by the passage of time or by actions of the Museum. Investment income and gains/losses on permanently restricted net assets are reported as temporarily restricted until appropriated for expenditure in accordance with donor imposed stipulations. The appropriation and spending of such income is subject to a standard of prudence, as more fully disclosed in Note 10.
- Unrestricted net assets are neither permanently restricted nor temporarily restricted by donor-imposed restrictions. As reflected in the accompanying consolidated statements of financial position, the Museum has designated unrestricted net assets into the following two categories:
  - a. Museum operations comprise net assets that are an integral part of the Museum's programs and supporting activities, including fixed assets purchased from general operating support funds and net assets designated for long-term investments which include realized capital gains and unrealized appreciation on permanently restricted net assets which have no donor-imposed restrictions on either income or capital appreciation.
  - b. Plant and equipment funded by designated gifts represents fixed assets constructed or acquired with donor specified contributions.

#### **Contributions**

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

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

Nonmonetary contributions are recorded at estimated fair value at date of receipt if the Museum received certain goods and services that meet criteria under generally accepted accounting principles (GAAP) for recognition as contributions. No material nonmonetary contributions were made in the years ended June 30, 2012 and 2011. A substantial number of volunteers have contributed significant amounts of time to the Museum; however, no amounts have been reflected in the accompanying consolidated financial statements for such contributed services as these services do not meet the criteria for recognition as contributions under GAAP. During fiscal year 2012, contributed securities of \$2,552 were received and subsequently liquidated.

# The Museum of Modern Art

## Notes to Consolidated Financial Statements

### June 30, 2012 and 2011

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#### Property, Plant and Equipment

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

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

#### Investments

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

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

The Museum's investment funds, which include equity funds, fixed income funds, hedge funds, private equity funds and real assets, consist of the Museum's ownership interest in externally managed funds, which may be invested in less liquid investments. The fair value of these investments is determined based on the net asset value (the "NAV") provided by the external investment managers of the underlying funds. For all these investments fair value represents the Museum's original investment plus the Museum's allocated share of income, realized gains and losses and unrealized appreciation and depreciation, net of fees and distributions. The Museum believes that the NAV of these investments is a reasonable estimate of fair value as of June 30, 2012 and 2011. Because these investments may not be readily marketable, the fair value may be subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for the investment existed. Such differences could be material. The amount of gain or loss associated with these investments is reflected in the accompanying consolidated financial statements.

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

#### Inventories

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

#### Cash and Cash Equivalents

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

# The Museum of Modern Art

## Notes to Consolidated Financial Statements

### June 30, 2012 and 2011

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*(in thousands of dollars)*

#### **Museum Operations**

The Museum includes in its measure of operations all revenues and expenses that are an integral part of its programs and supporting activities. Museum operations do not include acquisition of art work, net assets released from restrictions for art and capital acquisitions and debt reduction, excess of investment (loss) income under amounts designated for operations and specific purposes, interest expense, change in fair value of interest rate swap agreements and other financing costs, board-designated and other contributions, net, or defined benefit plan changes other than net periodic benefit cost. The measure of operations also includes 5% of investment income pursuant to the spending policy (Note 4), but excludes investment return in excess of that amount.

#### **Membership, Development and Cultivation**

Membership, development and cultivation expenses were \$11,051 and \$10,705, respectively, for the years ended June 30, 2012 and 2011. These amounts include costs attendant for all fundraising activities including Museum operations, endowment, and art acquisitions. These costs include current and future donor cultivation, acquisition and retention of membership, membership fulfillment costs, fundraising events for the benefit of the Museum and contribution processing and acknowledgement.

#### **Bond Issuance Costs**

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

#### **Functional Allocation of Expenses**

The cost of providing program and supporting services has been summarized in Note 17.

#### **Advertising Expense**

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

#### **Use of Estimates**

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

#### **Derivative Instruments**

The Museum records derivative instruments (e.g., interest rate swap agreements) at fair value in accordance with Derivatives and Hedges Accounting and Fair Value Accounting guidance. The change in fair value during the reporting period together with the net effect of the interest rate swap is recognized below the operating measure in the consolidated statements of unrestricted revenues, expenses and changes in unrestricted net assets.



**The Museum of Modern Art**  
**Notes to Consolidated Financial Statements**  
**June 30, 2012 and 2011**

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*(in thousands of dollars)*

**New Accounting Pronouncements**

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

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

**Subsequent Events**

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

**2. Contributions Receivable**

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

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

Multi-year pledges initially fair valued in fiscal year 2012 and 2011 are computed using a risk free rate adjusted for a market risk premium or the credit worthiness of the donor. For multi-year pledges recorded prior to fiscal year 2010, the fair value of such promises, after allowance for uncollectible pledges, was determined by discounting the expected cash flows by a risk free rate of return for similar terms of contributions receivable. The discount rates utilized ranged from .80% to 7%.

# The Museum of Modern Art

## Notes to Consolidated Financial Statements

### June 30, 2012 and 2011

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### 3. Financial Instruments

The Museum follows guidance with respect to accounting and reporting for the fair value of their financial assets and liabilities. This guidance establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between participants on the measurement date. Fair value requires an organization to determine the unit of account, the mechanism of hypothetical transfer, and the appropriate markets for the asset or liability being measured.

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

The three input levels are as follows:

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

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

Investments included in Level 2 may include certain U.S. government bonds, money market funds, fixed income, equity and hedge funds and other multi-strategy and other, for which observable inputs exist and trade in markets not considered to be active.

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

Investments included in Level 3 primarily consist of the Museum's ownership in equity fund investments, hedge funds, private equity funds, real asset funds, and other similar funds. The values of these investments represent the ownership interest in the net asset value of the respective partnerships. These investments are primarily made under agreements to participate in investment vehicles and are generally subject to certain withdrawal restrictions. The fair value of the securities held by limited partnerships that do not have readily determinable fair

# The Museum of Modern Art

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values are determined by the general partner and are based on appraisals or other estimates that require varying degrees of judgment.

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

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions. Inputs may include price information, credit data, liquidity statistics and other factors. The Museum considers observable data to be that market data which is readily available and reliable and provided by independent sources. The categorization of a financial instrument within the hierarchy is therefore based upon the pricing transparency of the instrument and does not necessarily correspond to the Museum's perceived risk of that investment. The following tables summarize the financial instruments reported within the consolidated statements of financial position carried at fair value as of June 30, 2012 and 2011, by caption and level within the fair value accounting hierarchy:

	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	June 30, 2012 Total Fair Value
<b>Assets</b>				
Cash equivalents	\$ -	\$ 31,997	\$ -	\$ 31,997
Government and corporate bonds	-	305	-	305
Equity securities	90,328	-	-	90,328
Investment funds				-
Registered mutual funds	84,845	-	-	84,845
Fixed income	-	22,539	-	22,539
Equity (long only)	16,841	121,828	-	138,669
Equity long/short	-	25,263	12,360	37,623
Credit	-	-	49,440	49,440
Multi-strategy and other	-	21,174	84,508	105,682
Private equity	-	-	106,445	106,445
Real assets	-	-	23,625	23,625
Total investments and cash equivalents	192,014	223,106	276,378	691,498
Beneficial interests held by third parties	-	-	1,152	1,152
Total assets at fair value	\$ 192,014	\$ 223,106	\$ 277,530	\$ 692,650
<b>Liabilities</b>				
Interest rate swaps	\$ -	\$ 8,427	\$ -	\$ 8,427
Total liabilities at fair value	\$ -	\$ 8,427	\$ -	\$ 8,427

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	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	June 30, 2011 Total Fair Value
<b>Assets</b>				
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	<u>\$ 212,575</u>	<u>\$ 277,135</u>	<u>\$ 292,470</u>	<u>\$ 782,180</u>
<b>Liabilities</b>				
Interest rate swaps	\$ -	\$ 7,908	\$ -	\$ 7,908
Total liabilities at fair value	<u>\$ -</u>	<u>\$ 7,908</u>	<u>\$ -</u>	<u>\$ 7,908</u>

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

Financial instruments such as those above, involve, to varying degrees, elements of market risk and credit risk in excess of the amounts recorded on the consolidated statements of financial position. For the Museum, market risk represents the potential loss due to the decrease in the value of financial instruments; credit risk represents the maximum potential loss due to possible nonperformance of contract terms by obligors and counter parties.

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

Split-interest agreements are valued at the current market value of the underlying assets using observable market inputs based on its beneficial interest in the trust discounted to a single present value using market rates approximating 1.2%.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future values. Furthermore, while the Museum believes its valuation methods are appropriate and consistent with other market participants, the use of

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different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

The following tables are a roll forward of the consolidated statements of financial position amounts for financial instruments classified by the Museum within Level 3 of the fair value hierarchy defined above as of June 30, 2012 and 2011

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

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

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

Net realized and unrealized gains (losses) in the tables above are reflected in the accompanying consolidated statements of unrestricted revenues, expenses and changes in unrestricted net assets. Net unrealized gains (losses) relate to those financial instruments held by the Museum at June 30, 2012 and 2011.

# The Museum of Modern Art

## Notes to Consolidated Financial Statements

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(in thousands of dollars)

The Museum uses NAV to determine the fair value of all underlying investments which (a) do not have a readily determinable fair value and (b) prepare their financial statements consistent with the measurement policies of an investment company or have the attributes of an investment company. Per the applicable guidance, the following tables list investments in other investment companies (in partnership format) by major category. All percentages are based on NAV as of June 30, 2012 and 2011.

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

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

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## Notes to Consolidated Financial Statements

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

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

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**4. Investments**

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

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

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

Equity and fixed income investments consist of investments in publicly traded U.S. equities, mutual funds, government and corporate bonds and funds that invest in equity and fixed income based strategies. The fair values of publicly traded investments are based on quoted market prices. Investments that are listed on an exchange are valued, in general, at the last reported sale price (or, if there is no sales price, at the last reported bid price, or, in the absence of reported bid prices, at the mean between the last reported bid and asked prices thereof). Fund investments in equity and fixed income based strategies that are not exchange traded are valued based upon NAV provided by the investment managers of the underlying funds. Some of these funds may not have readily ascertainable market values and may be subject to withdrawal restrictions. The fair value of the funds represents the amount the Museum expects to receive at June 30, 2012 and 2011, if it had liquidated its investments in the funds on these dates.

Private equity fund holdings include investments in buyouts, distressed companies and venture capital. Hedge funds include credit, equity long/short, multi-strategy and other. Real Assets include fund holdings in real estate and natural resources such as oil and gas. The Museum values these investments based upon NAV provided by the investment managers of the underlying funds. As a general rule, investment managers of hedge funds, private equity and real asset funds value investments based upon the best information available for a given circumstance and may incorporate assumptions that are the investment manager's best estimates after consideration of a variety of internal and external factors. Hedge funds, private equity and real asset funds may make investments in securities that are publicly traded, which are generally valued based on observable



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*(in thousands of dollars)*

market prices, unless a restriction exists. Investments for which observable market prices do not exist are reported at fair value as determined by the fund's investment manager. The Museum's management may consider other factors in assessing the fair value of these investments. Some of these funds may not have readily ascertainable market values and may be subject to withdrawal restrictions. The fair value of the funds represents the amount the Museum expects to receive at June 30, 2012 and 2011, if it had liquidated its investments in the funds on these dates.

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

**Investment Income**

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

The following schedules summarize the investment return and its classification in the consolidated statements of unrestricted revenues, expenses and other changes in unrestricted net assets for 2012 and 2011:

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

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	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	<u>77,894</u>	<u>20,475</u>	<u>-</u>	<u>98,369</u>
Total return on long-term investments	79,976	20,971	164	101,111
Museum operations (spending policy)	<u>(26,005)</u>	<u>-</u>	<u>-</u>	<u>(26,005)</u>
Excess of investment return over spending policy amount	53,971	20,971	164	75,106
Auxiliary activities	<u>(335)</u>	<u>-</u>	<u>-</u>	<u>(335)</u>
Excess of investment return over amounts designated for operations and specific purposes	<u>\$ 53,636</u>	<u>\$ 20,971</u>	<u>\$ 164</u>	<u>\$ 74,771</u>

**5. Inventories**

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

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

**6. Property, Plant and Equipment**

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

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

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During construction, capitalized interest primarily related to the bond financing was included in fixed assets for the years ended June 30, 2012 and 2011 and totaled \$21,401 and \$22,576, respectively.

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

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

**7. Split-Interest Agreements**

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

At the time of the gift and adjusted annually, the Museum records contribution income and contribution receivable net of the amounts payable to annuitants and third-party beneficiaries. The initial gift and annual adjustment is calculated based on estimated mortality rates and other assumptions. The discount rates used in the calculation at June 30, 2012 and 2011 were 1.2% and 2.8%, respectively.

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

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

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*(in thousands of dollars)*

**8. Deferred Revenue**

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

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

**9. Loans Payable**

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

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

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

The Museum received bond proceeds of \$75,750 in March 2000 and bond proceeds of \$235,000 in December 2001; the bonds were issued by the Trust for Cultural Resources (the "Trust"), a public benefit organization created by the State of New York. The bonds consisted of a \$40,000 Series 2000 One A bond issue, \$35,750 Series 2000 One B bond issue, \$50,000 Series 2001 One A bond issue, \$50,000 Series 2001 One B bond issue, \$35,000 Series 2001 One C bond issue and \$100,000 Series 2001 One D bond issue. The Series 2000 One A/B bonds and Series 2001 One A/B/C bonds were redeemed by the Series 2008 One A bonds issued by the Trust for the benefit of the Museum in July 2008. A portion of these bonds was subsequently redeemed by the Series 2010 One A bonds issued in July 2010.

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

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

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

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

As part of the July 2008 transaction, the Museum terminated a swap that was entered into as part of the December 2001 bond transaction (notional amount of \$85,000) and reversed a swap entered into in August 2005 (notional amount at the time of reversal of \$50,000) with an offsetting swap. The counterparty for the two remaining offsetting swap agreements is Goldman Sachs Bank USA (the "Counterparty"). Notional amount schedules, payment dates, and final maturity dates are identical under each agreement, but the Museum is a fixed rate-payer under one and a floating rate-payer under the other. The Museum has the right to optionally terminate each swap contract for an agreed upon cash settlement amount based on market conditions. Under certain triggering events tied to the Museum's overall credit ratings, the Museum may be required to post collateral to the Counterparty or the Counterparty may terminate the swap contracts, provided both are terminated simultaneously. At June 30, 2012 and 2011, the total fair value of the swap agreements in place approximates a liability of \$8,427 and \$7,908, respectively, which has been recognized in the accompanying consolidated statements of financial position. Payments on the swaps totaled \$609 and \$608 for the years ended June 30, 2012 and 2011, respectively.

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

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The consolidated statements of financial position classification of the derivative financial instruments are summarized below at June 30, 2012 and 2011:

		<b>Liability Derivatives</b>	
<b>Consolidated Statement of Financial Position Location</b>		<b>2012 Fair Value</b>	<b>2011 Fair Value</b>
Derivatives not designated as hedging instruments	Interest rate contract	\$ 8,427	\$ 7,908
	<b>Other liabilities</b>		
	<b>Location of Gain (Loss) Recognized in Consolidated Statements of Unrestricted Revenues, Expenses, and Changes in Unrestricted Net Assets</b>	<b>Amount of Gain (Loss) Recognized in Consolidated Statements of Unrestricted Revenues, Expenses, and Changes in Unrestricted Net Assets</b>	
		<b>2012</b>	<b>2011</b>
Derivatives not designated as hedging instruments	Interest rate contract	\$ (519)	\$ 443
	<b>Interest expense</b>		

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

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

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

2013	\$ 33,000
2014	-
2015	-
2016	-
2017	-
Thereafter	<u>238,655</u>
	<u>\$ 271,655</u>

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

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#### 10. Endowment Funds

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

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

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

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

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

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

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

The Museum's spending policies are consistent with the Museum's objectives to utilize income to support mission-critical programs while preserving capital and ensuring future growth of the endowment. Under these policies, and as approved by the Museum's Board, the long-term focus of the endowment is to support the Museum's mission by providing a reliable source of funds for current and future use.

Under the direction and approval of the Investment Committee and the Board of Trustees, the endowment will seek to maximize long term returns consistent with prudent levels of risk.

#### **11. Financial Reporting of Endowments**

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

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

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



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Funds share in the overall earnings rate of the Museum's portfolio except for two funds totaling \$18,036 which are managed by third parties. Earnings are utilized in accordance with donor stipulations. The endowment net asset composition by type of fund is as follows:

Endowment net asset composition by type of fund as of June 30, 2012 and 2011:

	<b>Permanently Restricted</b>	<b>Temporarily Restricted</b>	<b>Unrestricted</b>	<b>Total 2012</b>
Donor-restricted endowment funds	\$ 243,173	\$ 65,821	\$ -	\$ 308,994
Board-designated endowment funds	-	-	28,508	28,508
Donor-restricted funds below historic dollar value	569	-	(569)	-
Total funds	<u>\$ 243,742</u>	<u>\$ 65,821</u>	<u>\$ 27,939</u>	<u>\$ 337,502</u>
	<b>Permanently Restricted</b>	<b>Temporarily Restricted</b>	<b>Unrestricted</b>	<b>Total 2011</b>
Donor-restricted endowment funds	\$ 236,946	\$ 60,765	\$ -	\$ 297,711
Board-designated endowment funds	-	-	28,054	28,054
Donor-restricted funds below historic dollar value	748	-	(748)	-
Total funds	<u>\$ 237,694</u>	<u>\$ 60,765</u>	<u>\$ 27,306</u>	<u>\$ 325,765</u>

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

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

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As a result of unfavorable market fluctuations the fair market value of assets associated with some individual donor-restricted endowment funds are below historic dollar value. The aggregate amount by which fair value was below historic dollar value at June 30, 2012 and 2011 was \$569 and \$748, respectively, and included 8 funds with original donor contributions totaling \$12,185 and \$15,034, respectively. Deficiencies of this nature are recorded in unrestricted net assets to the extent that temporarily restricted resources associated with these funds have been reduced to zero.

Reconciliation from endowment net assets to investments, at fair value for June 30, 2012 and 2011 is as follows:

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

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

Changes in endowment net assets for the fiscal year ended June 30, 2012 and 2011:

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

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

**12. Temporarily Restricted Net Assets**

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

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

During fiscal 2012 and 2011, net assets were released from donor restrictions as a result of either satisfying the restricted purpose or by the occurrence of other events specified by donors, as follows:

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

**13. Pension Plans and Other Postretirement Benefits**

In fiscal year 2009, as part of the Museum's proactive plan to stabilize operations in response to the global economic and financial crisis, the Museum approved changes to its pension plans, effective November 1, 2009. Generally, with certain differences amongst the Museum's nonunion and various union staff, all employees in the Museum's defined benefit plan opted either to remain

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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 trustee defined benefit pension plan future benefits are based, among other factors, on years of service, age, and average monthly compensation during the final years of service. The Museum's funding policy is to contribute annually amounts to meet ERISA's minimum requirements, although it may make additional contributions beyond these requirements.

For those eligible for matching contributions in the 403(b) retirement savings plan based on the choice noted above, the Museum matches up to a percentage of compensation dependent on an employee's compensation, contribution and length of service. In addition, the Museum provides a nondiscretionary contribution for employees under certain base compensation levels dependent on length of service. The Museum contributed \$844 and \$808 to the Plan for the years ended June 30, 2012 and 2011, respectively. Regardless of match eligibility, the 403(b) retirement savings plan is open for all nonunion employees and employees in several unions under collective bargaining agreements. Employees may contribute up to Internal Revenue code limits.

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

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

	<b>Pension Benefits</b>		<b>Postretirement Benefits</b>	
	<b>June 30,</b>		<b>June 30,</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
<b>Change in benefit obligation</b>				
Benefit obligation at beginning of year	\$ 67,766	\$ 67,279	\$ 21,188	\$ 21,036
Service cost	2,098	2,106	763	793
Interest cost	3,872	3,590	1,177	1,122
Actuarial (gain)/loss, primarily attributable to discount rate	19,770	(2,906)	3,646	(1,168)
Benefits paid	(2,465)	(2,303)	(707)	(609)
Employee contributions	-	-	23	14
Medicare Part D reimbursements	-	-	20	-
Benefit obligation at end of year	<u>91,041</u>	<u>67,766</u>	<u>26,110</u>	<u>21,188</u>
<b>Change in plan assets</b>				
Fair value of plan assets at beginning of year	55,583	46,346	-	-
Actual return on plan assets	367	9,540	-	-
Employer contributions	-	2,000	664	595
Employee contributions	-	-	23	14
Medicare Part D reimbursements	-	-	20	-
Benefits paid	(2,465)	(2,303)	(707)	(609)
Fair value of plan assets at end of year	<u>53,485</u>	<u>55,583</u>	<u>-</u>	<u>-</u>
<b>Funded status at end of year</b>	<u>\$ (37,556)</u>	<u>\$ (12,183)</u>	<u>\$ (26,110)</u>	<u>\$ (21,188)</u>
<b>Amounts recognized in the consolidated statements of financial position consist of</b>				
Pension and postretirement benefit obligations	<u>\$ (37,556)</u>	<u>\$ (12,183)</u>	<u>\$ (26,110)</u>	<u>\$ (21,188)</u>
<b>Amounts recognized in unrestricted net assets consist of</b>				
Net loss	\$ (39,754)	\$ (17,166)	\$ (8,733)	\$ (5,434)
Prior service (cost) credit	(561)	(645)	1,679	2,019
	<u>\$ (40,315)</u>	<u>\$ (17,811)</u>	<u>\$ (7,054)</u>	<u>\$ (3,415)</u>
<b>Defined benefit plan changes other than net periodic benefit cost</b>				
Net gain (loss)	\$ (23,740)	\$ 8,690	\$ (3,646)	\$ 1,168
Amortization of net gain	1,151	1,964	348	531
Amortization of prior service credit (cost)	84	90	(340)	(326)
	<u>\$ (22,505)</u>	<u>\$ 10,744</u>	<u>\$ (3,638)</u>	<u>\$ 1,373</u>
<b>Weighted-average assumptions as of June 30</b>	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
Discount rate	4.25%	5.75%	4.25%	5.75%
Expected return on plan assets	8.00%	8.00%	N/A	N/A
Rate of compensation increase	3.50%	3.50%	N/A	N/A
<b>Amounts in unrestricted net assets expected to be recognized in net periodic benefit cost in 2013</b>				
Net loss	\$ 3,179		\$ 688	
Prior service cost (credit)	76		(340)	
	<u>\$ 3,255</u>		<u>\$ 348</u>	

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

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

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

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

The following table sets forth the components of the net pension and postretirement benefits cost for the years ended June 30, 2012 and 2011:

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

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

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

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

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

<b>Asset category</b>	
Equity securities	20-80%
Fixed income	20-80%
Other	0%

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

**Fair Value Measurements**

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

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

**The Museum of Modern Art**  
**Notes to Consolidated Financial Statements**  
**June 30, 2012 and 2011**

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(in thousands of dollars)

	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value 2011
<b>Assets</b>				
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
	<u>-</u>	<u>10,705</u>	<u>-</u>	<u>10,705</u>
Total investments and cash equivalents	<u>\$ 43,336</u>	<u>\$ 12,247</u>	<u>\$ -</u>	<u>\$ 55,583</u>

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

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

Cash flows for the fiscal year ending June 30, 2012 are as follows:

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

The Medicare Prescription Drug Act (The "Act") introduced a prescription drug benefit under Medicare Part D as well as a federal subsidy to employers whose plans provide an "actuarial equivalent" prescription drug benefit. The Museum's postretirement prescription drug benefit qualified for this subsidy and consequently the Museum treats the effects of the Act as an actuarial



# The Museum of Modern Art

## Notes to Consolidated Financial Statements

### June 30, 2012 and 2011

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*(in thousands of dollars)*

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

#### **14. Advances to the Trust**

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

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

Over the years, the Trust has issued serial bonds to the public for the purpose of refinancing earlier bond issues in 1980, 1984, 1991, 1993, 1996 and 2001. In May 2012, the Trust refinanced the 1996 and 2001 bond issues with Series 2012A Refunding Revenue Bonds of \$38,360 with a final maturity in 2023. The Series 2012A bonds did not extend the maturity of the 1996 and 2001 bond issues.

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

In connection with the 1980 expansion, the Museum agreed to advance funds to the Trust to the extent that TEPs and the proceeds of the Serial Bonds are not sufficient to pay debt service due from time to time from the Trust to the holders of the Serial Bonds and to complete the 1980 expansion project. Such advances totaled \$35,645 at June 30, 2012 and 2011.

The advances bore interest at a rate of 9% annually through June 30, 2004. Pursuant to an agreement in January 2006 between the Museum and the Trust, the interest rate on the outstanding advances from the Museum was converted to a market-based floating rate. The Museum also agreed that no additional interest would accrue on the advances for a five-year period beginning July 1, 2004 through June 30, 2009. Cumulative interest totaled \$131,913 and \$130,483 at June 30, 2012 and 2011, respectively.

Commencing on July 1, 2009 and thereafter, the unpaid balance of any outstanding advances will accrue interest at a floating rate equal to the 3-year Treasury rate in effect on July 1 of that year. The rate was .85% for fiscal year 2012. This agreement provided for the issuance of new instruments to the Museum to evidence the obligations of the Trust, which required the authorization of the Comptroller of the State of New York and of the Comptroller of the City of New York. These authorizations were obtained in August 2006 and the new instruments evidencing the Trust's obligations have now been issued.

# The Museum of Modern Art

## Notes to Consolidated Financial Statements

### June 30, 2012 and 2011

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*(in thousands of dollars)*

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

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

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

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

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

#### **15. Related Party Transactions**

The International Council of the Museum of Modern Art (the "Council") has provided exhibition and programming support to the Museum. The purpose of the Council is to develop international understanding in the field of art, especially the contemporary arts, through a program of exhibitions, national and international conferences, lectures and publications, and otherwise. Included in other grants and contributions in the consolidated statements of unrestricted revenues, expenses and changes in unrestricted net assets are contributions of \$553 and \$716 for the years ended June 30, 2012 and 2011, respectively, from the Council in support of the Museum. The Council also reimburses the Museum for costs incurred in connection with the administration, preparation and presentation of the activities of the Council. Included in accrued investment income and other receivables are \$95 and \$76 at June 30, 2012 and 2011, respectively, as amounts due from the Council.

In accordance with an investment agreement between the Museum and the Council, the Museum manages investments of the Council. The investment and earnings of \$4,063 and \$4,013 are included in Investments held on behalf of others in the consolidated statements of financial position for the years ended June 30, 2012 and 2011, respectively.

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

**The Museum of Modern Art**  
**Notes to Consolidated Financial Statements**  
**June 30, 2012 and 2011**

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*(in thousands of dollars)*

**16. Commitments**

The Museum is obligated under lease agreements, which generally require the payment of base rents plus escalations. Rent expense under these leases amounted to \$1,729 and \$1,676 in 2012 and 2011, respectively.

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

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

At June 30, 2012, the Museum has commitments of \$150 for art acquisitions.

**Rental Income**

The Museum leases office space to various tenants in an office tower adjacent to the Museum and a facility in Queens. Rental income under these leases amounted to \$2,187 and \$2,773 for the years ended June 30, 2012 and 2011, respectively.

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

2013	\$	1,974
2014		1,995
2015		1,465
2016		-
2017		-
Total minimum guaranteed rents	\$	<u>5,434</u>

**The Museum of Modern Art**  
**Notes to Consolidated Financial Statements**  
**June 30, 2012 and 2011**

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*(in thousands of dollars)*

**17. Expenses by Functional Classification**

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

	<b>2012</b>	<b>2011</b>
Museum operating expenses excluding depreciation	\$ 164,482	\$ 152,655
Depreciation	26,326	26,875
Interest and other expenses (nonoperating)	<u>11,758</u>	<u>11,025</u>
	<u>\$ 202,566</u>	<u>\$ 190,555</u>
	<b>2012</b>	<b>2011</b>
<b>Museum program expenses</b>		
Curatorial and related program expenses	\$ 64,341	\$ 63,081
Exhibitions	23,980	18,578
Other museum programs	4,728	3,771
Public services	5,090	4,530
Cost of sales and expenses of auxiliary activities	<u>49,845</u>	<u>47,507</u>
	<u>147,984</u>	<u>137,467</u>
<b>Supporting services</b>		
Management and general	40,600	39,578
Fundraising (including membership and fulfillment costs)	<u>13,982</u>	<u>13,510</u>
	<u>54,582</u>	<u>53,088</u>
	<u>\$ 202,566</u>	<u>\$ 190,555</u>

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

**III. A. INFORMATION OF THE TYPE INCLUDED IN THE OFFICIAL STATEMENT DATED APRIL 19, 2012 RELATING TO THE SERIES 2012A BONDS UNDER THE HEADINGS “INTRODUCTION”; “PROPERTIES OF THE MUSEUM”; “BOARD OF TRUSTEES”; “ORGANIZATION AND ADMINISTRATION”; “CURATORIAL, PUBLICATIONS, AND EDUCATION PROGRAMS”; “PERSONNEL AND RELATED AREAS”; “STATEMENT OF ACTIVITY OF THE OPERATING FUND”; “SECURITY FOR THE 2012A BONDS – THE RESIDENTIAL TOWER AND TAX EQUIVALENCY PAYMENTS”; “DEBT SERVICE ON BONDS” AND “OTHER BONDS OF THE TRUST ISSUED FOR THE BENEFIT OF THE MUSEUM”.**

## **Introduction**

The Museum of Modern Art (the “Museum” or “MoMA”) is a private, non-profit institution chartered by the State of New York Department of Education in 1929 to foster public awareness of modern and contemporary art. In pursuit of this goal, the Museum has collected over 150,000 works of art, including works of painting, sculpture, drawing, prints, illustrated books, photography, film, media, performance art, architecture, and industrial and graphic design. The Museum also operates a publishing program, conducts an extensive education program, and maintains a major library and archives. Its exhibitions are circulated nationally and internationally.

The Museum’s primary sources of support are admission fees and membership dues, grants from individuals, foundations, and corporations, endowment income, revenues from retail operations, and other revenues.

The Museum is managed by a Board of Trustees currently consisting of 40 voting members. A Director and an administrative and curatorial staff oversee its operations and implement policy set by the Board.

## **Properties of the Museum**

### *Midtown Manhattan Museum*

Main Facility. Although its first exhibition was held in 1929, the Museum did not have a permanent home until 1939 when it moved to the midtown Manhattan facility located on 53rd Street between Fifth Avenue and Avenue of the Americas. Since that time, the Museum has periodically expanded its facilities. The first expansion consisted of the addition of an office wing in 1951. In 1964, the construction of new galleries and study centers and the renovation of the garden of the Museum were undertaken. Further expansion occurred in 1968 when the Museum purchased a building on West 54th Street, which had been built, and was formerly used, by the Whitney Museum of American Art on land that had been originally donated by the Museum. This building was extensively remodeled to provide space for the Museum’s library, conservation laboratories, and art storage rooms.

West Wing Addition. In 1980, the Museum undertook the construction of the six-story West Wing facility (the “West Wing Facility”) adjacent to the Museum’s main facility and the renovation and improvement of the main facility (the “1980 Renovation”). The West Wing Facility and the 1980 Renovation, which were opened in 1984, significantly increased gallery space for Museum collections and temporary exhibitions, accommodated additional public service and other educational activities, and improved restaurant and retail facilities.

Main Facility Renovation and Expansion. In 1996, the Museum acquired three buildings located on West 54th Street and West 53rd Street to the west of the Museum, including property formerly known and operated as the Dorset Hotel (collectively, the “1996 Property”). Demolition of the 1996 Property commenced in the summer of 2000, and governmental and environmental approvals required to undertake the renovation and expansion of the main facility were obtained by December 2000. During the closing of the main facility, a facility in Queens was opened as exhibition space between 2002 and 2004. See “*MoMAQNS*” below.

After four years of construction, the renovated and expanded facility was opened to the public on November 20, 2004, with free opening day admission as a gift to patrons. The reopening commemorated the Museum’s 75th anniversary and heralded the completion of the most extensive rebuilding and renovation project in MoMA’s history. Approximately two years later, on November 28, 2006, the Museum also opened the Lewis B. and Dorothy Cullman Education and Research Center (“Education Center”), which frames the eastern side of the Sculpture Garden, thereby completing the expansion of the main facility.

The main facility of the Museum currently encompasses approximately 630,000 square feet of floor space, nearly double the capacity of the former building, and includes office, storage, education, and library facilities, in addition to exhibition areas. The Museum’s total exhibition space was increased from 85,000 to 125,000 square feet with galleries clustered around a soaring 110-foot-tall atrium (the Donald B. and Catherine C. Marron Atrium) that diffuses natural light throughout the building. The Museum’s facilities also include retail and restaurant operations, study centers, a 205-seat auditorium and a 407-seat auditorium, facilities for the reception and orientation of group visitors, and the expanded Abby Aldrich Rockefeller Sculpture Garden, which has been restored to its 1953 Philip Johnson design. The eight-story, 63,000 square-foot Education Center houses the Museum’s archives and library,

education program and classrooms, four curatorial departments, and several theatres – the 125-seat Celeste Bartos Theater, the 50-seat Warner Screening room, and the 8-seat Mayer Screening Room.

There is one main retail shop within the Museum (MoMA Design and Book Store), a fine dining restaurant (*The Modern*), a casual restaurant and bar (*The Bar Room*), and *Cafe 2* and *Terrace 5*. The restaurants and cafes are operated by Danny Meyer's Art Food, LLC.

The majority of the costs of the main facility renovation and expansion project, including construction and planning, and the related increase in the endowment, were funded with contributions raised and cash received through the Museum's Capital Campaign, including funds it received from The City of New York and the State of New York. In November 1998, the Capital Campaign was publicly announced, with an initial goal of \$650 million. The Museum's Board of Trustees periodically reviewed the progress of the project and of the Capital Campaign. Based on a variety of factors, such as the estimated cost of the project and the strength of its Capital Campaign fundraising efforts, the Museum determined to increase the goal to \$859 million. The Campaign exceeded this goal with over \$900 million in pledges and contributions raised, including government support, of which approximately \$687 million had been collected in cash as of December 15, 2012. Included in the \$900 million pledge total is a \$100 million pledge to the endowment made in fiscal year 2005 by David Rockefeller in the form of a bequest as part of the Capital Campaign; in connection with this gift, Mr. Rockefeller has also pledged and paid \$5 million annually towards unrestricted museum operations, beginning in fiscal year 2006, until the \$100 million pledge is realized.

The property on which the West Wing Facility was developed was conveyed to The Trust for Cultural Resources of The City of New York (the "Trust") by the Museum in 1979 and leased back to the Museum pursuant to a long-term lease providing for nominal lease payments by the Museum. Similarly, the 1996 Property was also conveyed to the Trust by the Museum and is leased back to the Museum, pursuant to a long-term lease providing for nominal lease payments by the Museum. In 2007, the Trust conveyed one of the 1996 Property lots to the Museum. The Museum owns the remainder of its main facility.

West End Project. In May 2007, the Museum and certain of its affiliates sold approximately 162,000 square feet of certain development rights it owned at 50 West 54th Street, 49-55 West 53rd Street, and 44 West 54th Street to W2005 / Hines West Fifty-Third Realty, LLC ("Hines"), an affiliate of international real estate developer Hines Interests LP, after a competitive bidding process. Sale proceeds of \$125 million were principally used to strengthen the Museum's endowment. The Museum retained certain development rights that will be used to add gallery space for the Museum in a mixed use facility to be constructed by Hines as part of the "West End Project."

The West End Project refers to the arrangement between the Museum and Hines through which the Museum's galleries will be extended on the second, fourth and fifth floor galleries (because the second floor is a double-height floor, there is no third floor in this part of the building) of the current building through and to a newly constructed mixed use facility, adding approximately 39,500 square feet of new gallery space, 18,250 square feet for mechanical spaces including stairs and elevator shafts, and 12,250 square feet for other non-public Museum uses including storage. As part of the development, Hines will construct the core and shell of the MoMA-owned space and will use the lobby and the floors above the MoMA-owned space for a residential facility. It is too early to know total project costs for the MoMA-owned space, and the Museum is evaluating the balance between fundraising, financing, and use of existing cash reserves with respect to construction of the new space.

The project will enable MoMA to showcase more works of art from its world-renowned collection, as well as special exhibitions. The additional galleries—a 30% increase in MoMA's existing exhibition space on the second, fourth, and fifth floors—will be seamlessly integrated into the current exhibition galleries, creating an expanded and enhanced visitor experience. This possibility was anticipated in architect Yoshio Taniguchi's design for the 2004 MoMA expansion. There will be no change to the existing Museum entrances or lobby.

In addition, in 2009, the Museum purchased 136,000 square feet of air rights from the University Club, and the air rights were conveyed to the West End Project development site. As part of the transaction with Hines described above, Hines has the right to purchase the University Club air rights from the Museum.

After certification by the Department of City Planning of an application for Special Permits (“Special Permits”) to begin the Uniform Land Use Review Process (“ULURP”) and, pursuant to its approval thereof on September 9, 2009 and of the City Council of the City of New York on October 28, 2009, Special Permits were approved for zoning actions allowing for Hines to construct a mixed use building of 1,050 vertical square feet on the development site, including, amongst other things, the use of the University Club air rights. The Museum and Hines have agreed to delay the closing on the sale of the University Club air rights, in consideration of which the Museum has received a portion of the purchase price; however, there is no guarantee that the closing will occur or that the West End Project will be constructed as described above.

In July 2011, an affiliate corporation of the Museum purchased from The American Folk Art Museum (“AFAM”) the land and building directly adjacent to the Museum and assumed a contract which gives Hines the right to acquire an easement for light and air as well as to purchase certain development rights appurtenant to the property. This acquisition complements and enhances the Museum’s already planned West End Project by allowing for the potential design and construction of additional gallery space and resulting in improved visitor circulation.

#### *Other Manhattan Facilities*

The MoMA Design Store is currently located in space leased by the Museum, which is located across 53rd Street to the south of the Museum. An additional leased retail store is located at 81 Spring Street in the Soho neighborhood of Manhattan.

#### *MoMAQNS*

In 1999, the Museum purchased land and a building located at 45-20 32<sup>nd</sup> Place in Queens (“MoMAQNS”) for the purpose of creating a state-of-the-art art storage and study facility within easy access of midtown Manhattan. Subsequent to the purchase of MoMAQNS, the Museum decided to use a portion of the facility for art exhibitions during the construction period of the main facility renovation and expansion project. In addition, a Museum affiliate purchased a building at 32-33 47<sup>th</sup> Avenue in Queens, contiguous to MoMAQNS, which was leased to a third party through September 2011. The Museum is currently using some of this space for its own mission related purposes.

MoMAQNS opened with an inaugural week of events in June 2002. It closed its exhibitions to the public in September 2004 in anticipation of the re-opening of the new museum in Manhattan on November 20, 2004. MoMAQNS was then converted to and continues to operate as a fully operational storage, study, and imaging facility, which consolidated art storage from fourteen commercial off-site facilities. In addition to art storage, MoMAQNS, houses certain sections of the Museum Library and Archives, four dedicated digital imaging studios and an image archiving studio.

#### *Non-New York Facilities*

The Museum leases a retail distribution center in South River, New Jersey.

The Museum also owns a Film Preservation and Storage Center in Hamlin, Pennsylvania (the “Film Center”). The Film Center is used for the preservation, storage, and maintenance of preserved films and film related materials. The facility consists of two buildings: a 7,900 square foot facility for nitrate films and a 28,000 square foot facility for safety films. Both buildings contain custom-designed shelving, security, temperature, and humidity controls, and fire safety systems. The systems of the Film Center are linked to the Museum’s Department of Film computer catalog, providing access to curators, cataloguers, study center and film guests, and management staff for the purposes of research, acquisitions, loans and inventory details, exhibition programming, and other collection management matters.

#### *Insurance*

The Museum maintains property and liability insurance coverage. The property policy includes coverage for the building, business interruption, earthquake, flood, terrorism, construction, equipment, personal property, etc. The liability coverage includes general, automobile, directors and officers liability, and terrorism coverage. Both



policies include coverage for all owned or rented locations. Additionally, amongst other insurance coverage, the Museum maintains fine arts insurance coverage for its permanent collection of art and works of art on loan.

### **Board of Trustees**

The governing body of the Museum is the Board of Trustees (the “Board”) whose members (“Trustees”) serve staggered-three year terms. Of the Board’s 45 voting Trustee seats, 40 are presently filled.

Officers of the Museum are elected annually by the Board. All Officers other than the Secretary and Assistant Treasurer are also Trustees. The Museum Director serves as an *ex officio* Trustee. As of December 15, 2012, the officers were as follows:

Honorary Chairman	David Rockefeller
Honorary Chairman	Ronald S. Lauder
Chairman Emeritus	Robert B. Menschel
President Emerita	Agnes Gund
President Emeritus	Donald B. Marron
Chairman	Jerry I. Speyer
President	Marie-Josée Kravis
Vice Chairmen	Sid R. Bass
	Leon D. Black
	Mimi Haas
	Richard E. Salomon
Director	Glenn D. Lowry
Treasurer	Richard E. Salomon
Assistant Treasurer	James Gara
Secretary	Patty Lipshutz

The Board is comprised of the following voting Trustees:

Wallis Annenberg	Marie-Josée Kravis
Sid R. Bass	Ronald S. Lauder
Lawrence B. Benenson	Thomas H. Lee
Leon D. Black	Michael Lynne
Clarissa Alcock Bronfman	Philip S. Niarchos
Patricia Phelps de Cisneros	James G. Niven
Paula Crown	Peter Norton
David Dechman	Maja Oeri
Glenn Dubin	Michael S. Ovitz
John Elkann	Richard D. Parsons
Laurence Fink	David Rockefeller, Jr.
Kathleen Fuld	Sharon Percy Rockefeller
Howard Gardner	Richard E. Salomon
Anne Dias Griffin	Marcus Samuelsson
Agnes Gund	Anna Deavere Smith
Mimi Haas	Jerry I. Speyer
Alexandra A. Herzan	Ricardo Steinbruch
Marlene Hess	Alice M. Tisch
AC Hudgins	Edgar Wachenheim III
Jill Kraus	Gary Winnick

In 1992, the Board of Trustees created the category of Life Trustee to honor voting Trustees who have rendered special and significant service to the Museum over a period of years. Generally, this occurs when the voting Trustee attains the age of 75. Life Trustees may continue to attend Board meetings and serve in a voting capacity on and/or chair Trustee Committees. At present, the Life Trustees are:

Celeste Bartos  
Eli Broad  
Douglas Cramer  
Joel S. Ehrenkranz  
Gianluigi Gabetti  
Barbara Jakobson  
Werner H. Kramarsky  
June Noble Larkin  
Donald B. Marron

Robert B. Menschel  
Peter G. Peterson  
Gifford Phillips  
Emily Rauh Pulitzer  
David Rockefeller  
Anna Marie Shapiro  
Jeanne C. Thayer  
Joan Tisch

In recognition of special and significant service rendered to the Museum, certain individuals have been elected as Honorary Trustees. Their function is honorary and advisory. At present they are:

Marilyn Arison  
Mrs. Jan Cowles  
Lewis B. Cullman  
H.R.H. Duke Franz of Bavaria  
Maurice R. Greenberg  
Wynton Marsalis  
Richard E. Oldenburg

Milton Petrie  
Lord Rogers of Riverside  
Ted Sann  
Gilbert Silverman  
Yoshio Taniguchi  
David Teiger  
Eugene V. Thaw

The Mayor, the Comptroller, and the Speaker of the Council of The City of New York, the Co-Chairmen of the Museum's Contemporary Arts Council, the President of the International Council, the Chairman of MoMA PS1 and the Director of the Museum serve as *ex officio* Trustees and as such are entitled to attend, in an advisory capacity, all meetings of the Board. Each of the Mayor, the Comptroller, and the Speaker may designate a representative to attend meetings in his or her absence. In addition to regular meetings held approximately five times each year, the Board operates through Board Trustee Committees. Members of the Executive Committee and the Finance Committee are elected annually by the Board as a whole. Members of the other standing committees are appointed by the Chairman of the Board. These committees determine policy for the individual curatorial and administrative departments of the Museum. The Chairman of the Board, the President, and the Director of the Museum are *ex-officio* members of all committees.

### **Organization and Administration**

The operations of the Museum are overseen by the Director. The various departments of the Museum are overseen by the Chief Operating Officer and three Senior Deputy Directors. The Secretary and General Counsel oversees the legal affairs and provides advice on governance matters to the Museum and the Board of Trustees. Managerial and Administrative department head positions are:

Director  
Associate Director  
Chief Operating Officer  
Senior Deputy Director for External Affairs  
Senior Deputy Director for Curatorial Affairs  
Senior Deputy Director for Exhibitions and Collections  
General Counsel  
Chief Financial Officer  
Chief Investment Officer

Glenn D. Lowry  
Kathy Halbreich  
James Gara  
Todd Bishop  
Peter Reed  
Ramona Bannayan  
Patty Lipshutz  
Jan Postma  
Frank Ahimaz

The biographies of certain management personnel follow:

**GLENN D. LOWRY** became the sixth Director of The Museum of Modern Art in 1995. He leads a staff of approximately 750 people and directs an active program of exhibitions, acquisitions, and publications. His major initiatives over the past 17 years include guiding MoMA's \$900 million capital campaign for the renovation and expansion of the Museum, building the Museum's endowment, reinvigorating MoMA's contemporary art program,

and challenging conventional thinking about modern art. A strong advocate of contemporary art, Mr. Lowry conceived and initiated the Museum's successful merger with P.S.1 Contemporary Art Center in 1999 (MoMA PS1). He has lectured and written extensively in support of contemporary art and artists and the role of museums in society, among other topics. Mr. Lowry is a member of the Mori Art Museum International Advisory Committee and the Istanbul Modern International Advisory Board. He is also a Steering Committee Member for the Aga Khan Award for Architecture and on the advisory council of the Department of Art History and Archaeology at Columbia University. In addition, Mr. Lowry is a member of the American Philosophical Society and the National Academy of Arts and Letters. Born in 1954 in New York City and raised in Williamstown, Massachusetts, Mr. Lowry received a B.A. degree (1976) magna cum laude from Williams College, Williamstown, and M.A. (1978) and Ph.D. (1982) degrees in history of art from Harvard University.

**KATHY HALBREICH** joined the Museum as Associate Director in 2008. Ms. Halbreich focuses on curatorial and strategic issues designed to amplify contemporary programs and initiatives at MoMA and MoMA PS1, both locally and globally. Prior to joining the Museum, Ms. Halbreich served as Director of the Walker Art Center for 16 years. Prior to her directorship at the Walker Art Center, Ms. Halbreich was Curator of Contemporary Art at the Museum of Fine Arts, Boston, and the Director and Curator at List Visual Arts Center at the Massachusetts Institute of Technology. Ms. Halbreich was inducted into the American Association of Museums Centennial Honor Roll, is a recipient of the Award for Curatorial Excellence from Bard College, and was named a Chevalier of the French Order of Arts and Letters. Ms. Halbreich has also served as Commissioner for North America and Cuba at the Gwangju Biennale and Curatorial Advisor for Carnegie International as well as a member of the Documenta X and Documenta XIII International Committee.

**JAMES A. GARA**, Chief Operating Officer and Assistant Treasurer of the Museum, has been part of the Museum staff since 1982. Mr. Gara oversees the Departments of Finance, Human Resources, Information Systems, Investments, Operations, Security, and Retail. Mr. Gara serves on the Board of Trustees of the Ethical Culture Fieldston Schools, of which he was formerly Chairman. He is also a Trustee of the Lily Auchincloss Foundation. Mr. Gara has an M.B.A. in Finance from the Wharton School, University of Pennsylvania, an M.A. in Middle Eastern Languages from Columbia University, and a B.A. in History from CUNY.

**TODD BISHOP** is the Senior Deputy Director of External Affairs and Director of MoMA PS1 Development. Mr. Bishop oversees the Museum's outreach strategy and all programs in fundraising and corporate sponsorship, membership, affiliate programs, special events, marketing, communications, and graphic design, in addition to overseeing all fundraising at MoMA PS1. He has been on the Museum's staff since 1997, holding positions in administration, finance, new business development, and fundraising, and since 2004, in fundraising and governance at MoMA PS1. Prior to joining the Museum, Mr. Bishop owned and directed the ARTkammer Gallery in Boston from 1991 to 1993, and previously worked in galleries in Vienna and Salzburg, Austria, and studied at the University of Salzburg. Originally from Houston, Texas, Mr. Bishop holds a Master of Arts degree in Arts Administration from Columbia University and a Bachelor of Arts in Art History from Colby College. In addition, he studied German and Art History at the University of Salzburg, Austria. Mr. Bishop serves on the Board of Directors of PERFORMA, CEC ARTSlink, and The Blood Mountain Foundation in Budapest.

**PETER REED** was named Senior Deputy Director for Curatorial Affairs in 2005. Previously, he was Curator in the Department of Architecture and Design at the Museum from 1999 to 2005. He joined the staff in 1992 as an Assistant Curator, and was appointed Associate Curator in 1994. He oversees the Department of Publications, Library and Archives, Education, and Conservation and serves as a coordinator for all curatorial departments. Before joining the Museum, Mr. Reed taught art history at the University of Pennsylvania and was the Director of Research for Penn's Architectural Archives (1989-92). He holds an M.A. and Ph.D. in art history from the University of Pennsylvania.

**RAMONA BRONKAR BANNAYAN** has been with the Museum since 1990 and was named Senior Deputy Director, Exhibitions and Collections in 2011, after being named Deputy Director, Exhibitions and Collections in 2010. Previously, she was the Director of Collection Management and Exhibition Registration at MoMA. Ms. Bannayan oversees the Departments of Exhibitions, Exhibition Production, Registrar, Art Handling and Preparation, Imaging Services and Collection and Exhibition Technologies. Ms. Bannayan has an M.F.A. from Columbia University where she graduated with honors.

**PATTY LIPSHUTZ** has been Secretary and General Counsel of the Museum since 1998. Ms. Lipshutz oversees the Museum's legal affairs, monitors the activities of the Board, and monitors the Museum's copyright and trademark issues and litigation. She came to the Museum from St. Luke's-Roosevelt Hospital where she was Senior Vice-President for Legal Affairs, General Counsel and Secretary from 1987 to 1998.

**JAN POSTMA** has been with the Museum since 2001 and was named Chief Financial Officer in 2008. Prior to joining the Museum, Mr. Postma worked in investment banking at Merrill Lynch. He received an M.B.A. as a Baker Scholar from Harvard Business School (2005) and a B.A. degree (1999) in economics summa cum laude from Williams College. Mr. Postma is currently pursuing an M.A. in Art History at Hunter College.

**FRANK AHIMAZ** joined the Museum in 2008 as the Chief Investment Officer. Prior to joining the Museum, Mr. Ahimaz was a director at Citigroup in the Investment Banking Department. Mr. Ahimaz has also worked at Merrill Lynch and Morgan Stanley in both alternative investments and investment banking. Mr. Ahimaz graduated with an M.B.A. in Finance from the Wharton School at University of Pennsylvania and a B.S. in aerospace engineering from the Massachusetts Institute of Technology.

### **Curatorial, Publications, and Education Programs**

Curatorial. From an initial gift of eight prints and one drawing, the Museum's collection has grown to include more than 150,000 paintings, sculptures, drawings, prints, illustrated books, photographs, architectural models and drawings, and design objects. The Museum also owns some 22,000 films, videos, media, and performance art works, as well as film stills, scripts, posters, and historical documents. The Museum's library contains over 300,000 books, artist books, and periodicals, and the archives hold over 2,500 linear feet of historical documentation and a photographic archive of tens of thousands of photographs, including installation views of exhibitions and images of the Museum's building and grounds. Each year the Museum acquires numerous works for its collection, through donation or purchase, in each of its curatorial departments.

Acknowledged worldwide for its collection of 20th and now 21st century art, the Museum has been instrumental in introducing the art of this period into the mainstream of modern life. The range of the Museum's program of temporary exhibitions extends from retrospective studies of the work of major modern and contemporary artists to examinations of the cultural and aesthetic contexts of major historical moments, and also supports the work of less well known living artists through continuing exhibitions to review the latest trends in contemporary art.

In furtherance of its curatorial mission with regard to contemporary art, the Museum is also the sole member of P.S.1 Contemporary Art Center, Inc. ("MoMA PS1"), a support organization of the Museum, and appoints all members of the MoMA PS1 Board of Directors. In 2007, MoMA PS1 and the Museum entered into a Management Assistance and Services Agreement whereby the Museum provides management and administrative assistance to MoMA PS1's affairs and operations in certain areas, including accounting and payroll, fundraising and development, coordination of information technology, insurance, and legal affairs. An exhibition space rather than a collecting institution, MoMA PS1 devotes its energy and resources to displaying work that has been described as the most experimental art in the world. A catalyst and an advocate for new ideas, discourses, and trends in contemporary art, MoMA PS1 actively pursues emerging artists, new genres, and adventurous new work by recognized artists in an effort to support innovation in contemporary art.

An indication of the breadth and diversity of the Museum's curatorial program is the following list of exhibitions selected from among more than 150 exhibitions that it has presented over the last ten years: *Matisse Picasso; Max Beckmann; Ansel Adams at 100; Artist's Choice: Mona Hatoum, Here is Elsewhere; Kiki Smith: Prints, Books and Things; Roth Time: A Dieter Roth Retrospective; Tall Buildings; Lee Bontecou: A Retrospective; Friedlander; Pioneering Modern Painting: Cezanne and Pissarro 1865-1885; Safe: Design Takes on Risk; Elizabeth Murray; Beyond the Visible: The Art of Odilon Redon; Pixar: 20 Years of Animation; On-Site: New Architecture in Spain; Edvard Munch: The Modern Life of the Soul; Without Boundary: Seventeen Ways of Looking; Dada: Artists Choice: Herzog & Demeuron, Perception Restrained; Douglas Gordon: Timeline; Out of Time: A Contemporary View; Eye on Europe: Prints, Books, and Multiples / 1960 to Now; Brice Marden: A Retrospective of Paintings and Drawings; Manet and the Execution of Maximilian; Doug Aitken: sleepwalkers; Armando Reveron; Jeff Wall; Comic Abstraction: Image-Breaking, Image-Making; Richard Serra Sculpture: Forty Years; Georges Seurat: The Drawings; Design and the Elastic Mind: Home Delivery: Fabricating the Modern Dwelling; Van Gogh and the Colors of the Night; Joan Miro: Painting and Anti-Painting 1927 — 1937;*

*Pipilotti Rist: Pour Your Body Out; Martin Kippenberger: The Problem Perspective; Into the Sunset: Photography's Image of the American West; Tangled Alphabets: Leon Ferrari and Mira Schendel; James Ensor; In and Out of Amsterdam: Travels in Conceptual Art, 1960 — 1976; Monet's Water Lilies; Bauhaus 1919 — 1933: Workshops for Modernity; Tim Burton; Gabriel Orozco; William Kentridge: Five Themes; Marina Abramovic: The Artist is Present; Henri Cartier Bresson: The Modern Century; Matisse: Radical Invention, 1913-1917; The Original Copy: Photography of Sculpture, 1839 to Today; Small Scale, Big Change: New Architectures of Social Engagement; On Line: Drawing Through the Twentieth Century; Abstract Expressionist New York; Counter Space: Design and the Modern Kitchen; Picasso Guitars: 1912 — 1914; German Expressionism: The Graphic Impulse; Francis Alys: A Story of Deception; Ryan Trecartin: Any Ever; Talk to Me: Design and the Communication between People and Objects; Carlito Carvalhosa: Sum of Days; de Kooning: a Retrospective; Diego Rivera: Murals for The Museum of Modern Art; Clifford Owens: Anthology; Sanja Ivekovic: Sweet Violence; Foreclosed: Rehousing the American Dream; Print/Out; Cindy Sherman; Ecstatic Alphabets/Heaps of Language; Alighiero Boetti: Game Plan; Century of the Child: Growing by Design, 1900-2000; and Some sweet day.*

The Museum's programs are organized through seven curatorial and a number of curatorial support departments. Peter Reed, the Senior Deputy Director for Curatorial Affairs, coordinates the Museum's curatorial activities. In addition, among other activities, Associate Director Kathy Halbreich has worked to amplify the Museum's contemporary art programs, initiatives, and global reach. Several new chief curators, an even deeper curatorial staff, and a new publications team have further enhanced the programming staff since opening of the renovated and expanded main facility in 2004. The curatorial support departments include audiovisual support, collection care, collection exhibition technology, conservation, exhibition administration, exhibition design and production, film operations and preservation, imaging, outgoing loans, provenance, and registrar.

The curatorial departments and their Chief Curators are listed below. Quentin Bajac will join the Museum as the Chief Curator of Photography in January 2013. A search for the new Chief Curator of Media and Performance will commence in early 2013.

Architecture and Design	Barry Bergdoll
Drawings	Connie Butler
Film	Rajendra Roy
Media and Performance	Sabine Breitwieser until January 31, 2013
Painting and Sculpture	Ann Temkin
Photography	Quentin Bajac (January 2013)
Prints and Illustrated Books	Christophe Cherix
Chief Curator at Large / Director of MoMA PS1	Klaus Biesenbach

Each year the Museum is anchored by a vibrant and dynamic program including a rich temporary exhibition schedule at MoMA and MoMA PS1, gallery rotations, a performance art series, the film program, many educational programs, publications, and online content. In FY 2013, the Museum is administering over nineteen major temporary exhibitions at MoMA and MoMA PS1. In addition, the quality and depth of the Museum's collections enable the Museum to maintain an active loan program, which serves institutions both in the United States and abroad: each year, the Museum lends a number of works beyond those exhibited in its own galleries. In FY 2013, five of the Museum's exhibitions are on tour (some to multiple venues) or part of content licensing arrangements. Along with the aforementioned tours and content licensing, in April 2009, the Museum entered into a four-year agreement with the High Museum in Atlanta, GA in order to collaborate on the development of exhibitions, to share knowledge and reach new audiences, and to foster the exchange of expertise, all in furtherance of each institution's non-profit, educational mission; as part of the collaboration agreement, the Museum receives payments from the High Museum as certain activities are completed. *Fast Forward: Modern Moments 1913 >> 2013* is on view at the High Museum into January 2013 and will be followed by *Free Radicals: Contemporary Art 1988-2008* in July of 2013. In May 2011, the Museum also announced a multiyear collaboration agreement with the Art Gallery of Western Australia in Perth (the "Perth Collaboration"); as part of the agreement, the Museum receives payments as certain activities are completed. The Perth Collaboration will feature two large anchor exhibitions interspersed with four smaller focus exhibitions, each drawn from the Museum's collections to explore the work of the most important art and artists of the twentieth century. As part of the Perth Collaboration, *Picasso to*

*Warhol: Fourteen Modern Masters* is on view at the Art Gallery of Western Australia until December 2012 and will be followed by *Picturing New York* in January 2013.

The following exhibitions, among others, are currently on view or are planned at the Museum in the remainder of FY 2013 and first quarter of FY 2014:

- *Quay Brothers: On Deciphering the Pharmacist's Prescription for Lip-Reading Puppets*
- *Alina Szapocnikow: Sculpture Undone, 1955-1972*
- *Edvard Munch: The Scream*
- *Tokyo 1955-1970: A New Avant-Garde*
- *Christian Marclay – The Clock*
- *Inventing Abstraction, 1910-1925*
- *Wolfgang Laib*
- *Bill Brandt: Shadow and Light*
- *Henri Labrouste: Structure Brought to Light*

Acquisitions. In pursuit of its mission, the Museum has collected over 150,000 works of art, including works of painting, sculpture, drawing, prints, illustrated books, photography, film, media, performance art, architecture, and industrial and graphic design. Each year, over 1,000 works are added to this collection, both by donation and by purchase. Notable acquisitions in FY 2012 included 191 punk and post-punk posters from the 1970s and 1980s; Lygia Clark's *The Inside is the Outside* (1963); five 1970s drawings by Marlene Dumas; 40 photographs from the 1960s and 1970s by Sigmar Polke; Henry Taylor's untitled seated portrait (2011); two 1915 monotypes by Henri Matisse; numerous works by Thomas Schütte; Valie Export's *Time and Counter Time* (1973); Martha Rosler's *Bringing the War Home*; Mike Nichols's *Who's Afraid of Virginia Woolf* (1966); and Wael Shawky's *Cabaret Crusaders: The Horror Show File* (2010). In September 2012, the Museum, together with Columbia University, acquired the vast archives of the renowned architect Frank Lloyd Wright, one of the 20th century's most influential architects. A joint acquisition and stewardship agreement completed with the Frank Lloyd Wright Foundation will transfer the archives to the collections of the Museum and Columbia University, enabling greatly enhanced visibility and access for students, scholars, and the public. The archives include some 23,000 architectural drawings, 44,000 historical photographs, large-scale presentation models, manuscripts, extensive correspondence and other documents. More recently, in November 2012, the Museum, announced the gift of Robert Rauschenberg's *Canyon* (1959) to MoMA by the family of legendary gallerist Ileana Sonnabend. *Canyon* is one of Rauschenberg's best-known Combines—a term the artist invented to describe works that combine art materials and a rich variety of other elements.

Publications. Since its founding, the Museum has published some 1,350 editions appearing in 20 languages. Approximately twenty-five new books are published each year, and nearly twenty titles are now available in digital format for download to personal computers, tablets, and mobile devices. Readers can zoom in on high resolution reproductions of artworks to study details. Among the best known of the Museum's publications are the following:

- *The Family of Man* by Edward Steichen
- *Complexity and Contradiction in Architecture* by Robert Venturi
- *Looking at Photographs* by John Szarkowski
- *Jackson Pollock* by Kirk Varnedoe with Pepe Karmel
- *Henri Cartier-Bresson: The Modern Century* by Peter Galassi
- *Mies in Berlin* by Terence Riley and Barry Bergdoll
- *Machine Art* by Philip Johnson
- *Gerhard Richter: Forty Years of Painting* by Robert Storr
- *Matisse Picasso* by John Elderfield, Kirk Varnedoe, et al.
- *The Photographer's Eye* by John Szarkowski
- *Richard Serra Sculpture: Forty Years* by Kynaston McShine et al.
- *Contemporary Chinese Art: Primary Documents* by Wu Hung
- *Bauhaus 1919-1933: Workshops in Modernity* by Barry Bergdoll and Leah Dickerman

- *de Kooning: a Retrospective* by John Elderfield
- *Cindy Sherman* by Eva Respini

Education. The Museum was founded in 1929 as an educational institution and maintains a vast breadth of educational programming, which increased in the years after the opening of the renovated and expanded main facility in 2004. In FY 2012, over 4 million children, students, and adults, of all abilities, were served by the Education Department: over 2.9 million onsite visitors who accessed free interpretative resources including labels and audio guides (offered in nine languages) to support their learning in the galleries; over 1 million who used on-line educational resources; and over 100,000 who participated in programs. Educational resources include informational labels, family guides, interactive games, public tours, audio tours in nine languages, visual description tours for the blind and partially sighted, and resources for other individuals with special needs. The Education Center provides a central location for a wide array of educational resources including three classrooms, a theater, a publicly accessible library, an archives reading room, three curatorial study centers, and programmed “laboratory” spaces such as the interactive space for families, *Material Lab* and *Print Studio*. Educational programs take place throughout weekdays from 9 a.m. through 10 p.m. and on weekends as well. The following is a selected sampling of the programming offered by the education department:

- Interpretation and Research (audioguides for all audiences in nine languages; labels and other in-gallery support for visitor learning; digital resources on-line; interactive games; visitor research projects; evaluation projects)
- Digital Learning (free online resources such as an informal learning site for teachers, students, and educators; audio, video, and multimedia content creation for online learning experiences; instructor-led online courses; self-guided versions of online course content to extend the reach of content and experience; communication and social media outlets for online and onsite visitors)
- Family programs (free gallery conversations; art workshops; artist talks; film screenings; activity guides; websites; interactive spaces for families)
- School visits for kindergarten through high school seniors (free admission for New York City public Title 1 K-8 schools; free admission for all New York City public high schools; customized school partnerships)
- Teen programs (In the Making Art Programs; Cross Museum Collective)
- Teacher programs (weekend teacher workshops; Modern Teachers; Modern Teachers Online; Connecting Collections; customized teacher workshops)
- Selected Internships and Fellowships
- Adult and Academic Programs (Conversations with Contemporary Artists; Modern Poets; Gallery Conversations; Brown Bag Lunch Lectures; interactive spaces offering hands-on workshops; a wide range of exhibition-related lectures, symposia, and panel discussions; a variety of art history and studio courses); sign language interpretation and captioning is available for selected programs
- Access Programs (customized programs for visitors of all ages with disabilities, including families of children with developmental disabilities; programs for individuals who are deaf, hard of hearing, blind or partially sighted; Meet Me At MoMA for persons living with dementia and their caregivers)
- Community Programs (library programs; community and school partnerships)

**Personnel and Related Areas**

Staffing. As of December 15, 2012, a staff of approximately 750 employees was responsible for the operation of the Museum. The Museum has maintained a cap of this approximate staff level since FY 2011.

Labor Relations. As of December 15, 2012, the Museum was party to the following five collective bargaining agreements covering approximately 60% of the Museum’s permanent employees:

<u>Covered Staff</u>	<u>Union</u>	<u>% of Employee</u>	<u>Contract Expiration</u>
Unionized non-management staff	Professional and Administrative Staff Association, Local 2110, U.A.W.	35	May 20, 2015
Unionized security guards	Local 32-BJ, Service and Employees	15	December 31, 2012

	International Union, AFL-CIO		
Unionized engineers, carpenters	Local 30	7	July 31, 2014
Unionized AV technicians, projectionists	Local 306	2	October 31, 2014
Unionized painters	Local 1456	<1	July 21, 2014

The four current collective bargaining agreements that expire in FY 2015 include annual salary increases for the duration of the contracts. The collective bargaining agreement with Local 32-BJ will expire on December 31, 2012, and negotiations are expected to commence in the near future.

Defined Benefit and Defined Contribution Plans. In FY 2009, as part of Museum-wide cost-reduction efforts, the Museum approved changes to its retirement 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. Generally, with certain differences amongst the Museum's non-union and various union staff, all eligible employees were required to opt either to: 1) remain in the defined benefit plan and forgo future matching contributions from the Museum in the defined contribution 403(b) plan, or 2) receive an enhanced match from the Museum in the defined contribution 403(b) plan and forgo future accruals in the defined benefit plan. New employees are eligible to participate in the defined contribution 403(b) plan only, thereby limiting and eventually reducing the number of participants in the defined benefit plan.

As of October 31, 2012, the assets of the Museum's defined benefit pension plan totaled approximately \$55.4 million. As of June 30, 2012, based on prevailing discount rates, the accumulated benefit obligation was \$77.6 million and the projected benefit obligation, which includes all future service estimates, was \$91.0 million. No cash contributions were made into the plan during FY 2012; the Museum expects to make a required cash contribution of approximately \$2 million in FY 2013.

Health and Welfare Plans. Changes to the Museum's healthcare plan were implemented, effective July 1, 2009, to require that most non-union and certain union employees contribute to the plan, based on salary and coverage level. Plan design changes affecting all staff participating in the Museum's healthcare plan were also effective as of July 1, 2009; no further plan design change has been implemented since that time.

Postretirement health and welfare benefit costs are funded by the Museum on a pay-as-you-go basis. The Museum's postretirement benefit liability was \$26.1 million at June 30, 2012. Employees hired after February 1, 2003 are not eligible for the retiree medical plan. Additionally, based on recent changes, employees who retire after November 1, 2009 share the cost of postretirement health coverage by contributing the same percentage of the cost as they contributed while they were active employees just prior to retirement. These actions have lowered the projected growth in the Museum's postretirement benefit liability.

A financial summary of the Museum's Pension Plan and other Postretirement Benefits is included in Footnote 13 to the Museum's FY 2012 Audited Consolidated Financial Statements attached hereto as Section II.

### **Statement of Activity of the Operating Fund**

The following table sets forth certain financial data of the Museum's operations as derived from its Consolidated Statements of Unrestricted Revenues, Expenses and Changes in Unrestricted Net Assets for the period from FY 2008 through FY 2012. The financial data only depicts certain operations of the Museum and does not represent the Museum's consolidated results for any period presented. The financial data for this period were derived from the Museum's financial statements, which were prepared in accordance with accounting principles generally accepted in the United States of America, and should be read in accordance with the Museum's Consolidated Financial Statements for the years ended June 30, 2012 and 2011, and notes thereto, attached as Section II. There has been no material adverse change in the Museum's financial condition since June 30, 2012.

To ensure observance of limitations and restrictions placed on the use of resources available to the Museum, the accounts of the Museum are maintained in accordance with the principles of not-for-profit accounting. This is the procedure by which resources for various purposes are classified for accounting purposes into net assets based on donor restrictions. Separate accounts are maintained for each fund and funds that have similar



characteristics are combined into three net asset categories: permanently restricted, temporarily restricted, and unrestricted.

**The Museum of Modern Art**  
**Financial Data of the Museum Operations of The Museum of Modern Art**  
**for the years ended June 30, 2012, 2011, 2010, 2009, and 2008**

(000's)

	<u>FY 12</u>	<u>FY 11</u>	<u>FY 10</u>	<u>FY 09</u>	<u>FY 08</u>
Revenue and Support:					
Admissions	\$26,810	\$22,695	\$24,792	\$22,373	\$21,380
Membership	16,377	14,991	15,211	14,151	13,732
Investment Income Allocated from Endowment and Restricted Funds	26,782	26,005	24,977	30,959	27,739
Board-designated Increase / (Decrease) in Spending Policy	-	-	(3,250)	2,885	-
Annual Fund Contributions	8,641	8,564	7,924	7,738	8,542
Program Grants, Contributions, Other Revenue from Restricted Funds	11,115	7,589	11,348	11,208	11,920
Other Grants and Contributions	18,365	17,406	11,606	9,962	13,135
Government Support	-	-	-	275	281
Circulation Exhibition Fees	6,096	3,508	2,898	749	611
Other	6,101	6,364	6,980	5,895	6,742
Revenue of Auxiliary Activities	<u>53,090</u>	<u>50,493</u>	<u>53,245</u>	<u>51,700</u>	<u>56,915</u>
<b>Total Revenue and Support</b>	<b><u>173,377</u></b>	<b><u>157,615</u></b>	<b><u>155,731</u></b>	<b><u>157,895</u></b>	<b><u>160,997</u></b>
Operating Expenses:					
Curatorial and Related Support Services	29,731	26,603	24,933	27,083	26,553
Exhibitions	11,081	7,835	10,284	12,885	13,962
Other Programs	4,728	3,771	4,931	3,897	3,534
Membership, Development, and Cultivation	11,051	10,705	10,000	11,215	11,241
Public Information	4,655	4,205	3,634	3,536	3,571
Public Services	5,090	4,530	4,475	4,628	4,549
Facilities/Security/Other Operating	26,420	25,950	25,533	26,023	27,088
Administration and Other	21,881	21,549	20,174	18,856	17,947
Cost of Sales/Other Auxiliary Activities	49,845	47,507	47,754	47,739	50,607
Depreciation (Non-Auxiliary)	2,674	2,295	2,136	1,713	1,390
<b>Total Expenses</b>	<b><u>167,156</u></b>	<b><u>154,950</u></b>	<b><u>153,854</u></b>	<b><u>157,575</u></b>	<b><u>160,442</u></b>
<b>Excess of Revenue and Support over Operating Expenses</b>	<b><u>\$6,221</u></b>	<b><u>\$2,665</u></b>	<b><u>\$1,877</u></b>	<b><u>\$320</u></b>	<b><u>\$555</u></b>

*Management Discussion and Analysis*

The Museum believes that its exhibition schedule, admission fees, membership dues, and general economic conditions in New York City, the nation, and the world are factors that influence its operating results. The first eight fiscal years in the Museum's expanded midtown Manhattan facility were successful across all revenue areas, particularly in the areas of attendance, membership, and retail net income. In FY 2012, the Museum balanced its operating budget for the seventeenth consecutive year, continuing both the revenue growth begun in FY 2011 and the expense management implemented in FY 2009 to navigate the period of economic uncertainty.

In FY 2012, while continuing to focus on programming quality as well as recurring expense reductions implemented in prior years, the Museum extended the revenue growth that had begun in FY 2011. FY 2011 initiatives such as the implementation of a new Customer Relationship Management system that enhanced membership and development activities, a new Digital Member Lounge, and an expanded online course offering with new instructor-led online courses as well as self-guided course options are part of a multi-year plan for growing existing and identifying new sources of revenue. Further, in the fall of FY 2012, the Museum increased ticket and membership prices which resulted in record revenue results in these two categories. In FY 2012, the Museum's attendance (the second highest in history) and membership levels (a new record) were again strong, and the Museum finished the year with a balanced operating budget; net operating revenue of \$6.2 million was used to offset a portion of interest expense, as planned.

Continuing efforts on the part of the Board of Trustees and Museum management are directed toward achieving balanced budgets in the future, as they have been over the last seventeen years. In June 2012, the Board approved the Museum's balanced operating budget for FY 2013, in which budgeted total operating expenses increased approximately 5% over expenses in FY 2012.

The occurrence of unanticipated events may have an adverse impact on whether forecasted surpluses or deficits are realized and the levels at which they may be realized. Many factors could adversely affect demand for the Museum's programs and available funds, including, but not limited to, macroeconomic conditions, a change in discretionary income for travel, ticket or membership prices at other attractions, the construction of other attractions, a change in the patterns of domestic and international leisure travel, changes in the economic or tax landscape that adversely impact philanthropy, currency exchange rates, and the costs or outcome of pending or future litigation. The Museum also budgets for certain levels of investment revenue derived from the investment of its endowment and other funds. Market turbulence affects the value of the Museum's endowment and pension assets and, consequently, the value of, and the amount of revenue from, the Museum's investments may be negatively affected by adverse events in the financial markets.

In FY 2011, \$15.0 million of interest expense was paid on a cash basis through a combination of operating revenues, receipts of campaign pledges, and other sources of revenue, as planned. In FY 2012, \$14.4 million of interest expense was paid on a cash basis through a combination of operating revenues, receipts of campaign pledges, and other sources of revenue, as planned. Going forward, debt service is expected to be paid from receipts of campaign pledges, other fundraising, operating revenues, and/or other sources of revenue.

### *Revenue and Support*

Admissions; Membership. The Museum charges set fees for admissions and sells memberships of various categories. On September 1, 2011, the Museum changed its admission ticket prices: adult prices increased from \$20 to \$25, senior prices increased from \$16 to \$18, and student prices increased from \$12 to \$14. Children under the age of seventeen continue to receive free admission. On November 1, 2011, the Museum changed its membership prices, raising the individual membership price from \$75 to \$85. From July to October 2011, the Museum allowed existing and new members to lock-in one or two year memberships at existing prices. The following chart shows approximate annual attendance and membership for FY 2008 through FY 2012. The attendance figures represent combined onsite attendance at both MoMA and MoMA PS1. As of November 30, 2012, attendance is tracking to reach approximately 2.8 million visitors for FY 2013, and the Museum's membership count stands at approximately 136,000.

<b><u>Fiscal Year</u></b> <b><u>(ending June 30)</u></b>	<b><u>Approximate</u></b> <b><u>Attendance</u></b>	<b><u>Approximate</u></b> <b><u>Membership</u></b>
2008	2,770,000	105,000
2009	2,960,000	119,000
2010	3,220,000	135,000
2011	2,890,000	128,000
2012	3,080,000	141,000

In FY 2012, the Museum's global reach totaled approximately 35 million, including attendance at MoMA, MoMA PS1, and touring exhibitions, traffic in the three retail stores, virtual visitors to MoMA.org, MoMAPS1.org, MoMAstore.org, Facebook and Twitter followers, smart device application downloads, and email count. FY 2012 MoMA.org and MoMAPS1.org traffic exceeded 21 million, approximately a 20% increase year over year. The Museum continued to enhance smart phone capabilities (mobile visits to MoMA.org increased approximately 2.4 times year over year), invest in vibrant exhibition websites, and experiment with video content and streaming live content. Through December 15, 2012, MoMA and MoMA PS1 had over 2.4 million Facebook fans and Twitter followers, an increase of approximately 1.5 times versus the prior year. Also of note, through December 15, 2012, the Museum's e-mail database stood at 794,000 unique addresses, up approximately 30% over a twelve month period, and MoMA smart device applications received more than one million downloads (the Museum's iPhone application downloads: 710,000; *Abstract Expressionist New York* iPad application downloads: 200,000; the Android version of the Museum's iPhone application downloads: 110,000; and MoMA Books application downloads: 50,000).

Investment Income. "Investment income allocated from Endowment and Restricted Funds" appearing in this Statement of Activity of the Operating Fund section reflects transfers of investment income and realized gains from the Museum's endowment to support operations of the Museum. Pursuant to a policy adopted by the Board of Trustees (which policy may be amended by the Board at any time), the Board has limited the amount of available unrestricted endowment that can be budgeted for use in operations of the Museum to 5% of the adjusted average market value of available endowment at the end of the three fiscal years preceding the year for which the budget is being prepared. This policy is intended to permit a larger portion of funds to remain in the endowment to build for the future. 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. For FY 2012 and beyond, the Board of Trustees approved a revised spending policy by which the Museum will draw 5% of a twelve quarter average based on a fiscal year schedule.

In FY 2009, in order to protect donor-restricted endowment funds and programmatic activities, the Board authorized an increase in the spending policy of \$2,885,000, which decreased Board-designated reserves. In FY 2010, to further long term goals, the Board authorized a transfer to Board-designated reserves of \$3,250,000 through a reduction in the spending policy. In FY 2011, there were no Board designated transfers. In FY 2012, the Board authorized a transfer of \$23 million in unrestricted monies out of the endowment to fund a portion of the purchase price for the land and building on West 53rd Street purchased from AFAM. Current investment balances reflect this transfer.

In September 2010, New York State enacted the New York Prudent Management of Institutional Funds Act ("NYPMIFA"). This law governs management spending of donor-restricted endowment funds and permanently restricted gifts. For financial reporting purposes, donor-restricted endowment fund appreciation, gains, and income exceeding donor restrictions are classified as temporarily restricted 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. As a result, a one-time reclassification from unrestricted to temporarily restricted net assets of approximately \$30.8 million measured at June 30, 2010 was reflected within the June 30, 2011 statements of Unrestricted Revenues, Expenses and Changes in Unrestricted Net Assets until such time as they are appropriated for expenditure.

Program Grants, Contributions, and Other Revenue from Restricted Funds; Other Grants and Contributions; Government Support. "Program Grants, Contributions, and Other Revenue From Restricted Funds" and "Other Grants and Contributions" appearing in this Statement of Activity of the Operating Fund section reflect restricted contributions to support the Museum's temporary exhibitions and other projects. The amounts raised in these categories are dependent on the scale of individual exhibitions and programs and vary from year to year. Whenever possible, expenses for a given program or exhibition are matched by grants and other contributions to such program or exhibition.

Auxiliary Activities. "Revenue of Auxiliary Activities," appearing in this Statement of Activity of the Operating Fund section, includes gross sales and other revenues derived from the Museum's retail (including stores, e-commerce, mail order, and trade operations), publishing, and restaurant operations. The Museum's retail operations generate the largest portion of the revenue from Auxiliary Activities. In addition to the Museum Design

and Bookstore within the main facility, the Museum maintains a Design Store on the south side of 53<sup>rd</sup> Street and visible from the Museum entrance. The Museum also operates a retail store at 81 Spring Street in the Soho neighborhood of Manhattan and an e-commerce site. The Museum currently licenses three restaurant facilities at its 53rd Street facility as a service to Museum visitors, members, and the general public.

In addition to the above arrangements, in FY 2011, the Museum received royalties from SANYO Sales and Marketing Corporation and Hyundaicard, Inc. related to retail operations and Knoll, Inc. related to furniture designed by Mies van der Rohe. As of October 2011, the Museum’s arrangement with SANYO Sales and Marketing Corporation ended, and the Museum entered into a new licensing and distribution partnership with Shaddy Co., Ltd., acquired by Nissen Holdings, Ltd., which will maintain the Museum’s retail presence in Japan. In spring 2012, the Museum entered into an arrangement with Design Ideas to be the exclusive wholesale distributor for MoMA branded products. Finally, Scala Archives of Florence, Italy, and its New York representative Art Resource, handle other third-party requests related to the licensing and reproduction of images of works in the Museum’s collections. The Museum continues to explore licensing and other ventures or arrangements to increase revenues.

*Expenses*

The Museum continually reviews cost reduction opportunities as part of its effort to maintain a balanced budget. On a monthly basis the Museum prepares financial statements that compare actual expenses to the Museum’s operating budget; a monthly dashboard of key performance indicators is also included as part of this review. These statements serve to alert management to possible variances from budget so that corrective measures, whenever possible, can be implemented.

*Management and Financial Controls*

A formal Planning Committee guides resource allocation decisions and reviews annual operating and capital budgets, quarterly financial reports, and monthly financial results. The committee also works on formulating assumptions and goals for the Museum’s long-term financial forecast, which is revised annually or in response to a material change in conditions. This committee is made up of, among others, the Director of the Museum and deputy directors representing the various functional areas of the Museum as well as several representatives from the curatorial staff; the Planning Committee is chaired by the Chief Financial Officer. After review by the Planning Committee, budgets, quarterly reports, and long term financial forecasts are presented to the Finance Committee of the Board of Trustees, and then, when applicable, to the full Board of Trustees for review, commentary, revision, if necessary, and approval.

*Outstanding Indebtedness and Related Commitments*

As of December 15, 2012, the following bonds issued by the Trust were outstanding:

<b><u>Outstanding Series of Bonds</u></b>	<b><u>Outstanding Principal Amount</u></b>
Series 2008-One-A Fixed Rate Bonds	\$130,825,000
Series 2010-One-A Fixed Rate Bonds	\$55,285,000
Series 2012-One-D Fixed Rate Bonds	\$52,545,000
Series 2012A TEP Fixed Rate Bonds	<u>\$38,360,000</u>
<b>Total</b>	<b>\$277,015,000</b>

The Series 2001-One-D Bonds callable on July 1, 2012 were defeased in May 2012 (and subsequently redeemed on July 2, 2012) through a combination of refinancing proceeds from the Series 2012-One-D Bonds and a \$43,000,000 short term bridge loan with an interest rate of 1.65%, issued on May 1, 2012, and then repaid by the Museum on May 2, 2012. The Museum incurred a loss on the extinguishment of Series 2001-One-D Bonds of \$1,282,000 related to unamortized deferred financing costs. The retired Series 2001-One-D Bonds met the criteria of defeasance and were not reflected in the consolidated balance sheet at June 30, 2012. Concurrently with the refunding of the Series 2001-One-D Bonds, the Museum refunded the Series 1996A TEP Bonds and Series 2001A TEP Bonds with the Series 2012A TEP Bonds (the “TEP Bonds”), which are payable in the first instance with tax equivalency payments made by owners of the condominium units in a 44-story, 247 unit tower above the West Wing Facility.

The Museum is obligated pursuant to a Payment Agreement with the Trust to cover any shortfalls in the collection of TEPs necessary to pay interest and principal on the TEP Bonds. With respect to the Series 2008 Bonds, the Series 2010 Bonds, and the Series 2012-One-D Bonds (which are not TEP Bonds) (collectively, the “Non-TEP Bonds”), the Museum is obligated pursuant to a Loan Agreement with the Trust to provide amounts sufficient to pay principal of and interest on such Non-TEP Bonds. For further detail on the Series 2012A TEP Bonds, see Footnote 14 to the Consolidated Financial Statements of the Museum for FY 2012 attached hereto as Section II and the section herein concerning “The 2012A BONDS – THE RESIDENTIAL TOWER AND TAX EQUIVALENCY PAYMENTS”.

The Museum also currently maintains a revolving credit facility totaling \$35 million with a financial institution. The proceeds are available for general working capital purposes, capital expenditures, and to bridge finance capital campaign proceeds. As of December 15, 2012, \$3 million was outstanding on this facility. The Museum also has in place a \$20 million taxable fixed rate term loan with a financial institution that matures in January 2013; the Museum has extended this term loan for the past three years. All of the taxable borrowing was incurred in connection with the renovation and expansion of the main facility.

During 2008, the Museum reevaluated its debt portfolio based on conditions in the auction-rate securities market. Based on this review, in July 2008, the Trust issued fixed rate bonds for the benefit of the Museum to refinance all of its outstanding auction rate securities totaling \$198,875,000, including the Series 2000-One A and B issues totaling \$63,875,000 (original issue amount was \$75,750,000) and Series 2001-One A, B and C issues totaling \$135,000,000. As part of the transaction, the Museum terminated a swap that was entered into as part of the December 2001 bond transaction (notional amount of \$85,000,000) and reversed a swap entered into in August 2005 (notional amount at the time of reversal of \$50,000,000) with an offsetting swap. The counterparty for the two remaining offsetting swap contracts is Goldman Sachs Bank USA (the “Counterparty”); notional amount schedules, payment dates, and final maturity dates are identical under each contract, 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. Were a triggering event to occur and the Counterparty elect to exercise its termination rights, the estimated net payment from the Museum to Counterparty based on the market value of the swap contracts as of November 30, 2012 would be approximately \$8.3 million.

*Investments*

The Museum’s investments as of June 30, 2012 are summarized in the table below. The fair value of investments is defined as the exchange price that would be received for an asset in the principal or most advantageous market for the asset in an orderly transaction between participants on the measurement date. The assets themselves are invested as a fungible pool, and are not segregated except by explicit donor stipulation. The value and earnings of the Museum’s investments are subject to changes in the financial markets, and are subject to various other risks, including, but not limited to, credit, interest rate and liquidity risk, lack of a ready market for certain securities or investments, and reliance upon third party investment advisors. Past investment performance cannot be relied upon as an indicator of future results.

<u>Investments at Fair Value (\$000s)</u>	<u>June 30, 2012</u>
Unrestricted investments <sup>(1)</sup>	\$ 422,395
Temporarily restricted investments <sup>(2)</sup>	85,358
Permanently restricted investments <sup>(3)</sup>	164,415
Total	<u>\$ 672,168</u>
Annual rate of return during FY2012 <sup>(4)</sup>	1.9%

<sup>(1)</sup> Unrestricted investments are neither permanently restricted nor temporarily restricted by donor-imposed restrictions.

<sup>(2)</sup> Temporarily restricted investments are subject to 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. Neither principal nor interest is available for payment of any debt of the Museum, including the bonds issued by the Trust for the benefit of the Museum.

<sup>(3)</sup> Permanently restricted investments are subject to donor-imposed restrictions that stipulate that the resources be maintained permanently but permit the Museum to use or expend all or part of the income from the donated assets for specified or unspecified purposes. Neither principal nor interest is available for payment of any debt of the Museum, including the bonds issued by the Trust for the benefit of the Museum.

<sup>(4)</sup> Total return includes interest and dividends received as well as realized and unrealized gains based upon fair value.

The Museum's investments are supervised by the Investment Committee of the Board of Trustees, which reviews the performance of the Museum's investments and makes recommendations to the Board concerning the Museum's investment policies. All investments are professionally managed. The Museum currently retains 41 professional managers and has invested a portion of its funds with partnerships.

The Museum's portfolio (including the Museum's private equity and real estate investments) gained 1.9% in FY 2012. Over the trailing 5-year period ending June 30, 2012, the portfolio generated a compounded average annual gain of 1.7%. For FY 2013, estimated portfolio returns through October 31, 2012 were 5.5%.

The approximate fair value and composition of all the Museum's investments as of June 30, 2012 are shown below.

<b><u>At June 30, 2012</u></b>	<b>Fair Value <sup>(1)</sup></b>	<b>Percent of</b>
	<b><u>(\$000s)</u></b>	<b><u>Portfolio <sup>(1)</sup></u></b>
Liquid reserves	\$ 14,772	2%
Fixed income funds	22,026	3%
Equity Securities	90,328	13%
Registered mutual funds	83,558	12%
Equity investment funds	176,292	27%
Credit	49,440	7%
Multi strategy and other	105,682	16%
Private equity <sup>(3)</sup>	106,445	16%
Real estate/assets <sup>(3)</sup>	<u>23,625</u>	<u>4%</u>
Total investments	<u>\$ 672,168</u>	<u>100%</u>

<sup>(1)</sup> The Museum periodically moves funds between categories in the portfolio. The fair value of the fund balances is based upon a number of factors including publicly reported prices, valuations provided by each of the Museum's external portfolio managers, and valuation of other assets which are available periodically.

<sup>(2)</sup> The Museum makes these investments by acquiring limited partnership interests in partnerships that acquire the investments. Investments may include convertible arbitrage, market neutral or hedged equity investments (long and short stock), risk arbitrage situations, intracapital arbitrage, and other investments involving securities of distressed high-yield companies, including debt and equity of financially distressed and recently reorganized companies, and those in the process of restructuring. The partnerships may also engage in short sales of securities of distressed and high-yield companies. Certain of these partnerships may use leverage.

<sup>(3)</sup> Fair values in certain limited partnerships and trusts have been estimated by the general partners. Because of the inherent uncertainties of valuation of assets of these types, these estimated values may differ from the values that would have been determined if a ready market for the assets existed. Furthermore, these investments cannot be liquidated except with the consent of the general partners. Accordingly, they are considered illiquid.

For a complete description of the cost and fair value of these funds at June 30, 2012, see Footnote 4 of the Consolidated Financial Statements of the Museum for FY 2012 attached hereto as Section II.

### **The 2012A Bonds – The Residential Tower and Tax Equivalency Payments**

A 44-story residential tower of 247 condominium units (the “Residential Tower”) was constructed over the West Wing of the Museum (the “West Wing Facility”) in the early 1980s. The West Wing Facility and the Residential Tower comprise a combined-use facility which was developed by the Trust in accordance with the New York State Cultural Resources Act (the “Act”). The Residential Tower is separate and distinct from the West Wing Facility and was constructed by a private developer unrelated to the Museum or the Trust. Financing for the construction of the Residential Tower and the construction thereof were the sole responsibility of the developer. Under the terms of the Act, the Residential Tower is not subject to real estate taxation; however, the Act requires that tax equivalency payments (“TEPs”) be made to the Trust by the owners of the condominium units in the Residential Tower. As more fully described herein, the TEPs are a source of security for the payment of the Series 2012A Bonds.

The Series 2012A Bonds are special obligations of the Trust, payable solely from the sources provided under the Revenue Bond Resolution. All Series 2012A Bonds are secured on a parity under the Revenue Bond Resolution by a pledge of (i) TEPs made to the Trust pursuant to the Act by the owners of the condominium apartments in the Residential Tower, after the payment of certain administrative costs of the Trust and certain amounts payable to the City under the Act, (ii) payments made by the Museum under the Payment Agreement, dated as of August 1, 1991, as amended and restated (the “Payment Agreement”), by and between the Trust and the Museum, pursuant to which, for so long as any Bond shall remain outstanding, the Museum agrees to make up any deficiencies between amounts on deposit in the Debt Service Fund under the Revenue Bond Resolution and debt service on the Bonds, and (iii) the money and investments in all funds established by or held under the Revenue Bond Resolution (excluding the Rebate Fund). The obligation of the Museum under the Payment Agreement is a general unsecured obligation of the Museum ranking on a parity with all other senior unsecured indebtedness of the Museum, including the Museum’s payment obligation under the Loan Agreement in respect of the Series 2008 Bonds, the Series 2010 Bonds, and the Series 2012-One-D Bonds. As with the Series 2008 Bonds, the Series 2010 Bonds, and the Series 2012-One-D Bonds, none of the Property, the Collections or the Restricted Assets of the Museum will be available to satisfy the obligations of the Museum under the Payment Agreement.

Under the terms of the Act,

- the Residential Tower is not subject to real estate taxation; however, the Act requires that TEPs be made to the Trust by the owners of the condominium units in the Residential Tower;
- if any owner of a unit in the Residential Tower fails to make a required TEPs payment, the Trust will have a lien on the real property on which such TEPs payment was required and will have the right to enforce such lien in the same manner as a taxing district, provided that no judgment of foreclosure may be entered until three years after the first failure to make the TEPs payment; and
- the interest payable on overdue TEPs is the rate that New York City charges on late payments of taxes.

TEPs, like real estate taxes, are calculated by multiplying the current tax or mill rate by the lower of the actual assessed value of the property and its transitional assessed value. The assessed value and the transitional assessed value are determined annually by the City of New York. Pursuant to the New York State Real Property Tax Law, increases in the actual assessed value of property are required to be phased in over five years, resulting in a “transitional assessed value” of the property that reflects the phasing in of the increase. Decreases in the actual assessed value are not phased in over time but are effective immediately.

The table below shows the actual assessed value and the transitional assessed value for each of the Museum’s fiscal years from the fiscal year ending June 30, 2010 through the fiscal year ending June 30, 2012. In connection with the table, the following should be noted:

- The amounts set forth under the column “Actual Assessed Value” reflect annual cumulative increases and decreases in assessed value, without regard to the phasing in over five years of increases, and include the immediate reductions as a result, among other factors, of tax commission settlements with New York City through certiorari filings by owners of units in the Residential Tower.

- The amounts set forth under the column “Transitional Assessed Value” reflect annual increases in the Actual Assessed Value as phased in over five years, as well as decreases in Actual Assessed Value that become effective immediately.
- The amounts set forth under the column “Gross Tax Equivalency Payments” represent the tax equivalency payments billed to the unit owners by the Trust in each year. The basis for the amount of the billings may differ from year to year due to a number of factors. For example, a particular owner’s billing may reflect a credit based upon a settlement of a prior year’s payments. Or, assessed value information received prior to June 30 in one year may not have been received until after June 30 in a subsequent year, thereby causing a delay in the billing as to that unit(s).
- The amounts set forth under the column “Amount Available to pay Debt Service on Bonds” reflect the amount of tax equivalency payments collected during that year, less (1) certain costs of administration of the Trust, and (2) certain payments to The City of New York in lieu of real estate taxes. Collections in any year do not necessarily relate to the amount billed that year, as payments of amounts due in one year may be received in a later year, or an owner may challenge the amount billed and not pay the settlement until a later year.
- With respect to the “Museum Funding Required,” Museum funding is affected by the timing of the receipt of tax equivalency payments. To the extent that tax equivalency payments were received after January 1, they were not available for scheduled January 1 debt service payment on the outstanding Bonds. As of December 15, 2012, approximately \$550,000 in prior tax equivalency payments pertaining to six units in the Residential Tower had not been collected.

Fiscal Year (June 30)	Actual Assessed Value	Transitional Assessed Value	Gross Tax Equivalency Payments	Amount Available for Debt Service	Museum Funding Required
2010	\$47,200,913	\$46,687,231	\$6,181,000	\$4,272,898	\$0
2011	47,200,853	47,465,070	6,303,000	4,645,978	0
2012	49,707,887	47,862,262	6,125,740	4,017,481	0

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 TEP Bonds are not sufficient to pay debt service due from time to time from the Trust to the holders of the TEP Bonds and to complete the 1980 expansion project. Such advances totaled \$35.6 million at June 30, 2012 and 2011 and bore interest at a rate of 9% annually through June 30, 2004. These advances, as well as accrued interest, represent an obligation from the Trust to the Museum, to be paid from future excess TEPs.

Pursuant to an agreement between the Trust and the Museum entered into in 1979 and last amended in 2006, 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. Commencing on July 1, 2009 and thereafter, the unpaid balance of any outstanding advances accrues interest at a floating rate equal to the 3-year Treasury rate in effect on July 1 of that year. The rate was 0.85% through June 30, 2012 and will be 0.39% through June 30, 2013. 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. These authorizations were obtained in August 2006, and the new instruments evidencing the Trust's obligations have now been issued.

In the event that the Museum is required to make further advances to cover debt service on the Series 2012A 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 FY 2012, there were no excess TEPs available in accordance with the Act to reimburse the Museum for its advances. Interest on the aggregate advances from the Museum is presently accruing as described above. Cumulative interest totaled \$131.9 million and \$130.5 million at June 30, 2012 and 2011, respectively.

### **Debt Service on Bonds**

At December 15, 2012, the Series 2012A Bonds, issued at \$38,360,000, were outstanding at this same amount and had an interest rate of 5.0%. Debt service on the Series 2012A Bonds will be paid with available tax equivalency receipts after deduction of Trust expenses and amounts payable to New York City. Principal repayment of the Series 2012A Bonds will be included as part of debt service each year.

### **Other Bonds of the Trust Issued for the Benefit of the Museum**

The Trust has issued several series of its Non-TEP Bonds for the benefit of the Museum in order to finance, and refinance, certain projects. The Non-TEP Bonds are payable from payments made by the Museum pursuant to a Loan Agreement with the Trust. The obligation of the Museum under the Loan Agreement is an unsecured obligation of the Museum and ranks on a parity with all other unsecured indebtedness of the Museum, including the Museum's payment obligation under the Payment Agreement. None of the Property, the Collections, or the Restricted Assets of the Museum will be available to satisfy the obligations of the Museum under the Loan Agreement. There is \$238.7 million aggregate principal amount of the 2012 Non-TEP Bonds outstanding.

**III. B. INFORMATION OF THE TYPE INCLUDED IN THE OFFICIAL STATEMENT DATED JULY 23, 2008 RELATING TO THE SERIES 2008-ONE-A BONDS AND INFORMATION OF THE TYPE INCLUDED IN THE OFFICIAL STATEMENT DATED JULY 29, 2010 RELATING TO THE SERIES 2010-ONE-A REFUNDING REVENUE BONDS AND INFORMATION OF THE TYPE INCLUDED IN THE OFFICIAL STATEMENT DATED APRIL 19, 2012 RELATING TO THE SERIES 2012-ONE-D REFUNDING REVENUE BONDS EACH UNDER THE HEADINGS “INTRODUCTION”; “PROPERTIES OF THE MUSEUM”; “BOARD OF TRUSTEES”; “ORGANIZATION AND ADMINISTRATION”; “CURATORIAL, PUBLICATIONS, AND EDUCATION PROGRAMS”; “PERSONNEL AND RELATED AREAS”; “STATEMENT OF ACTIVITY OF THE OPERATING FUND”; “FUTURE FINANCING”; AND “OTHER BONDS OF THE TRUST ISSUED FOR THE BENEFIT OF THE MUSEUM”.**

## **Introduction**

The Museum of Modern Art (the “Museum” or “MoMA”) is a private, non-profit institution chartered by the State of New York Department of Education in 1929 to foster public awareness of modern and contemporary art. In pursuit of this goal, the Museum has collected over 150,000 works of art, including works of painting, sculpture, drawing, prints, illustrated books, photography, film, media, performance art, architecture, and industrial and graphic design. The Museum also operates a publishing program, conducts an extensive education program, and maintains a major library and archives. Its exhibitions are circulated nationally and internationally.

The Museum’s primary sources of support are admission fees and membership dues, grants from individuals, foundations, and corporations, endowment income, revenues from retail operations, and other revenues.

The Museum is managed by a Board of Trustees currently consisting of 40 voting members. A Director and an administrative and curatorial staff oversee its operations and implement policy set by the Board.

## **Properties of the Museum**

### *Midtown Manhattan Museum*

Main Facility. Although its first exhibition was held in 1929, the Museum did not have a permanent home until 1939 when it moved to the midtown Manhattan facility located on 53rd Street between Fifth Avenue and Avenue of the Americas. Since that time, the Museum has periodically expanded its facilities. The first expansion consisted of the addition of an office wing in 1951. In 1964, the construction of new galleries and study centers and the renovation of the garden of the Museum were undertaken. Further expansion occurred in 1968 when the Museum purchased a building on West 54th Street, which had been built, and was formerly used, by the Whitney Museum of American Art on land that had been originally donated by the Museum. This building was extensively remodeled to provide space for the Museum’s library, conservation laboratories, and art storage rooms.

West Wing Addition. In 1980, the Museum undertook the construction of the six-story West Wing facility (the “West Wing Facility”) adjacent to the Museum’s main facility and the renovation and improvement of the main facility (the “1980 Renovation”). The West Wing Facility and the 1980 Renovation, which were opened in 1984, significantly increased gallery space for Museum collections and temporary exhibitions, accommodated additional public service and other educational activities, and improved restaurant and retail facilities.

Main Facility Renovation and Expansion. In 1996, the Museum acquired three buildings located on West 54th Street and West 53rd Street to the west of the Museum, including property formerly known and operated as the Dorset Hotel (collectively, the “1996 Property”). Demolition of the 1996 Property commenced in the summer of 2000, and governmental and environmental approvals required to undertake the renovation and expansion of the main facility were obtained by December 2000. During the closing of the main facility, a facility in Queens was opened as exhibition space between 2002 and 2004. See “*MoMAQNS*” below.

After four years of construction, the renovated and expanded facility was opened to the public on November 20, 2004, with free opening day admission as a gift to patrons. The reopening commemorated the Museum’s 75th anniversary and heralded the completion of the most extensive rebuilding and renovation project in MoMA’s history. Approximately two years later, on November 28, 2006, the Museum also opened the Lewis B. and Dorothy Cullman Education and Research Center (“Education Center”), which frames the eastern side of the Sculpture Garden, thereby completing the expansion of the main facility.

The main facility of the Museum currently encompasses approximately 630,000 square feet of floor space, nearly double the capacity of the former building, and includes office, storage, education, and library facilities, in addition to exhibition areas. The Museum’s total exhibition space was increased from 85,000 to 125,000 square feet with galleries clustered around a soaring 110-foot-tall atrium (the Donald B. and Catherine C. Marron Atrium) that diffuses natural light throughout the building. The Museum’s facilities also include retail and restaurant operations, study centers, a 205-seat auditorium and a 407-seat auditorium, facilities for the reception and orientation of group visitors, and the expanded Abby Aldrich Rockefeller Sculpture Garden, which has been restored to its 1953 Philip Johnson design. The eight-story, 63,000 square-foot Education Center houses the Museum’s archives and library,

education program and classrooms, four curatorial departments, and several theatres – the 125-seat Celeste Bartos Theater, the 50-seat Warner Screening room, and the 8-seat Mayer Screening Room.

There is one main retail shop within the Museum (MoMA Design and Book Store), a fine dining restaurant (*The Modern*), a casual restaurant and bar (*The Bar Room*), and *Cafe 2* and *Terrace 5*. The restaurants and cafes are operated by Danny Meyer's Art Food, LLC.

The majority of the costs of the main facility renovation and expansion project, including construction and planning, and the related increase in the endowment, were funded with contributions raised and cash received through the Museum's Capital Campaign, including funds it received from The City of New York and the State of New York. In November 1998, the Capital Campaign was publicly announced, with an initial goal of \$650 million. The Museum's Board of Trustees periodically reviewed the progress of the project and of the Capital Campaign. Based on a variety of factors, such as the estimated cost of the project and the strength of its Capital Campaign fundraising efforts, the Museum determined to increase the goal to \$859 million. The Campaign exceeded this goal with over \$900 million in pledges and contributions raised, including government support, of which approximately \$687 million had been collected in cash as of December 15, 2012. Included in the \$900 million pledge total is a \$100 million pledge to the endowment made in fiscal year 2005 by David Rockefeller in the form of a bequest as part of the Capital Campaign; in connection with this gift, Mr. Rockefeller has also pledged and paid \$5 million annually towards unrestricted museum operations, beginning in fiscal year 2006, until the \$100 million pledge is realized.

The property on which the West Wing Facility was developed was conveyed to The Trust for Cultural Resources of The City of New York (the "Trust") by the Museum in 1979 and leased back to the Museum pursuant to a long-term lease providing for nominal lease payments by the Museum. Similarly, the 1996 Property was also conveyed to the Trust by the Museum and is leased back to the Museum, pursuant to a long-term lease providing for nominal lease payments by the Museum. In 2007, the Trust conveyed one of the 1996 Property lots to the Museum. The Museum owns the remainder of its main facility.

West End Project. In May 2007, the Museum and certain of its affiliates sold approximately 162,000 square feet of certain development rights it owned at 50 West 54th Street, 49-55 West 53rd Street, and 44 West 54th Street to W2005 / Hines West Fifty-Third Realty, LLC ("Hines"), an affiliate of international real estate developer Hines Interests LP, after a competitive bidding process. Sale proceeds of \$125 million were principally used to strengthen the Museum's endowment. The Museum retained certain development rights that will be used to add gallery space for the Museum in a mixed use facility to be constructed by Hines as part of the "West End Project."

The West End Project refers to the arrangement between the Museum and Hines through which the Museum's galleries will be extended on the second, fourth and fifth floor galleries (because the second floor is a double-height floor, there is no third floor in this part of the building) of the current building through and to a newly constructed mixed use facility, adding approximately 39,500 square feet of new gallery space, 18,250 square feet for mechanical spaces including stairs and elevator shafts, and 12,250 square feet for other non-public Museum uses including storage. As part of the development, Hines will construct the core and shell of the MoMA-owned space and will use the lobby and the floors above the MoMA-owned space for a residential facility. It is too early to know total project costs for the MoMA-owned space, and the Museum is evaluating the balance between fundraising, financing, and use of existing cash reserves with respect to construction of the new space.

The project will enable MoMA to showcase more works of art from its world-renowned collection, as well as special exhibitions. The additional galleries—a 30% increase in MoMA's existing exhibition space on the second, fourth, and fifth floors—will be seamlessly integrated into the current exhibition galleries, creating an expanded and enhanced visitor experience. This possibility was anticipated in architect Yoshio Taniguchi's design for the 2004 MoMA expansion. There will be no change to the existing Museum entrances or lobby.

In addition, in 2009, the Museum purchased 136,000 square feet of air rights from the University Club, and the air rights were conveyed to the West End Project development site. As part of the transaction with Hines described above, Hines has the right to purchase the University Club air rights from the Museum.

After certification by the Department of City Planning of an application for Special Permits (“Special Permits”) to begin the Uniform Land Use Review Process (“ULURP”) and, pursuant to its approval thereof on September 9, 2009 and of the City Council of the City of New York on October 28, 2009, Special Permits were approved for zoning actions allowing for Hines to construct a mixed use building of 1,050 vertical square feet on the development site, including, amongst other things, the use of the University Club air rights. The Museum and Hines have agreed to delay the closing on the sale of the University Club air rights, in consideration of which the Museum has received a portion of the purchase price; however, there is no guarantee that the closing will occur or that the West End Project will be constructed as described above.

In July 2011, an affiliate corporation of the Museum purchased from The American Folk Art Museum (“AFAM”) the land and building directly adjacent to the Museum and assumed a contract which gives Hines the right to acquire an easement for light and air as well as to purchase certain development rights appurtenant to the property. This acquisition complements and enhances the Museum’s already planned West End Project by allowing for the potential design and construction of additional gallery space and resulting in improved visitor circulation.

#### *Other Manhattan Facilities*

The MoMA Design Store is currently located in space leased by the Museum, which is located across 53rd Street to the south of the Museum. An additional leased retail store is located at 81 Spring Street in the Soho neighborhood of Manhattan.

#### *MoMAQNS*

In 1999, the Museum purchased land and a building located at 45-20 32<sup>nd</sup> Place in Queens (“MoMAQNS”) for the purpose of creating a state-of-the-art art storage and study facility within easy access of midtown Manhattan. Subsequent to the purchase of MoMAQNS, the Museum decided to use a portion of the facility for art exhibitions during the construction period of the main facility renovation and expansion project. In addition, a Museum affiliate purchased a building at 32-33 47<sup>th</sup> Avenue in Queens, contiguous to MoMAQNS, which was leased to a third party through September 2011. The Museum is currently using some of this space for its own mission related purposes.

MoMAQNS opened with an inaugural week of events in June 2002. It closed its exhibitions to the public in September 2004 in anticipation of the re-opening of the new museum in Manhattan on November 20, 2004. MoMAQNS was then converted to and continues to operate as a fully operational storage, study, and imaging facility, which consolidated art storage from fourteen commercial off-site facilities. In addition to art storage, MoMAQNS, houses certain sections of the Museum Library and Archives, four dedicated digital imaging studios and an image archiving studio.

#### *Non-New York Facilities*

The Museum leases a retail distribution center in South River, New Jersey.

The Museum also owns a Film Preservation and Storage Center in Hamlin, Pennsylvania (the “Film Center”). The Film Center is used for the preservation, storage, and maintenance of preserved films and film related materials. The facility consists of two buildings: a 7,900 square foot facility for nitrate films and a 28,000 square foot facility for safety films. Both buildings contain custom-designed shelving, security, temperature, and humidity controls, and fire safety systems. The systems of the Film Center are linked to the Museum’s Department of Film computer catalog, providing access to curators, cataloguers, study center and film guests, and management staff for the purposes of research, acquisitions, loans and inventory details, exhibition programming, and other collection management matters.

#### *Insurance*

The Museum maintains property and liability insurance coverage. The property policy includes coverage for the building, business interruption, earthquake, flood, terrorism, construction, equipment, personal property, etc. The liability coverage includes general, automobile, directors and officers liability, and terrorism coverage. Both

policies include coverage for all owned or rented locations. Additionally, amongst other insurance coverage, the Museum maintains fine arts insurance coverage for its permanent collection of art and works of art on loan.

### Board of Trustees

The governing body of the Museum is the Board of Trustees (the “Board”) whose members (“Trustees”) serve staggered-three year terms. Of the Board’s 45 voting Trustee seats, 40 are presently filled.

Officers of the Museum are elected annually by the Board. All Officers other than the Secretary and Assistant Treasurer are also Trustees. The Museum Director serves as an *ex officio* Trustee. As of December 15, 2012, the officers were as follows:

Honorary Chairman	David Rockefeller
Honorary Chairman	Ronald S. Lauder
Chairman Emeritus	Robert B. Menschel
President Emerita	Agnes Gund
President Emeritus	Donald B. Marron
Chairman	Jerry I. Speyer
President	Marie-Josée Kravis
Vice Chairmen	Sid R. Bass
	Leon D. Black
	Mimi Haas
	Richard E. Salomon
Director	Glenn D. Lowry
Treasurer	Richard E. Salomon
Assistant Treasurer	James Gara
Secretary	Patty Lipshutz

The Board is comprised of the following voting Trustees:

Wallis Annenberg	Marie-Josée Kravis
Sid R. Bass	Ronald S. Lauder
Lawrence B. Benenson	Thomas H. Lee
Leon D. Black	Michael Lynne
Clarissa Alcock Bronfman	Philip S. Niarchos
Patricia Phelps de Cisneros	James G. Niven
Paula Crown	Peter Norton
David Dechman	Maja Oeri
Glenn Dubin	Michael S. Ovitz
John Elkann	Richard D. Parsons
Laurence Fink	David Rockefeller, Jr.
Kathleen Fuld	Sharon Percy Rockefeller
Howard Gardner	Richard E. Salomon
Anne Dias Griffin	Marcus Samuelsson
Agnes Gund	Anna Deavere Smith
Mimi Haas	Jerry I. Speyer
Alexandra A. Herzan	Ricardo Steinbruch
Marlene Hess	Alice M. Tisch
AC Hudgins	Edgar Wachenheim III
Jill Kraus	Gary Winnick

In 1992, the Board of Trustees created the category of Life Trustee to honor voting Trustees who have rendered special and significant service to the Museum over a period of years. Generally, this occurs when the voting Trustee attains the age of 75. Life Trustees may continue to attend Board meetings and serve in a voting capacity on and/or chair Trustee Committees. At present, the Life Trustees are:

Celeste Bartos  
Eli Broad  
Douglas Cramer  
Joel S. Ehrenkranz  
Gianluigi Gabetti  
Barbara Jakobson  
Werner H. Kramarsky  
June Noble Larkin  
Donald B. Marron

Robert B. Menschel  
Peter G. Peterson  
Gifford Phillips  
Emily Rauh Pulitzer  
David Rockefeller  
Anna Marie Shapiro  
Jeanne C. Thayer  
Joan Tisch

In recognition of special and significant service rendered to the Museum, certain individuals have been elected as Honorary Trustees. Their function is honorary and advisory. At present they are:

Marilyn Arison  
Mrs. Jan Cowles  
Lewis B. Cullman  
H.R.H. Duke Franz of Bavaria  
Maurice R. Greenberg  
Wynton Marsalis  
Richard E. Oldenburg

Milton Petrie  
Lord Rogers of Riverside  
Ted Sann  
Gilbert Silverman  
Yoshio Taniguchi  
David Teiger  
Eugene V. Thaw

The Mayor, the Comptroller, and the Speaker of the Council of The City of New York, the Co-Chairmen of the Museum's Contemporary Arts Council, the President of the International Council, the Chairman of MoMA PS1 and the Director of the Museum serve as *ex officio* Trustees and as such are entitled to attend, in an advisory capacity, all meetings of the Board. Each of the Mayor, the Comptroller, and the Speaker may designate a representative to attend meetings in his or her absence. In addition to regular meetings held approximately five times each year, the Board operates through Board Trustee Committees. Members of the Executive Committee and the Finance Committee are elected annually by the Board as a whole. Members of the other standing committees are appointed by the Chairman of the Board. These committees determine policy for the individual curatorial and administrative departments of the Museum. The Chairman of the Board, the President, and the Director of the Museum are *ex-officio* members of all committees.

### **Organization and Administration**

The operations of the Museum are overseen by the Director. The various departments of the Museum are overseen by the Chief Operating Officer and three Senior Deputy Directors. The Secretary and General Counsel oversees the legal affairs and provides advice on governance matters to the Museum and the Board of Trustees. Managerial and Administrative department head positions are:

Director  
Associate Director  
Chief Operating Officer  
Senior Deputy Director for External Affairs  
Senior Deputy Director for Curatorial Affairs  
Senior Deputy Director for Exhibitions and Collections  
General Counsel  
Chief Financial Officer  
Chief Investment Officer

Glenn D. Lowry  
Kathy Halbreich  
James Gara  
Todd Bishop  
Peter Reed  
Ramona Bannayan  
Patty Lipshutz  
Jan Postma  
Frank Ahimaz

The biographies of certain management personnel follow:

**GLENN D. LOWRY** became the sixth Director of The Museum of Modern Art in 1995. He leads a staff of approximately 750 people and directs an active program of exhibitions, acquisitions, and publications. His major initiatives over the past 17 years include guiding MoMA's \$900 million capital campaign for the renovation and expansion of the Museum, building the Museum's endowment, reinvigorating MoMA's contemporary art program,

and challenging conventional thinking about modern art. A strong advocate of contemporary art, Mr. Lowry conceived and initiated the Museum's successful merger with P.S.1 Contemporary Art Center in 1999 (MoMA PS1). He has lectured and written extensively in support of contemporary art and artists and the role of museums in society, among other topics. Mr. Lowry is a member of the Mori Art Museum International Advisory Committee and the Istanbul Modern International Advisory Board. He is also a Steering Committee Member for the Aga Khan Award for Architecture and on the advisory council of the Department of Art History and Archaeology at Columbia University. In addition, Mr. Lowry is a member of the American Philosophical Society and the National Academy of Arts and Letters. Born in 1954 in New York City and raised in Williamstown, Massachusetts, Mr. Lowry received a B.A. degree (1976) magna cum laude from Williams College, Williamstown, and M.A. (1978) and Ph.D. (1982) degrees in history of art from Harvard University.

**KATHY HALBREICH** joined the Museum as Associate Director in 2008. Ms. Halbreich focuses on curatorial and strategic issues designed to amplify contemporary programs and initiatives at MoMA and MoMA PS1, both locally and globally. Prior to joining the Museum, Ms. Halbreich served as Director of the Walker Art Center for 16 years. Prior to her directorship at the Walker Art Center, Ms. Halbreich was Curator of Contemporary Art at the Museum of Fine Arts, Boston, and the Director and Curator at List Visual Arts Center at the Massachusetts Institute of Technology. Ms. Halbreich was inducted into the American Association of Museums Centennial Honor Roll, is a recipient of the Award for Curatorial Excellence from Bard College, and was named a Chevalier of the French Order of Arts and Letters. Ms. Halbreich has also served as Commissioner for North America and Cuba at the Gwangju Biennale and Curatorial Advisor for Carnegie International as well as a member of the Documenta X and Documenta XIII International Committee.

**JAMES A. GARA**, Chief Operating Officer and Assistant Treasurer of the Museum, has been part of the Museum staff since 1982. Mr. Gara oversees the Departments of Finance, Human Resources, Information Systems, Investments, Operations, Security, and Retail. Mr. Gara serves on the Board of Trustees of the Ethical Culture Fieldston Schools, of which he was formerly Chairman. He is also a Trustee of the Lily Auchincloss Foundation. Mr. Gara has an M.B.A. in Finance from the Wharton School, University of Pennsylvania, an M.A. in Middle Eastern Languages from Columbia University, and a B.A. in History from CUNY.

**TODD BISHOP** is the Senior Deputy Director of External Affairs and Director of MoMA PS1 Development. Mr. Bishop oversees the Museum's outreach strategy and all programs in fundraising and corporate sponsorship, membership, affiliate programs, special events, marketing, communications, and graphic design, in addition to overseeing all fundraising at MoMA PS1. He has been on the Museum's staff since 1997, holding positions in administration, finance, new business development, and fundraising, and since 2004, in fundraising and governance at MoMA PS1. Prior to joining the Museum, Mr. Bishop owned and directed the ARTkammer Gallery in Boston from 1991 to 1993, and previously worked in galleries in Vienna and Salzburg, Austria, and studied at the University of Salzburg. Originally from Houston, Texas, Mr. Bishop holds a Master of Arts degree in Arts Administration from Columbia University and a Bachelor of Arts in Art History from Colby College. In addition, he studied German and Art History at the University of Salzburg, Austria. Mr. Bishop serves on the Board of Directors of PERFORMA, CEC ARTSlink, and The Blood Mountain Foundation in Budapest.

**PETER REED** was named Senior Deputy Director for Curatorial Affairs in 2005. Previously, he was Curator in the Department of Architecture and Design at the Museum from 1999 to 2005. He joined the staff in 1992 as an Assistant Curator, and was appointed Associate Curator in 1994. He oversees the Department of Publications, Library and Archives, Education, and Conservation and serves as a coordinator for all curatorial departments. Before joining the Museum, Mr. Reed taught art history at the University of Pennsylvania and was the Director of Research for Penn's Architectural Archives (1989-92). He holds an M.A. and Ph.D. in art history from the University of Pennsylvania.

**RAMONA BRONKAR BANNAYAN** has been with the Museum since 1990 and was named Senior Deputy Director, Exhibitions and Collections in 2011, after being named Deputy Director, Exhibitions and Collections in 2010. Previously, she was the Director of Collection Management and Exhibition Registration at MoMA. Ms. Bannayan oversees the Departments of Exhibitions, Exhibition Production, Registrar, Art Handling and Preparation, Imaging Services and Collection and Exhibition Technologies. Ms. Bannayan has an M.F.A. from Columbia University where she graduated with honors.



**PATTY LIPSHUTZ** has been Secretary and General Counsel of the Museum since 1998. Ms. Lipshutz oversees the Museum's legal affairs, monitors the activities of the Board, and monitors the Museum's copyright and trademark issues and litigation. She came to the Museum from St. Luke's-Roosevelt Hospital where she was Senior Vice-President for Legal Affairs, General Counsel and Secretary from 1987 to 1998.

**JAN POSTMA** has been with the Museum since 2001 and was named Chief Financial Officer in 2008. Prior to joining the Museum, Mr. Postma worked in investment banking at Merrill Lynch. He received an M.B.A. as a Baker Scholar from Harvard Business School (2005) and a B.A. degree (1999) in economics summa cum laude from Williams College. Mr. Postma is currently pursuing an M.A. in Art History at Hunter College.

**FRANK AHIMAZ** joined the Museum in 2008 as the Chief Investment Officer. Prior to joining the Museum, Mr. Ahimaz was a director at Citigroup in the Investment Banking Department. Mr. Ahimaz has also worked at Merrill Lynch and Morgan Stanley in both alternative investments and investment banking. Mr. Ahimaz graduated with an M.B.A. in Finance from the Wharton School at University of Pennsylvania and a B.S. in aerospace engineering from the Massachusetts Institute of Technology.

### **Curatorial, Publications, and Education Programs**

Curatorial. From an initial gift of eight prints and one drawing, the Museum's collection has grown to include more than 150,000 paintings, sculptures, drawings, prints, illustrated books, photographs, architectural models and drawings, and design objects. The Museum also owns some 22,000 films, videos, media, and performance art works, as well as film stills, scripts, posters, and historical documents. The Museum's library contains over 300,000 books, artist books, and periodicals, and the archives hold over 2,500 linear feet of historical documentation and a photographic archive of tens of thousands of photographs, including installation views of exhibitions and images of the Museum's building and grounds. Each year the Museum acquires numerous works for its collection, through donation or purchase, in each of its curatorial departments.

Acknowledged worldwide for its collection of 20th and now 21st century art, the Museum has been instrumental in introducing the art of this period into the mainstream of modern life. The range of the Museum's program of temporary exhibitions extends from retrospective studies of the work of major modern and contemporary artists to examinations of the cultural and aesthetic contexts of major historical moments, and also supports the work of less well known living artists through continuing exhibitions to review the latest trends in contemporary art.

In furtherance of its curatorial mission with regard to contemporary art, the Museum is also the sole member of P.S.1 Contemporary Art Center, Inc. ("MoMA PS1"), a support organization of the Museum, and appoints all members of the MoMA PS1 Board of Directors. In 2007, MoMA PS1 and the Museum entered into a Management Assistance and Services Agreement whereby the Museum provides management and administrative assistance to MoMA PS1's affairs and operations in certain areas, including accounting and payroll, fundraising and development, coordination of information technology, insurance, and legal affairs. An exhibition space rather than a collecting institution, MoMA PS1 devotes its energy and resources to displaying work that has been described as the most experimental art in the world. A catalyst and an advocate for new ideas, discourses, and trends in contemporary art, MoMA PS1 actively pursues emerging artists, new genres, and adventurous new work by recognized artists in an effort to support innovation in contemporary art.

An indication of the breadth and diversity of the Museum's curatorial program is the following list of exhibitions selected from among more than 150 exhibitions that it has presented over the last ten years: *Matisse Picasso; Max Beckmann; Ansel Adams at 100; Artist's Choice: Mona Hatoum, Here is Elsewhere; Kiki Smith: Prints, Books and Things; Roth Time: A Dieter Roth Retrospective; Tall Buildings; Lee Bontecou: A Retrospective; Friedlander; Pioneering Modern Painting: Cezanne and Pissarro 1865-1885; Safe: Design Takes on Risk; Elizabeth Murray; Beyond the Visible: The Art of Odilon Redon; Pixar: 20 Years of Animation; On-Site: New Architecture in Spain; Edvard Munch: The Modern Life of the Soul; Without Boundary: Seventeen Ways of Looking; Dada: Artists Choice: Herzog & Demeuron, Perception Restrained; Douglas Gordon: Timeline; Out of Time: A Contemporary View; Eye on Europe: Prints, Books, and Multiples / 1960 to Now; Brice Marden: A Retrospective of Paintings and Drawings; Manet and the Execution of Maximilian; Doug Aitken: sleepwalkers; Armando Reveron; Jeff Wall; Comic Abstraction: Image-Breaking, Image-Making; Richard Serra Sculpture: Forty Years; Georges Seurat: The Drawings; Design and the Elastic Mind: Home Delivery: Fabricating the Modern Dwelling; Van Gogh and the Colors of the Night; Joan Miro: Painting and Anti-Painting 1927 — 1937;*

*Pipilotti Rist: Pour Your Body Out; Martin Kippenberger: The Problem Perspective; Into the Sunset: Photography's Image of the American West; Tangled Alphabets: Leon Ferrari and Mira Schendel; James Ensor; In and Out of Amsterdam: Travels in Conceptual Art, 1960 — 1976; Monet's Water Lilies; Bauhaus 1919 — 1933: Workshops for Modernity; Tim Burton; Gabriel Orozco; William Kentridge: Five Themes; Marina Abramovic: The Artist is Present; Henri Cartier Bresson: The Modern Century; Matisse: Radical Invention, 1913-1917; The Original Copy: Photography of Sculpture, 1839 to Today; Small Scale, Big Change: New Architectures of Social Engagement; On Line: Drawing Through the Twentieth Century; Abstract Expressionist New York; Counter Space: Design and the Modern Kitchen; Picasso Guitars: 1912 — 1914; German Expressionism: The Graphic Impulse; Francis Alys: A Story of Deception; Ryan Trecartin: Any Ever; Talk to Me: Design and the Communication between People and Objects; Carlito Carvalhosa: Sum of Days; de Kooning: a Retrospective; Diego Rivera: Murals for The Museum of Modern Art; Clifford Owens: Anthology; Sanja Ivekovic: Sweet Violence; Foreclosed: Rehousing the American Dream; Print/Out; Cindy Sherman; Ecstatic Alphabets/Heaps of Language; Alighiero Boetti: Game Plan; Century of the Child: Growing by Design, 1900-2000; and Some sweet day.*

The Museum's programs are organized through seven curatorial and a number of curatorial support departments. Peter Reed, the Senior Deputy Director for Curatorial Affairs, coordinates the Museum's curatorial activities. In addition, among other activities, Associate Director Kathy Halbreich has worked to amplify the Museum's contemporary art programs, initiatives, and global reach. Several new chief curators, an even deeper curatorial staff, and a new publications team have further enhanced the programming staff since opening of the renovated and expanded main facility in 2004. The curatorial support departments include audiovisual support, collection care, collection exhibition technology, conservation, exhibition administration, exhibition design and production, film operations and preservation, imaging, outgoing loans, provenance, and registrar.

The curatorial departments and their Chief Curators are listed below. Quentin Bajac will join the Museum as the Chief Curator of Photography in January 2013. A search for the new Chief Curator of Media and Performance will commence in early 2013.

Architecture and Design	Barry Bergdoll
Drawings	Connie Butler
Film	Rajendra Roy
Media and Performance	Sabine Breitwieser until January 31, 2013
Painting and Sculpture	Ann Temkin
Photography	Quentin Bajac (January 2013)
Prints and Illustrated Books	Christophe Cherix
Chief Curator at Large / Director of MoMA PS1	Klaus Biesenbach

Each year the Museum is anchored by a vibrant and dynamic program including a rich temporary exhibition schedule at MoMA and MoMA PS1, gallery rotations, a performance art series, the film program, many educational programs, publications, and online content. In FY 2013, the Museum is administering over nineteen major temporary exhibitions at MoMA and MoMA PS1. In addition, the quality and depth of the Museum's collections enable the Museum to maintain an active loan program, which serves institutions both in the United States and abroad: each year, the Museum lends a number of works beyond those exhibited in its own galleries. In FY 2013, five of the Museum's exhibitions are on tour (some to multiple venues) or part of content licensing arrangements. Along with the aforementioned tours and content licensing, in April 2009, the Museum entered into a four-year agreement with the High Museum in Atlanta, GA in order to collaborate on the development of exhibitions, to share knowledge and reach new audiences, and to foster the exchange of expertise, all in furtherance of each institution's non-profit, educational mission; as part of the collaboration agreement, the Museum receives payments from the High Museum as certain activities are completed. *Fast Forward: Modern Moments 1913 >> 2013* is on view at the High Museum into January 2013 and will be followed by *Free Radicals: Contemporary Art 1988-2008* in July of 2013. In May 2011, the Museum also announced a multiyear collaboration agreement with the Art Gallery of Western Australia in Perth (the "Perth Collaboration"); as part of the agreement, the Museum receives payments as certain activities are completed. The Perth Collaboration will feature two large anchor exhibitions interspersed with four smaller focus exhibitions, each drawn from the Museum's collections to explore the work of the most important art and artists of the twentieth century. As part of the Perth Collaboration, *Picasso to*

*Warhol: Fourteen Modern Masters* is on view at the Art Gallery of Western Australia until December 2012 and will be followed by *Picturing New York* in January 2013.

The following exhibitions, among others, are currently on view or are planned at the Museum in the remainder of FY 2013 and first quarter of FY 2014:

- *Quay Brothers: On Deciphering the Pharmacist's Prescription for Lip-Reading Puppets*
- *Alina Szapocnikow: Sculpture Undone, 1955-1972*
- *Edvard Munch: The Scream*
- *Tokyo 1955-1970: A New Avant-Garde*
- *Christian Marclay – The Clock*
- *Inventing Abstraction, 1910-1925*
- *Wolfgang Laib*
- *Bill Brandt: Shadow and Light*
- *Henri Labrouste: Structure Brought to Light*

Acquisitions. In pursuit of its mission, the Museum has collected over 150,000 works of art, including works of painting, sculpture, drawing, prints, illustrated books, photography, film, media, performance art, architecture, and industrial and graphic design. Each year, over 1,000 works are added to this collection, both by donation and by purchase. Notable acquisitions in FY 2012 included 191 punk and post-punk posters from the 1970s and 1980s; Lygia Clark's *The Inside is the Outside* (1963); five 1970s drawings by Marlene Dumas; 40 photographs from the 1960s and 1970s by Sigmar Polke; Henry Taylor's untitled seated portrait (2011); two 1915 monotypes by Henri Matisse; numerous works by Thomas Schütte; Valie Export's *Time and Counter Time* (1973); Martha Rosler's *Bringing the War Home*; Mike Nichols's *Who's Afraid of Virginia Woolf* (1966); and Wael Shawky's *Cabaret Crusaders: The Horror Show File* (2010). In September 2012, the Museum, together with Columbia University, acquired the vast archives of the renowned architect Frank Lloyd Wright, one of the 20th century's most influential architects. A joint acquisition and stewardship agreement completed with the Frank Lloyd Wright Foundation will transfer the archives to the collections of the Museum and Columbia University, enabling greatly enhanced visibility and access for students, scholars, and the public. The archives include some 23,000 architectural drawings, 44,000 historical photographs, large-scale presentation models, manuscripts, extensive correspondence and other documents. More recently, in November 2012, the Museum, announced the gift of Robert Rauschenberg's *Canyon* (1959) to MoMA by the family of legendary gallerist Ileana Sonnabend. *Canyon* is one of Rauschenberg's best-known Combines—a term the artist invented to describe works that combine art materials and a rich variety of other elements.

Publications. Since its founding, the Museum has published some 1,350 editions appearing in 20 languages. Approximately twenty-five new books are published each year, and nearly twenty titles are now available in digital format for download to personal computers, tablets, and mobile devices. Readers can zoom in on high resolution reproductions of artworks to study details. Among the best known of the Museum's publications are the following:

- *The Family of Man* by Edward Steichen
- *Complexity and Contradiction in Architecture* by Robert Venturi
- *Looking at Photographs* by John Szarkowski
- *Jackson Pollock* by Kirk Varnedoe with Pepe Karmel
- *Henri Cartier-Bresson: The Modern Century* by Peter Galassi
- *Mies in Berlin* by Terence Riley and Barry Bergdoll
- *Machine Art* by Philip Johnson
- *Gerhard Richter: Forty Years of Painting* by Robert Storr
- *Matisse Picasso* by John Elderfield, Kirk Varnedoe, et al.
- *The Photographer's Eye* by John Szarkowski
- *Richard Serra Sculpture: Forty Years* by Kynaston McShine et al.
- *Contemporary Chinese Art: Primary Documents* by Wu Hung
- *Bauhaus 1919-1933: Workshops in Modernity* by Barry Bergdoll and Leah Dickerman

- *de Kooning: a Retrospective* by John Elderfield
- *Cindy Sherman* by Eva Respini

Education. The Museum was founded in 1929 as an educational institution and maintains a vast breadth of educational programming, which increased in the years after the opening of the renovated and expanded main facility in 2004. In FY 2012, over 4 million children, students, and adults, of all abilities, were served by the Education Department: over 2.9 million onsite visitors who accessed free interpretative resources including labels and audio guides (offered in nine languages) to support their learning in the galleries; over 1 million who used on-line educational resources; and over 100,000 who participated in programs. Educational resources include informational labels, family guides, interactive games, public tours, audio tours in nine languages, visual description tours for the blind and partially sighted, and resources for other individuals with special needs. The Education Center provides a central location for a wide array of educational resources including three classrooms, a theater, a publicly accessible library, an archives reading room, three curatorial study centers, and programmed “laboratory” spaces such as the interactive space for families, *Material Lab* and *Print Studio*. Educational programs take place throughout weekdays from 9 a.m. through 10 p.m. and on weekends as well. The following is a selected sampling of the programming offered by the education department:

- Interpretation and Research (audioguides for all audiences in nine languages; labels and other in-gallery support for visitor learning; digital resources on-line; interactive games; visitor research projects; evaluation projects)
- Digital Learning (free online resources such as an informal learning site for teachers, students, and educators; audio, video, and multimedia content creation for online learning experiences; instructor-led online courses; self-guided versions of online course content to extend the reach of content and experience; communication and social media outlets for online and onsite visitors)
- Family programs (free gallery conversations; art workshops; artist talks; film screenings; activity guides; websites; interactive spaces for families)
- School visits for kindergarten through high school seniors (free admission for New York City public Title 1 K-8 schools; free admission for all New York City public high schools; customized school partnerships)
- Teen programs (In the Making Art Programs; Cross Museum Collective)
- Teacher programs (weekend teacher workshops; Modern Teachers; Modern Teachers Online; Connecting Collections; customized teacher workshops)
- Selected Internships and Fellowships
- Adult and Academic Programs (Conversations with Contemporary Artists; Modern Poets; Gallery Conversations; Brown Bag Lunch Lectures; interactive spaces offering hands-on workshops; a wide range of exhibition-related lectures, symposia, and panel discussions; a variety of art history and studio courses); sign language interpretation and captioning is available for selected programs
- Access Programs (customized programs for visitors of all ages with disabilities, including families of children with developmental disabilities; programs for individuals who are deaf, hard of hearing, blind or partially sighted; Meet Me At MoMA for persons living with dementia and their caregivers)
- Community Programs (library programs; community and school partnerships)

**Personnel and Related Areas**

Staffing. As of December 15, 2012, a staff of approximately 750 employees was responsible for the operation of the Museum. The Museum has maintained a cap of this approximate staff level since FY 2011.

Labor Relations. As of December 15, 2012, the Museum was party to the following five collective bargaining agreements covering approximately 60% of the Museum’s permanent employees:

<u>Covered Staff</u>	<u>Union</u>	<u>% of Employee</u>	<u>Contract Expiration</u>
Unionized non-management staff	Professional and Administrative Staff Association, Local 2110, U.A.W.	35	May 20, 2015
Unionized security guards	Local 32-BJ, Service and Employees	15	December 31, 2012

	International Union, AFL-CIO		
Unionized engineers, carpenters	Local 30	7	July 31, 2014
Unionized AV technicians, projectionists	Local 306	2	October 31, 2014
Unionized painters	Local 1456	<1	July 21, 2014

The four current collective bargaining agreements that expire in FY 2015 include annual salary increases for the duration of the contracts. The collective bargaining agreement with Local 32-BJ will expire on December 31, 2012, and negotiations are expected to commence in the near future.

Defined Benefit and Defined Contribution Plans. In FY 2009, as part of Museum-wide cost-reduction efforts, the Museum approved changes to its retirement 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. Generally, with certain differences amongst the Museum's non-union and various union staff, all eligible employees were required to opt either to: 1) remain in the defined benefit plan and forgo future matching contributions from the Museum in the defined contribution 403(b) plan, or 2) receive an enhanced match from the Museum in the defined contribution 403(b) plan and forgo future accruals in the defined benefit plan. New employees are eligible to participate in the defined contribution 403(b) plan only, thereby limiting and eventually reducing the number of participants in the defined benefit plan.

As of October 31, 2012, the assets of the Museum's defined benefit pension plan totaled approximately \$55.4 million. As of June 30, 2012, based on prevailing discount rates, the accumulated benefit obligation was \$77.6 million and the projected benefit obligation, which includes all future service estimates, was \$91.0 million. No cash contributions were made into the plan during FY 2012; the Museum expects to make a required cash contribution of approximately \$2 million in FY 2013.

Health and Welfare Plans. Changes to the Museum's healthcare plan were implemented, effective July 1, 2009, to require that most non-union and certain union employees contribute to the plan, based on salary and coverage level. Plan design changes affecting all staff participating in the Museum's healthcare plan were also effective as of July 1, 2009; no further plan design change has been implemented since that time.

Postretirement health and welfare benefit costs are funded by the Museum on a pay-as-you-go basis. The Museum's postretirement benefit liability was \$26.1 million at June 30, 2012. Employees hired after February 1, 2003 are not eligible for the retiree medical plan. Additionally, based on recent changes, employees who retire after November 1, 2009 share the cost of postretirement health coverage by contributing the same percentage of the cost as they contributed while they were active employees just prior to retirement. These actions have lowered the projected growth in the Museum's postretirement benefit liability.

A financial summary of the Museum's Pension Plan and other Postretirement Benefits is included in Footnote 13 to the Museum's FY 2012 Audited Consolidated Financial Statements attached hereto as Section II.

### **Statement of Activity of the Operating Fund**

The following table sets forth certain financial data of the Museum's operations as derived from its Consolidated Statements of Unrestricted Revenues, Expenses and Changes in Unrestricted Net Assets for the period from FY 2008 through FY 2012. The financial data only depicts certain operations of the Museum and does not represent the Museum's consolidated results for any period presented. The financial data for this period were derived from the Museum's financial statements, which were prepared in accordance with accounting principles generally accepted in the United States of America, and should be read in accordance with the Museum's Consolidated Financial Statements for the years ended June 30, 2012 and 2011, and notes thereto, attached as Section II. There has been no material adverse change in the Museum's financial condition since June 30, 2012.

To ensure observance of limitations and restrictions placed on the use of resources available to the Museum, the accounts of the Museum are maintained in accordance with the principles of not-for-profit accounting. This is the procedure by which resources for various purposes are classified for accounting purposes into net assets based on donor restrictions. Separate accounts are maintained for each fund and funds that have similar

characteristics are combined into three net asset categories: permanently restricted, temporarily restricted, and unrestricted.

**The Museum of Modern Art**  
**Financial Data of the Museum Operations of The Museum of Modern Art**  
**for the years ended June 30, 2012, 2011, 2010, 2009, and 2008**

(000's)

	<u>FY 12</u>	<u>FY 11</u>	<u>FY 10</u>	<u>FY 09</u>	<u>FY 08</u>
Revenue and Support:					
Admissions	\$26,810	\$22,695	\$24,792	\$22,373	\$21,380
Membership	16,377	14,991	15,211	14,151	13,732
Investment Income Allocated from Endowment and Restricted Funds	26,782	26,005	24,977	30,959	27,739
Board-designated Increase / (Decrease) in Spending Policy	-	-	(3,250)	2,885	-
Annual Fund Contributions	8,641	8,564	7,924	7,738	8,542
Program Grants, Contributions, Other Revenue from Restricted Funds	11,115	7,589	11,348	11,208	11,920
Other Grants and Contributions	18,365	17,406	11,606	9,962	13,135
Government Support	-	-	-	275	281
Circulation Exhibition Fees	6,096	3,508	2,898	749	611
Other	6,101	6,364	6,980	5,895	6,742
Revenue of Auxiliary Activities	<u>53,090</u>	<u>50,493</u>	<u>53,245</u>	<u>51,700</u>	<u>56,915</u>
<b>Total Revenue and Support</b>	<b><u>173,377</u></b>	<b><u>157,615</u></b>	<b><u>155,731</u></b>	<b><u>157,895</u></b>	<b><u>160,997</u></b>
Operating Expenses:					
Curatorial and Related Support Services	29,731	26,603	24,933	27,083	26,553
Exhibitions	11,081	7,835	10,284	12,885	13,962
Other Programs	4,728	3,771	4,931	3,897	3,534
Membership, Development, and Cultivation	11,051	10,705	10,000	11,215	11,241
Public Information	4,655	4,205	3,634	3,536	3,571
Public Services	5,090	4,530	4,475	4,628	4,549
Facilities/Security/Other Operating	26,420	25,950	25,533	26,023	27,088
Administration and Other	21,881	21,549	20,174	18,856	17,947
Cost of Sales/Other Auxiliary Activities	49,845	47,507	47,754	47,739	50,607
Depreciation (Non-Auxiliary)	2,674	2,295	2,136	1,713	1,390
<b>Total Expenses</b>	<b><u>167,156</u></b>	<b><u>154,950</u></b>	<b><u>153,854</u></b>	<b><u>157,575</u></b>	<b><u>160,442</u></b>
<b>Excess of Revenue and Support over Operating Expenses</b>	<b><u>\$6,221</u></b>	<b><u>\$2,665</u></b>	<b><u>\$1,877</u></b>	<b><u>\$320</u></b>	<b><u>\$555</u></b>

*Management Discussion and Analysis*

The Museum believes that its exhibition schedule, admission fees, membership dues, and general economic conditions in New York City, the nation, and the world are factors that influence its operating results. The first eight fiscal years in the Museum's expanded midtown Manhattan facility were successful across all revenue areas, particularly in the areas of attendance, membership, and retail net income. In FY 2012, the Museum balanced its operating budget for the seventeenth consecutive year, continuing both the revenue growth begun in FY 2011 and the expense management implemented in FY 2009 to navigate the period of economic uncertainty.

In FY 2012, while continuing to focus on programming quality as well as recurring expense reductions implemented in prior years, the Museum extended the revenue growth that had begun in FY 2011. FY 2011 initiatives such as the implementation of a new Customer Relationship Management system that enhanced membership and development activities, a new Digital Member Lounge, and an expanded online course offering with new instructor-led online courses as well as self-guided course options are part of a multi-year plan for growing existing and identifying new sources of revenue. Further, in the fall of FY 2012, the Museum increased ticket and membership prices which resulted in record revenue results in these two categories. In FY 2012, the Museum's attendance (the second highest in history) and membership levels (a new record) were again strong, and the Museum finished the year with a balanced operating budget; net operating revenue of \$6.2 million was used to offset a portion of interest expense, as planned.

Continuing efforts on the part of the Board of Trustees and Museum management are directed toward achieving balanced budgets in the future, as they have been over the last seventeen years. In June 2012, the Board approved the Museum's balanced operating budget for FY 2013, in which budgeted total operating expenses increased approximately 5% over expenses in FY 2012.

The occurrence of unanticipated events may have an adverse impact on whether forecasted surpluses or deficits are realized and the levels at which they may be realized. Many factors could adversely affect demand for the Museum's programs and available funds, including, but not limited to, macroeconomic conditions, a change in discretionary income for travel, ticket or membership prices at other attractions, the construction of other attractions, a change in the patterns of domestic and international leisure travel, changes in the economic or tax landscape that adversely impact philanthropy, currency exchange rates, and the costs or outcome of pending or future litigation. The Museum also budgets for certain levels of investment revenue derived from the investment of its endowment and other funds. Market turbulence affects the value of the Museum's endowment and pension assets and, consequently, the value of, and the amount of revenue from, the Museum's investments may be negatively affected by adverse events in the financial markets.

In FY 2011, \$15.0 million of interest expense was paid on a cash basis through a combination of operating revenues, receipts of campaign pledges, and other sources of revenue, as planned. In FY 2012, \$14.4 million of interest expense was paid on a cash basis through a combination of operating revenues, receipts of campaign pledges, and other sources of revenue, as planned. Going forward, debt service is expected to be paid from receipts of campaign pledges, other fundraising, operating revenues, and/or other sources of revenue.

### *Revenue and Support*

Admissions; Membership. The Museum charges set fees for admissions and sells memberships of various categories. On September 1, 2011, the Museum changed its admission ticket prices: adult prices increased from \$20 to \$25, senior prices increased from \$16 to \$18, and student prices increased from \$12 to \$14. Children under the age of seventeen continue to receive free admission. On November 1, 2011, the Museum changed its membership prices, raising the individual membership price from \$75 to \$85. From July to October 2011, the Museum allowed existing and new members to lock-in one or two year memberships at existing prices. The following chart shows approximate annual attendance and membership for FY 2008 through FY 2012. The attendance figures represent combined onsite attendance at both MoMA and MoMA PS1. As of November 30, 2012, attendance is tracking to reach approximately 2.8 million visitors for FY 2013, and the Museum's membership count stands at approximately 136,000.

<b><u>Fiscal Year</u></b> <b><u>(ending June 30)</u></b>	<b><u>Approximate</u></b> <b><u>Attendance</u></b>	<b><u>Approximate</u></b> <b><u>Membership</u></b>
2008	2,770,000	105,000
2009	2,960,000	119,000
2010	3,220,000	135,000
2011	2,890,000	128,000
2012	3,080,000	141,000

In FY 2012, the Museum's global reach totaled approximately 35 million, including attendance at MoMA, MoMA PS1, and touring exhibitions, traffic in the three retail stores, virtual visitors to MoMA.org, MoMAPS1.org, MoMAstore.org, Facebook and Twitter followers, smart device application downloads, and email count. FY 2012 MoMA.org and MoMAPS1.org traffic exceeded 21 million, approximately a 20% increase year over year. The Museum continued to enhance smart phone capabilities (mobile visits to MoMA.org increased approximately 2.4 times year over year), invest in vibrant exhibition websites, and experiment with video content and streaming live content. Through December 15, 2012, MoMA and MoMA PS1 had over 2.4 million Facebook fans and Twitter followers, an increase of approximately 1.5 times versus the prior year. Also of note, through December 15, 2012, the Museum's e-mail database stood at 794,000 unique addresses, up approximately 30% over a twelve month period, and MoMA smart device applications received more than one million downloads (the Museum's iPhone application downloads: 710,000; *Abstract Expressionist New York* iPad application downloads: 200,000; the Android version of the Museum's iPhone application downloads: 110,000; and MoMA Books application downloads: 50,000).

Investment Income. "Investment income allocated from Endowment and Restricted Funds" appearing in this Statement of Activity of the Operating Fund section reflects transfers of investment income and realized gains from the Museum's endowment to support operations of the Museum. Pursuant to a policy adopted by the Board of Trustees (which policy may be amended by the Board at any time), the Board has limited the amount of available unrestricted endowment that can be budgeted for use in operations of the Museum to 5% of the adjusted average market value of available endowment at the end of the three fiscal years preceding the year for which the budget is being prepared. This policy is intended to permit a larger portion of funds to remain in the endowment to build for the future. 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. For FY 2012 and beyond, the Board of Trustees approved a revised spending policy by which the Museum will draw 5% of a twelve quarter average based on a fiscal year schedule.

In FY 2009, in order to protect donor-restricted endowment funds and programmatic activities, the Board authorized an increase in the spending policy of \$2,885,000, which decreased Board-designated reserves. In FY 2010, to further long term goals, the Board authorized a transfer to Board-designated reserves of \$3,250,000 through a reduction in the spending policy. In FY 2011, there were no Board designated transfers. In FY 2012, the Board authorized a transfer of \$23 million in unrestricted monies out of the endowment to fund a portion of the purchase price for the land and building on West 53rd Street purchased from AFAM. Current investment balances reflect this transfer.

In September 2010, New York State enacted the New York Prudent Management of Institutional Funds Act ("NYPMIFA"). This law governs management spending of donor-restricted endowment funds and permanently restricted gifts. For financial reporting purposes, donor-restricted endowment fund appreciation, gains, and income exceeding donor restrictions are classified as temporarily restricted 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. As a result, a one-time reclassification from unrestricted to temporarily restricted net assets of approximately \$30.8 million measured at June 30, 2010 was reflected within the June 30, 2011 statements of Unrestricted Revenues, Expenses and Changes in Unrestricted Net Assets until such time as they are appropriated for expenditure.

Program Grants, Contributions, and Other Revenue from Restricted Funds; Other Grants and Contributions; Government Support. "Program Grants, Contributions, and Other Revenue From Restricted Funds" and "Other Grants and Contributions" appearing in this Statement of Activity of the Operating Fund section reflect restricted contributions to support the Museum's temporary exhibitions and other projects. The amounts raised in these categories are dependent on the scale of individual exhibitions and programs and vary from year to year. Whenever possible, expenses for a given program or exhibition are matched by grants and other contributions to such program or exhibition.

Auxiliary Activities. "Revenue of Auxiliary Activities," appearing in this Statement of Activity of the Operating Fund section, includes gross sales and other revenues derived from the Museum's retail (including stores, e-commerce, mail order, and trade operations), publishing, and restaurant operations. The Museum's retail operations generate the largest portion of the revenue from Auxiliary Activities. In addition to the Museum Design



and Bookstore within the main facility, the Museum maintains a Design Store on the south side of 53<sup>rd</sup> Street and visible from the Museum entrance. The Museum also operates a retail store at 81 Spring Street in the Soho neighborhood of Manhattan and an e-commerce site. The Museum currently licenses three restaurant facilities at its 53rd Street facility as a service to Museum visitors, members, and the general public.

In addition to the above arrangements, in FY 2011, the Museum received royalties from SANYO Sales and Marketing Corporation and Hyundaicard, Inc. related to retail operations and Knoll, Inc. related to furniture designed by Mies van der Rohe. As of October 2011, the Museum’s arrangement with SANYO Sales and Marketing Corporation ended, and the Museum entered into a new licensing and distribution partnership with Shaddy Co., Ltd., acquired by Nissen Holdings, Ltd., which will maintain the Museum’s retail presence in Japan. In spring 2012, the Museum entered into an arrangement with Design Ideas to be the exclusive wholesale distributor for MoMA branded products. Finally, Scala Archives of Florence, Italy, and its New York representative Art Resource, handle other third-party requests related to the licensing and reproduction of images of works in the Museum’s collections. The Museum continues to explore licensing and other ventures or arrangements to increase revenues.

*Expenses*

The Museum continually reviews cost reduction opportunities as part of its effort to maintain a balanced budget. On a monthly basis the Museum prepares financial statements that compare actual expenses to the Museum’s operating budget; a monthly dashboard of key performance indicators is also included as part of this review. These statements serve to alert management to possible variances from budget so that corrective measures, whenever possible, can be implemented.

*Management and Financial Controls*

A formal Planning Committee guides resource allocation decisions and reviews annual operating and capital budgets, quarterly financial reports, and monthly financial results. The committee also works on formulating assumptions and goals for the Museum’s long-term financial forecast, which is revised annually or in response to a material change in conditions. This committee is made up of, among others, the Director of the Museum and deputy directors representing the various functional areas of the Museum as well as several representatives from the curatorial staff; the Planning Committee is chaired by the Chief Financial Officer. After review by the Planning Committee, budgets, quarterly reports, and long term financial forecasts are presented to the Finance Committee of the Board of Trustees, and then, when applicable, to the full Board of Trustees for review, commentary, revision, if necessary, and approval.

*Outstanding Indebtedness and Related Commitments*

As of December 15, 2012, the following bonds issued by the Trust were outstanding:

<b><u>Outstanding Series of Bonds</u></b>	<b><u>Outstanding Principal Amount</u></b>
Series 2008-One-A Fixed Rate Bonds	\$130,825,000
Series 2010-One-A Fixed Rate Bonds	\$55,285,000
Series 2012-One-D Fixed Rate Bonds	\$52,545,000
Series 2012A TEP Fixed Rate Bonds	<u>\$38,360,000</u>
<b>Total</b>	<b>\$277,015,000</b>

The Series 2001-One-D Bonds callable on July 1, 2012 were defeased in May 2012 (and subsequently redeemed on July 2, 2012) through a combination of refinancing proceeds from the Series 2012-One-D Bonds and a \$43,000,000 short term bridge loan with an interest rate of 1.65%, issued on May 1, 2012, and then repaid by the Museum on May 2, 2012. The Museum incurred a loss on the extinguishment of Series 2001-One-D Bonds of \$1,282,000 related to unamortized deferred financing costs. The retired Series 2001-One-D Bonds met the criteria of defeasance and were not reflected in the consolidated balance sheet at June 30, 2012. Concurrently with the refunding of the Series 2001-One-D Bonds, the Museum refunded the Series 1996A TEP Bonds and Series 2001A TEP Bonds with the Series 2012A TEP Bonds (the “TEP Bonds”), which are payable in the first instance with tax equivalency payments made by owners of the condominium units in a 44-story, 247 unit tower above the West Wing Facility.

The Museum is obligated pursuant to a Payment Agreement with the Trust to cover any shortfalls in the collection of TEPs necessary to pay interest and principal on the TEP Bonds. With respect to the Series 2008 Bonds, the Series 2010 Bonds, and the Series 2012-One-D Bonds (which are not TEP Bonds) (collectively, the “Non-TEP Bonds”), the Museum is obligated pursuant to a Loan Agreement with the Trust to provide amounts sufficient to pay principal of and interest on such Non-TEP Bonds. For further detail on the Series 2012A TEP Bonds, see Footnote 14 to the Consolidated Financial Statements of the Museum for FY 2012 attached hereto as Section II.

The Museum also currently maintains a revolving credit facility totaling \$35 million with a financial institution. The proceeds are available for general working capital purposes, capital expenditures, and to bridge finance capital campaign proceeds. As of December 15, 2012, \$3 million was outstanding on this facility. The Museum also has in place a \$20 million taxable fixed rate term loan with a financial institution that matures in January 2013; the Museum has extended this term loan for the past three years. All of the taxable borrowing was incurred in connection with the renovation and expansion of the main facility.

During 2008, the Museum reevaluated its debt portfolio based on conditions in the auction-rate securities market. Based on this review, in July 2008, the Trust issued fixed rate bonds for the benefit of the Museum to refinance all of its outstanding auction rate securities totaling \$198,875,000, including the Series 2000-One A and B issues totaling \$63,875,000 (original issue amount was \$75,750,000) and Series 2001-One A, B and C issues totaling \$135,000,000. As part of the transaction, the Museum terminated a swap that was entered into as part of the December 2001 bond transaction (notional amount of \$85,000,000) and reversed a swap entered into in August 2005 (notional amount at the time of reversal of \$50,000,000) with an offsetting swap. The counterparty for the two remaining offsetting swap contracts is Goldman Sachs Bank USA (the “Counterparty”); notional amount schedules, payment dates, and final maturity dates are identical under each contract, 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. Were a triggering event to occur and the Counterparty elect to exercise its termination rights, the estimated net payment from the Museum to Counterparty based on the market value of the swap contracts as of November 30, 2012 would be approximately \$8.3 million.

*Investments*

The Museum’s investments as of June 30, 2012 are summarized in the table below. The fair value of investments is defined as the exchange price that would be received for an asset in the principal or most advantageous market for the asset in an orderly transaction between participants on the measurement date. The assets themselves are invested as a fungible pool, and are not segregated except by explicit donor stipulation. The value and earnings of the Museum’s investments are subject to changes in the financial markets, and are subject to various other risks, including, but not limited to, credit, interest rate and liquidity risk, lack of a ready market for certain securities or investments, and reliance upon third party investment advisors. Past investment performance cannot be relied upon as an indicator of future results.

<b><u>Investments at Fair Value (\$000s)</u></b>	<b><u>June 30, 2012</u></b>
Unrestricted investments <sup>(1)</sup>	\$ 422,395
Temporarily restricted investments <sup>(2)</sup>	85,358
Permanently restricted investments <sup>(3)</sup>	164,415
Total	<u>\$ 672,168</u>
Annual rate of return during FY2012 <sup>(4)</sup>	1.9%

<sup>(1)</sup> Unrestricted investments are neither permanently restricted nor temporarily restricted by donor-imposed restrictions.

<sup>(2)</sup> Temporarily restricted investments are subject to 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. Neither principal nor interest is available for payment of any debt of the Museum, including the bonds issued by the Trust for the benefit of the Museum.

<sup>(3)</sup> Permanently restricted investments are subject to donor-imposed restrictions that stipulate that the resources be maintained permanently but permit the Museum to use or expend all or part of the income from the donated assets for specified or unspecified purposes. Neither principal nor interest is available for payment of any debt of the Museum, including the bonds issued by the Trust for the benefit of the Museum.

<sup>(4)</sup> Total return includes interest and dividends received as well as realized and unrealized gains based upon fair value.

The Museum's investments are supervised by the Investment Committee of the Board of Trustees, which reviews the performance of the Museum's investments and makes recommendations to the Board concerning the Museum's investment policies. All investments are professionally managed. The Museum currently retains 41 professional managers and has invested a portion of its funds with partnerships.

The Museum's portfolio (including the Museum's private equity and real estate investments) gained 1.9% in FY 2012. Over the trailing 5-year period ending June 30, 2012, the portfolio generated a compounded average annual gain of 1.7%. For FY 2013, estimated portfolio returns through October 31, 2012 were 5.5%.

The approximate fair value and composition of all the Museum's investments as of June 30, 2012 are shown below.

<b><u>At June 30, 2012</u></b>	<b>Fair Value <sup>(1)</sup></b>	<b>Percent of</b>
	<b><u>(\$000s)</u></b>	<b><u>Portfolio <sup>(1)</sup></u></b>
Liquid reserves	\$ 14,772	2%
Fixed income funds	22,026	3%
Equity Securities	90,328	13%
Registered mutual funds	83,558	12%
Equity investment funds	176,292	27%
Credit	49,440	7%
Multi strategy and other	105,682	16%
Private equity <sup>(3)</sup>	106,445	16%
Real estate/assets <sup>(3)</sup>	<u>23,625</u>	<u>4%</u>
Total investments	<u>\$ 672,168</u>	<u>100%</u>

<sup>(1)</sup> The Museum periodically moves funds between categories in the portfolio. The fair value of the fund balances is based upon a number of factors including publicly reported prices, valuations provided by each of the Museum's external portfolio managers, and valuation of other assets which are available periodically.

<sup>(2)</sup> The Museum makes these investments by acquiring limited partnership interests in partnerships that acquire the investments. Investments may include convertible arbitrage, market neutral or hedged equity investments (long and short stock), risk arbitrage situations, intracapital arbitrage, and other investments involving securities of distressed high-yield companies, including debt and equity of financially distressed and recently reorganized companies, and those in the process of restructuring. The partnerships may also engage in short sales of securities of distressed and high-yield companies. Certain of these partnerships may use leverage.

<sup>(3)</sup> Fair values in certain limited partnerships and trusts have been estimated by the general partners. Because of the inherent uncertainties of valuation of assets of these types, these estimated values may differ from the values that would have been determined if a ready market for the assets existed. Furthermore, these investments cannot be liquidated except with the consent of the general partners. Accordingly, they are considered illiquid.

For a complete description of the cost and fair value of these funds at June 30, 2012, see Footnote 4 of the Consolidated Financial Statements of the Museum for FY 2012 attached hereto as Section II.

### **Future Financing**

The Museum is evaluating the balance between fundraising, financing, and existing cash reserves with respect to the West End Project. At this time, no bond issuances are planned.

### **Other Bonds of the Trust Issued for the Benefit of the Museum**

The Trust has issued several series of its revenue bonds (the “TEP Bonds”) for the benefit of the Museum in order to finance, and refinance, the West Wing Project (see “Properties of the Museum”). The West Wing Facility (1980 expansion) was constructed in coordination with a 44-story residential tower of 247 condominium units, which is located over the West Wing Facility (the “Residential Tower”). The West Wing Project and the Residential Tower comprise a combined-use facility which was developed by the Trust in accordance with the New York State Cultural Resources Act (the “Act”). The Residential Tower was constructed by a private developer unrelated to the Museum or the Trust. Under the terms of the Act, the Residential Tower is not subject to real estate taxation; however, the Act requires that tax equivalency payments be made to the Trust by the owners of the condominium units in the Residential Tower. Owners of condominium units in the Residential Tower began to make tax equivalency payments to the Trust in July 1984. There is currently outstanding one series of TEP Bonds, \$38,360,000 of the Trust’s Refunding Revenue Bonds, Series 2012A (The Museum of Modern Art) (the “Outstanding TEP Bonds”).

The TEP Bonds are payable from the tax equivalency payments made by the owners of the condominium units in the Residential Tower and, to the extent that such tax equivalency payments are insufficient therefore, from payments made by the Museum pursuant to a Payment Agreement with the Trust (the “Payment Agreement”). The obligation of the Museum under the Payment Agreement is a good unsecured obligation of the Museum ranking on a parity with all other senior unsecured indebtedness of the Museum, including the Museum’s payment obligation under the Loan Agreement in respect of the Series 2008 Bonds, the Series 2010 Bonds, and the Series 2012-One-D Bonds. As with the Series 2008 Bonds, the Series 2010 Bonds, and the Series 2012-One-D Bonds, none of the Property, the Collections or the Restricted Assets of the Museum will be available to satisfy the obligations of the Museum under the Payment Agreement. In May 2012, the Trust refinanced the Trust’s 1996A and 2001A bond issues with Series 2012A Refunding Revenue Bonds of \$38,360,000 with a final maturity of 2023. The Series 2012A Bonds did not extend the maturity of the 1996A and 2001A bond issues. Tax equivalency payments made to the Trust pursuant to the Act will not be available to pay principal of or interest on the Series 2008 Bonds, the Series 2010 Bonds, or the Series 2012-One-D Bonds.