

The Museum of Modern Art
Consolidated Financial Statements
June 30, 2022 and 2021

The Museum of Modern Art
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June 30, 2022 and 2021

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Report of Independent Auditors

To the Board of Trustees of
The Museum of Modern Art

Opinion

We have audited the accompanying consolidated financial statements of The Museum of Modern Art and its subsidiaries (the “Company”), which comprise the consolidated statements of financial position as of June 30, 2022 and 2021, and the related consolidated statements of activities and of cash flows for the years then ended, including the related notes (collectively referred to as the “consolidated financial statements”).

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company’s ability to continue as a going concern for one year after the date the financial statements are issued.

Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors’ report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a



material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

A handwritten signature in black ink that reads "PricewaterhouseCoopers LLP". The signature is written in a cursive, flowing style.

New York, New York
October 18, 2022

The Museum of Modern Art
Consolidated Statements of Financial Position
June 30, 2022 and 2021

<i>(in thousands of dollars)</i>	2022	2021
Assets		
Cash and cash equivalents	\$ 192,559	\$ 137,279
Receivables		
Accounts receivable and other	7,024	5,451
Contributions receivable, net	90,147	144,605
The Trust for Cultural Resources	28,342	29,542
Inventories	14,148	12,569
Prepaid expenses and other assets	11,069	12,811
Investments		
Accrued investment income and other receivables	677	688
Investments, at fair value	1,489,905	1,645,810
Interest in net assets of International Council	8,998	9,328
Right of use assets	23,863	23,071
Property, plant and equipment, net	671,532	710,435
Museum collections (Note 1)	-	-
Total assets	<u>\$ 2,538,264</u>	<u>\$ 2,731,589</u>
Liabilities and Net Assets		
Accounts payable, accrued expenses and other liabilities	\$ 44,621	\$ 38,297
Lease liability	24,961	23,772
Loans payable, bond premium and deferred financing costs, net of accumulated amortization	358,307	363,172
Pension and postretirement benefit obligations	46,575	74,339
Total liabilities	<u>474,464</u>	<u>499,580</u>
Net assets		
Without donor restrictions	1,199,098	1,308,974
With donor restrictions	864,702	923,035
Total net assets	<u>2,063,800</u>	<u>2,232,009</u>
Total liabilities and net assets	<u>\$ 2,538,264</u>	<u>\$ 2,731,589</u>

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

**The Museum of Modern Art
Consolidated Statements of Activities
Years Ended June 30, 2022 and 2021**

	2022					2021				
	Without Donor Restrictions		Total Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions		Total Without Donor Restrictions	With Donor Restrictions	Total
(in thousands of dollars)	Museum Operations	Plant and Equipment Funded by Designated Gifts				Museum Operations	Plant and Equipment Funded by Designated Gifts			
Operating revenues and other support										
Admissions	\$ 22,473	\$ -	\$ 22,473	\$ -	\$ 22,473	\$ 6,654	\$ -	\$ 6,654	\$ -	\$ 6,654
Membership	13,164	-	13,164	-	13,164	12,218	-	12,218	-	12,218
Investment income-spending policy	58,581	-	58,581	-	58,581	51,827	-	51,827	-	51,827
Annual fund contributions	12,331	-	12,331	-	12,331	14,106	-	14,106	-	14,106
Other grants and contributions	19,573	-	19,573	26,752	46,325	14,924	-	14,924	13,321	28,245
Other	4,070	-	4,070	-	4,070	2,291	-	2,291	-	2,291
Revenue of auxiliary activities	71,192	-	71,192	-	71,192	51,887	-	51,887	-	51,887
Net assets released from restrictions	31,163	-	31,163	(31,163)	-	23,992	-	23,992	(23,992)	-
Total operating revenues and other support	232,547	-	232,547	(4,411)	228,136	177,899	-	177,899	(10,671)	167,228
Operating expenses										
Curatorial and related support services	43,509	-	43,509	-	43,509	38,867	-	38,867	-	38,867
Exhibitions	11,482	-	11,482	-	11,482	6,371	-	6,371	-	6,371
Other museum programs	4,616	-	4,616	-	4,616	3,925	-	3,925	-	3,925
Cost of sales/auxiliary activities	69,204	-	69,204	-	69,204	55,618	-	55,618	-	55,618
Depreciation (nonauxiliary)	5,315	38,115	43,430	-	43,430	5,551	37,805	43,356	-	43,356
Public services	4,287	-	4,287	-	4,287	3,773	-	3,773	-	3,773
Membership, development and cultivation	11,447	-	11,447	-	11,447	9,588	-	9,588	-	9,588
Facilities, security and other	36,418	-	36,418	-	36,418	32,029	-	32,029	-	32,029
Public information	7,099	-	7,099	-	7,099	5,970	-	5,970	-	5,970
Administration and other	28,147	-	28,147	-	28,147	23,806	-	23,806	-	23,806
Total operating expenses	221,524	38,115	259,639	-	259,639	185,498	37,805	223,303	-	223,303
Excess/(Deficit) of operating revenues and support over operating expenses	11,023	(38,115)	(27,092)	(4,411)	(31,503)	(7,599)	(37,805)	(45,404)	(10,671)	(56,075)
Nonoperating revenues, expenses and other support										
Sales of works of art	-	-	-	9,902	9,902	-	-	-	5,620	5,620
Acquisition of works of art	(16,694)	-	(16,694)	-	(16,694)	(8,568)	-	(8,568)	-	(8,568)
Net assets released from restrictions for art acquisitions	16,694	-	16,694	(16,694)	-	8,568	-	8,568	(8,568)	-
Net assets released from restrictions for renovation, expansion and specific purpose	2,877	-	2,877	(2,877)	-	19,198	11,724	30,922	(30,922)	-
Investment return in excess of (less than) amounts designated for operations and specific purposes	(103,985)	-	(103,985)	(74,499)	(178,484)	185,606	-	185,606	156,989	342,595
Contributions restricted for art acquisitions	-	-	-	12,086	12,086	-	-	-	10,220	10,220
Contributions restricted for capital acquisition and permanent endowment	-	-	-	18,160	18,160	-	-	-	42,843	42,843
Board-designated and other contributions	17	-	17	-	17	7	-	7	-	7
Defined benefit plan changes other than net periodic benefit cost	24,010	-	24,010	-	24,010	33,205	-	33,205	-	33,205
Other pension and voluntary transition plan costs	2,293	-	2,293	-	2,293	(8,559)	-	(8,559)	-	(8,559)
Interest expense, change in fair value of interest rate swap agreements and other financing costs	(7,996)	-	(7,996)	-	(7,996)	(6,925)	-	(6,925)	-	(6,925)
Total nonoperating revenues, expenses and other support	(82,784)	-	(82,784)	(53,922)	(136,706)	222,532	11,724	234,256	176,182	410,438
Change in net assets	(71,761)	(38,115)	(109,876)	(58,333)	(168,209)	214,933	(26,081)	188,852	165,511	354,363
Net Assets										
Beginning of year	832,920	476,054	1,308,974	923,035	2,232,009	617,987	502,135	1,120,122	757,524	1,877,646
End of year	\$ 761,159	\$ 437,939	\$ 1,199,098	\$ 864,702	\$ 2,063,800	\$ 832,920	\$ 476,054	\$ 1,308,974	\$ 923,035	\$ 2,232,009

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, 2022 and 2021

<i>(in thousands of dollars)</i>	2022	2021
Cash flows from operating activities		
Change in net assets	\$ (168,209)	\$ 354,363
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation and amortization	41,534	37,968
Debt extinguishment costs	-	2,716
Defined benefit plan changes other than net periodic benefit cost	(24,010)	(33,205)
Change in interest in net assets of International Council	330	(2,382)
Net realized (gain) loss and unrealized appreciation on investments	121,963	(398,911)
Contributions restricted for capital acquisition and permanent endowment	(64,556)	(84,043)
Contributed securities	(4,223)	(14,691)
Proceeds from sales of contributed securities	4,123	3,331
Change in fair value of interest rate swap agreement	(807)	(672)
Sales of works of art	(9,902)	(5,620)
Acquisition of works of art	16,694	8,568
Change in right of use assets	333	-
Changes in assets and liabilities		
Accounts receivable and other	(1,573)	427
Contributions receivable	45,391	51,942
Accrued investment income and other investment receivables	11	571
Inventories	(1,579)	3,049
Prepaid expenses and other assets	1,742	(4,286)
Accounts payable, accrued expenses and other liabilities	7,130	3,216
Pension and postretirement benefit obligations	(3,754)	1,152
Lease liability	(2,353)	(1,770)
Net cash used in operating activities	<u>(41,715)</u>	<u>(78,277)</u>
Cash flows from investing activities		
Purchases of property, plant and equipment	(5,078)	(11,046)
Proceeds from disposition of investments	189,244	340,955
Purchase of investments	(155,488)	(337,493)
Distributions from Trust for Cultural Resources	1,200	640
Proceeds from sales of works of art	9,902	5,620
Acquisition of works of art	(16,694)	(8,568)
Net cash provided by (used in) investing activities	<u>23,086</u>	<u>(9,892)</u>
Cash flows from financing activities		
Contributions restricted for capital acquisition and permanent endowment	64,556	84,043
Proceeds from sales of contributed securities restricted for capital and permanent endowment	9,167	22,540
Proceeds from taxable bond Series 2021 issuance	-	100,000
Partial defeasance of Series 2016 One E Bonds	-	(35,000)
Payments for Series 2021 financing costs and Series 2016 One E debt defeasance	-	(3,440)
Repayment of line of credit and revolvers borrowing	-	(33,800)
Net cash provided by financing activities	<u>73,723</u>	<u>134,343</u>
Net increase in cash, cash equivalents, and restricted cash	55,094	46,174
Cash, cash equivalents, and restricted cash		
Beginning of year	<u>146,192</u>	<u>100,018</u>
End of year	<u>\$ 201,286</u>	<u>\$ 146,192</u>
Supplemental disclosures		
Cash paid in the year for interest	\$ 13,667	\$ 14,359
Contributed securities	13,290	25,871

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

The Museum of Modern Art

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

(in thousands of dollars)

1. Organization and Summary of Significant Accounting Policies

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

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

Intercompany transactions have been eliminated in consolidation. The Museum is the sole member of MoMA PS1, the Support Corp, and AFE, LLC. In addition, the International Council of The Museum of Modern Art (the “Council”) provides exhibition and programming support to the Museum. The Council exclusively supports the Museum in its international programs and activities. The Museum has recorded its interest in 100% of the Council’s net assets of \$8,998 and \$9,328 in the consolidated statements of financial position as of June 30, 2022 and 2021, respectively. These net assets are classified as net assets with donor restrictions. The Council’s net assets consist primarily of cash and cash equivalents and investments which were \$1,429 and \$7,570 respectively, at June 30, 2022 and \$1,189 and \$8,395, respectively, at June 30, 2021. All of the Council’s investments (as of June 30, 2022 and 2021) are maintained within the Museum’s investment portfolio (Notes 3 and 4).

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

The Museum’s significant accounting policies are described below:

Collections

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

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 net assets without donor restrictions. Contributed collection items are not reflected in the consolidated financial statements. Proceeds from sales of works of art, which are reflected as increases in net assets with donor restrictions, are used primarily to acquire other items for the collection.

The Museum of Modern Art

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June 30, 2022 and 2021

(in thousands of dollars)

As noted in the Collection Management Policy, devoting Museum resources to the direct care of the works in the collection is essential to safeguard and preserve the quality of the works and extend their lifespan. Direct care of the collection may include, but is not limited to, providing specialized safe, secure and climate controlled storage and galleries spaces, protecting the works which require it from heat, humidity, theft, visitor handling, fire, dust, excessive lighting, water, pests, physical forces and other elements, as well as providing expert conservation, registration, cataloguing, audio visual, imaging, framing and documentation services. During the years ended June 30, 2022 and 2021, the Museum used \$1,500 of funds from deaccessioning to support the direct care of the collection.

Net Assets

The Museum reports information regarding its consolidated financial position and change in net assets in two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

- Net assets without donor restrictions are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Museum. These net assets may be used at the discretion of the Museum's management and the Board. As reflected in the accompanying consolidated statements of financial position, the Museum and the Board have designated net assets without donor restrictions 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.
 - b. Plant and equipment funded by designated gifts represents fixed assets constructed or acquired with donor specified contributions.
- Net assets with donor restrictions are subject to stipulations imposed by donors. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or by actions taken by the Museum. Some donor-imposed restrictions are perpetual in nature, where the donor stipulates that the resources be maintained in perpetuity. Net assets maintained in perpetuity mainly include endowment contributions. Generally, the donors of these assets permit the Museum to use all or part of the income earned on the related investments for general or specific purposes. Appreciation and income earned on donor-restricted endowment funds are classified as net assets with donor restrictions until appropriated for spending, as more fully disclosed in Note 10.

Contributions

Contributions, including promises to give, are recorded as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. Donor-restricted contributions intended for capital projects are initially recorded as net assets with donor restrictions and released to net assets without donor restrictions when the asset is placed in service. When a time restriction ends, or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the year of contribution are reported as without donor restrictions. Investment income earned on donor-restricted contributions whose restrictions are met within the same year as received is reported in net assets without donor restrictions.

The Museum of Modern Art

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

(in thousands of dollars)

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 received in the years ended June 30, 2022 and 2021. A substantial number of volunteers have contributed 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. The Museum recognized \$4,223 and \$14,691 of revenue related to contributed securities for the years ended June 30, 2022 and 2021, respectively.

Revenue Recognition from Exchange Transactions

The Museum has multiple revenue streams that are accounted for as exchange transactions including admissions, membership and auxiliary activities. Because the Museum’s performance obligations relate to contracts with a duration of less than one year, the Museum has elected to apply the optional exemption provided in Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 606-10-50-14(a), *Revenue from Contracts with Customers*, and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period.

Admissions

The Museum charges stated admission fees and collects and recognizes revenue upon sale for access to the Museum’s galleries, exhibitions, theaters and performance studio.

Membership

The Museum sells memberships of various categories that typically last for a one-year term. The Museum recognizes membership revenue ratably over the membership term. Payment is received at the point of membership sale.

Auxiliary

Revenue from auxiliary activities includes sales and other revenues derived from the Museum’s retail (including stores, e-commerce, mail order, and trade operations), publishing, and restaurant operations. Revenues from retail and restaurant operations are recognized at a point in time upon sale to the customer. The Museum collects cash at point of sale or credit card receipts within a few days of the sale. Revenues from publishing are recognized when publications are shipped to customers or settled under consignment agreements.

Property, Plant and Equipment

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

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

The Museum of Modern Art

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

(in thousands of dollars)

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, 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 and losses and unrealized appreciation and depreciation are earned.

The Museum's investment funds, which include mutual funds and exchange-traded funds, equity funds, fixed income 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, 2022 and 2021. 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 activities. 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 net realizable value.

Cash, Cash Equivalents, and Restricted Cash

Cash and cash equivalents include cash on hand, demand deposits and short-term investments which are highly liquid in nature and have original maturities at the time of purchase of three months or less. At June 30, 2022 and 2021, the Museum's cash and cash equivalents were maintained at financial institutions in excess of federally insured amounts. Management believes that the credit risk to these deposits is minimal.

On the consolidated statements of cash flows, the Museum is required to show restricted cash from investments as part of a reconciliation equating to total cash. The Museum elected to treat cash equivalents that are highly liquid short-term investments within its investment portfolio (Note 4) as short-term investments, and therefore is only including cash held in the portfolio in the consolidated statements of cash flows and not short-term investments.

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Notes to Consolidated Financial Statements

June 30, 2022 and 2021

(in thousands of dollars)

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the consolidated statements of financial position to the amount shown on the consolidated statements of cash flows.

	2022	2021
Cash, cash equivalents, and restricted cash		
Cash and cash equivalents on the consolidated statements of financial position	\$ 192,559	\$ 137,279
Cash included in investments, at fair value on the consolidated statements of financial position	<u>8,727</u>	<u>8,913</u>
Total cash and cash equivalents, and restricted cash on consolidated statements of cash flows	<u>\$ 201,286</u>	<u>\$ 146,192</u>

Measure of Operations

The Museum includes in its measure of operations all revenues and expenses that are an integral part of its programs and supporting activities. The measure of operations does not include sales and acquisition of art work, net assets released from restrictions for art and renovation, expansion and specific purposes, investment return in excess of (less than) amounts designated for operations and specific purposes, interest expense, change in fair value of interest rate swap agreements and other financing costs, contributions restricted for art acquisitions, capital acquisitions and permanent endowment, board-designated and other contributions, defined benefit plan changes other than net periodic benefit cost and other pension and voluntary transition plan cost. The measure of operations also includes investment income pursuant to the spending policy (Note 4) but excludes investment return in excess of that amount. Certain prior year amounts have been reclassified to conform to current year presentation.

Membership, Development and Cultivation

Membership, development and cultivation expenses were \$11,447 and \$9,588, respectively, for the years ended June 30, 2022 and 2021. These amounts include costs attributable to all fundraising activities including Museum operations, expansion and renovation, endowment, and art acquisitions. These costs include current and future donor cultivation, acquisition and retention of membership, membership fulfillment costs, fundraising events for the benefit of the Museum and contribution processing and acknowledgement.

Deferred Financing Costs

Deferred financing costs, included as a direct deduction from the carrying value of the associated debt liability 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.

Advertising Expense

Advertising is recorded as expense in the period incurred. Advertising expense for the years ended June 30, 2022 and 2021 was \$4,369 and \$2,993, respectively.

Functional Expenses

The costs of providing program and other activities have been summarized on a functional basis in the consolidated statements of activities. Operating expenses are presented by functional classification in alignment with the overall mission of the Museum. Expenses that can be identified

The Museum of Modern Art

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

(in thousands of dollars)

with a specific program are charged directly to that program. Expenses that are attributable to more than one functional program are allocated using reasonable techniques. Depreciation, facilities, and security are allocated on a square footage basis.

Use of Estimates

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

Derivative Instruments

The Museum records derivative instruments (e.g., interest rate swap agreements) at fair value in accordance with ASC 815, *Derivatives and Hedging*. 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 activities.

New Accounting Pronouncements

In August 2018, the FASB issued ASU 2018-14, *Compensation—Retirement Benefits—Defined Benefit Plans—General (Subtopic 715-20) Disclosure Framework—Changes to the Disclosure Requirements for Defined Benefit Plans*. The amendments in this ASU modify the disclosure requirements for employers that sponsor defined benefit pension or other postretirement plans. The amendments in this ASU are effective for fiscal years ending after December 15, 2022. The Museum has adopted ASU 2018-14 in fiscal year 2022 and there was no material impact on the consolidated financial statements.

2. Contributions Receivable

Contributions receivable at June 30, 2022 and 2021 are as follows:

	2022	2021
Museum operations, programs and endowment	\$ 42,803	\$ 59,566
Future periods-split interest agreements	317	317
Capital construction and acquisition	62,476	101,708
	<u>105,596</u>	<u>161,591</u>
Less: Discount for present value	(2,650)	(4,187)
Allowance for doubtful accounts	(12,799)	(12,799)
	<u>\$ 90,147</u>	<u>\$ 144,605</u>
Amounts due in		
Less than one year	\$ 60,457	\$ 76,846
One to five years	44,822	84,428
More than five years	317	317
	<u>\$ 105,596</u>	<u>\$ 161,591</u>

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Multi-year pledges initially fair valued in fiscal year 2022 and 2021 are computed using a risk-free rate adjusted for a market risk premium or the credit worthiness of the donor.

3. Financial Instruments

The Museum follows ASC 820, *Fair Value Measurement*, with respect to accounting and reporting for the fair value of its 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.

ASC 820 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, cash and cash equivalents, short term investments, 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 government and corporate bonds, and fixed income, 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.

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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.

ASC 825-10-05, *Financial Instruments*, gives entities the option, at fair value (the Fair Value Option), at specific election dates, to measure certain financial assets and liabilities at fair value. The election may be applied to financial assets and liabilities on an instrument by instrument basis, is irrevocable, and may only be applied to entire instruments. Unrealized gains and losses on instruments for which the fair value option has been elected are reported in earnings at each subsequent reporting date. During fiscal year 2022 and 2021, the Museum did not elect fair value accounting for any assets or liabilities that are not currently required to be measured at fair value.

The following tables summarize the financial instruments reported within the consolidated statements of financial position carried at fair value as of June 30, 2022 and 2021, 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, 2022 Total Fair Value
Assets				
Cash and cash equivalents	\$ 187,875	\$ -	\$ -	\$ 187,875
Short term investments	84,425	-	-	84,425
Government and corporate bonds	-	60,619	-	60,619
Equity securities	205,505	-	-	205,505
Investment funds				
Mutual funds/exchange-traded funds	100,411	-	-	100,411
Fixed income	-	355	-	355
	<u>\$ 578,216</u>	<u>\$ 60,974</u>	<u>\$ -</u>	<u>639,190</u>
Investments measured at NAV				<u>1,038,561</u>
Total assets at fair value				<u>\$ 1,677,751</u>
Liabilities				
Interest rate swaps	\$ -	\$ 3,279	\$ -	\$ 3,279
Total liabilities at fair value	<u>\$ -</u>	<u>\$ 3,279</u>	<u>\$ -</u>	<u>\$ 3,279</u>

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	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	June 30, 2021 Total Fair Value
Assets				
Cash and cash equivalents	\$ 135,894	\$ -	\$ -	\$ 135,894
Short term investments	113,299	-	-	113,299
Government and corporate bonds	-	66,161	-	66,161
Equity securities	233,678	-	-	233,678
Investment funds				
Mutual funds/exchange-traded funds	147,089	-	-	147,089
Fixed income	-	406	-	406
	<u>\$ 629,960</u>	<u>\$ 66,567</u>	<u>\$ -</u>	<u>696,527</u>
Investments measured at NAV				<u>1,086,122</u>
Total assets at fair value				<u>\$ 1,782,649</u>
Liabilities				
Interest rate swaps	<u>\$ -</u>	<u>\$ 4,086</u>	<u>\$ -</u>	<u>\$ 4,086</u>
Total liabilities at fair value	<u>\$ -</u>	<u>\$ 4,086</u>	<u>\$ -</u>	<u>\$ 4,086</u>

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

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

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

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

The Museum uses NAV to determine the fair value of all underlying investments which (a) do not have a readily determinable fair value and (b) prepare their financial statements consistent with the measurement policies of an investment company or have the attributes of an investment company.

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The following tables list investments in other investment companies (in partnership format) by major category. All percentages are based on NAV as of the fiscal year-end.

June 30, 2022							
Investment Strategy	Adjusted Fair Value Determined Using NAV	Number of Funds	Remaining Life*	Unfunded Commitments	Redemption Terms	Redemption Restrictions	Redemption Restrictions in Place at Year End
Fixed Income - Investment funds	\$ 44,071	2	N/A	N/A	Monthly: 59% (with 45 days notice) Quarterly: 41% (with 60 days notice)	See redemption terms.	None
Equity - Investment funds	238,765	6	N/A	N/A	Weekly: 10% Monthly: 27% (with 30 days notice) Quarterly: 18% (with 30 days notice) Quarterly with 25% investor level gate: 20% (with 60 days notice) Quarterly: 5% (with 90 days notice) Annual at 12/31: 20% (with 90 days notice)	See redemption terms.	Full redemption requests made for one funds
Absolute Return - Multi-strategy and other	123,241	5	N/A	N/A	Quarterly with 12.5% investor level gate: 16% (with 45 days notice) Quarterly with 12.5% investor level gate: 31% (with 65 days notice) Quarterly with no investor level gate: 10% (with 90 days notice) Semi-Annual with 50% investor level gate (with 90 days notice): 24% Side-pocketed investments: 19%	See redemption terms.	Full redemption requests made for two funds, with remaining balances comprised of special investments to be liquidated over time.
Absolute Return - Credit	93,118	4	N/A	N/A	Quarterly (with 25% investor level gate): 99% (with 90 days notice) Redeemed and distributing side-pocketed investments: 1%.	See redemption terms.	Full redemption requests made for two funds (representing 1% of assets), with remaining balances comprised of special investments to be liquidated over time.
Private Equity	530,551	70	0-3 Years: 8% 3-5 Years: 7% > 5 Years: 85%	\$ 225,945	N/A	N/A	N/A
Real Assets	8,815	2	0-3 Years: 2% 3-5 Years: 98% > 5 Years: 0%	1,794	N/A	N/A	N/A
	<u>\$ 1,038,561</u>			<u>\$ 227,739</u>			

* Defined as the period between June 30, 2022 and the initial termination date of the fund as defined in legal documentation.

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June 30, 2021							
Investment Strategy	Adjusted Fair Value Determined Using NAV	Number of Funds	Remaining Life*	Unfunded Commitments	Redemption Terms	Redemption Restrictions	Redemption Restrictions in Place at Year End
Fixed Income - Investment funds	\$ 46,215	2	N/A	N/A	Monthly: 61% (with 45 days notice) Quarterly: 39% (with 60 days notice)	See redemption terms.	None
Equity - Investment funds	411,803	8	N/A	N/A	Weekly: 7% (with 6 days notice) Monthly: 21% (with 30 days notice) Quarterly: 21% (with 30 days notice) Quarterly with 1/4 investor level gate: 15% (with 60 days notice) Quarterly with 1/8 investor level gate: 9% (with 45 days notice) Quarterly: 6% (with 90 days notice) Annual at 12/31: 13% (with 90 days notice) Annual at 12/31 with 1/3 investor level gate: 7% (with 90 days notice) Sidepocket (> 3yrs): 1%	See redemption terms.	None
Absolute Return - Multi-strategy and other	80,738	4	N/A	N/A	Quarterly with 1/8 investor level gate: 44% (with 65 days notice) Semi-Annual with 1/2 investor level gate: 40% (with 90 days notice) Sidepocket (> 3 Yrs): 15% Redeemed and distributing side-pocketed investments: 1%	See redemption terms.	Full redemption requests made for two funds (representing 2% of assets), with remaining balances comprised of special investments to be liquidated over time. Remaining investments in third redeemed fund will be distributed when realized.
Absolute Return - Credit	91,306	4	N/A	N/A	Quarterly (with 25% investor level gate): 98% (with 90 days notice) Redeemed and distributing side-pocketed investments: 2%.	See redemption terms.	Full redemption requests made for two funds (representing 2% of assets), with remaining balances comprised of special investments to be liquidated over time.
Private Equity	448,407	50	0-3 Years: 14% 3-5 Years: 5% > 5 Years: 81%	\$ 172,500	N/A	N/A	N/A
Real Assets	7,653	4	0-3 Years: 14% 3-5 Years: 86% > 5 Years: 0%	2,086	N/A	N/A	N/A
	<u>\$ 1,086,122</u>			<u>\$ 174,586</u>			

* Defined as the period between June 30, 2021 and the initial termination date of the fund as defined in legal documentation.

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4. Investments

Investments at June 30, 2022 and 2021 are as follows:

	2022		2021	
	Cost	Fair Value	Cost	Fair Value
Cash	\$ 8,727	\$ 8,727	\$ 8,913	\$ 8,913
Short term investments	84,425	84,425	113,213	113,290
Equity securities	179,212	205,505	145,605	233,678
Government and corporate bonds	64,863	60,497	64,807	66,010
Investment funds				
Mutual funds/ETF	100,088	99,760	134,834	146,191
Fixed income	42,698	44,071	42,196	46,215
Equity (long only)	235,352	238,765	274,932	411,803
Credit	76,271	93,118	72,368	91,306
Multi-strategy and other **	107,248	123,241	49,391	80,738
Private equity	332,218	530,551	270,818	448,407
Real assets	6,067	8,815	7,707	7,653
Investments	<u>\$ 1,237,169</u>	<u>1,497,475</u>	<u>\$ 1,184,782</u>	<u>1,654,205</u>
Less: Investments maintained for the Council		<u>(7,570)</u>		<u>(8,395)</u>
Investments per the consolidated statements of financial position		<u>\$ 1,489,905</u>		<u>\$ 1,645,810</u>

** Included in the fair value at June 30, 2021 are investment subscriptions paid in advance from proceeds from short term investments totaling \$25,000 for which the Museum has paid prior to June 30, 2021.

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, 2022 and 2021, if it had liquidated its investments in the funds on these dates.

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Private equity fund holdings include investments in buyouts, credit and venture capital. Real assets include fund holdings in real estate and energy. The Museum values these investments based upon NAV provided by the investment managers of the underlying funds. As a general rule, investment managers of private equity and real asset funds value investments based upon the best information available for a given circumstance and may incorporate assumptions that are the investment manager's best estimates after consideration of a variety of internal and external factors. Private equity and real asset funds may make investments in securities that are publicly traded, which are generally valued based on observable market prices, unless a restriction exists. Investments for which observable market prices do not exist are reported at fair value as determined by the fund's 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, 2022 and 2021, if it had liquidated its investments in the funds on these dates.

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

Investment Income

Pursuant to the Museum's spending policy, an amount equal to a combination of 25% determined by calculating 5% of the ending annual market value and 75% determined based on the previous year's draw adjusted for inflation (for those funds not governed by contrary donor-imposed restrictions) was made available for operations during each of the years ended June 30, 2022 and 2021.

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The following schedules summarize the investment return and its classification in the consolidated statements of activities for the years ended June 30, 2022 and 2021:

	Without Restrictions	With Restrictions	Total 2022
Dividends and interest, net of investment management and related fees of \$12,434	\$ 2,105	\$ 222	\$ 2,327
Net realized gains, changes in unrealized appreciation	<u>(47,509)</u>	<u>(74,721)</u>	<u>(122,230)</u>
Total return on long-term investments	<u>(45,404)</u>	<u>(74,499)</u>	<u>(119,903)</u>
Museum operations (spending policy)	(57,880)	-	(57,880)
Auxiliary activities (spending policy)	<u>(701)</u>	<u>-</u>	<u>(701)</u>
Total spending policy	<u>(58,581)</u>	<u>-</u>	<u>(58,581)</u>
Investment return less than amounts designated for operations and specific purposes	<u>\$ (103,985)</u>	<u>\$ (74,499)</u>	<u>\$ (178,484)</u>

	Without Restrictions	With Restrictions	Total 2021
Dividends and interest, net of investment management and related fees of \$25,450	\$ (11,242)	\$ 573	\$ (10,669)
Net realized gains, changes in unrealized appreciation	<u>248,675</u>	<u>156,416</u>	<u>405,091</u>
Total return on long-term investments	<u>237,433</u>	<u>156,989</u>	<u>394,422</u>
Museum operations (spending policy)	(51,178)	-	(51,178)
Auxiliary activities (spending policy)	<u>(649)</u>	<u>-</u>	<u>(649)</u>
Total spending policy	<u>(51,827)</u>	<u>-</u>	<u>(51,827)</u>
Investment return in excess of amounts designated for operations and specific purposes	<u>\$ 185,606</u>	<u>\$ 156,989</u>	<u>\$ 342,595</u>

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5. Liquidity

The Museum's financial assets and resources available to meet cash needs for general expenditures within one year of the date of the consolidated statements of financial position were as follows:

	2022	2021
Financial assets		
Total assets at year-end	\$ 2,538,264	\$ 2,731,589
Less non-financial assets		
Property, plant and equipment, net	(671,532)	(710,435)
The Trust for Cultural Resources receivable	(28,342)	(29,542)
Prepaid expenses and other assets	(11,069)	(12,811)
Inventory	(14,148)	(12,569)
Interest in net assets of International Council	(8,998)	(9,328)
Right of use assets	(23,863)	(23,071)
Contributions receivable (with restriction)	(83,179)	(136,839)
Financial assets, at year-end	<u>1,697,133</u>	<u>1,796,994</u>
Less amounts unavailable for general expenditure within one year		
Restricted by donor with time or purpose restrictions	(96,735)	(97,750)
Held in perpetuity and subject to appropriation and satisfaction of donor restrictions	(605,229)	(653,067)
Financial assets available to meet cash needs for general expenditures within one year	995,169	1,046,177
Liquidity resources		
Available bank lines of credit and revolvers	<u>37,000</u>	<u>72,000</u>
Total financial assets and resources available within one year	<u>\$ 1,032,169</u>	<u>\$ 1,118,177</u>

As an integral part of the Museum's liquidity management strategy, the Museum structures its financial assets to be available as general expenditures, liabilities including debt service, and other obligations come due. The Museum invests cash in excess of daily requirements in short-term money market funds. Cash withdrawals from the investment pool are in sync with the Museum's spending policy but may be adjusted periodically based on the timing of gifts received, capital calls, income and capital distributions, operating expenses and other factors affecting available cash. Endowment funds appropriated for spending are distributed to Museum departments quarterly or held for general operating purposes. To manage potential liquidity needs, the Museum also has bank revolvers and lines of credit which totaled \$37,000 and \$72,000 at June 30, 2022 and 2021, of which \$37,000 and \$72,000 at June 30, 2022 and 2021, respectively, remain available.

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Included in the total financial assets and resources available within one year are board designated endowments funds of \$159,438 and \$177,765 at June 30, 2022 and 2021, respectively. The Museum does not intend to spend from its board designated endowment funds other than amounts appropriated for expenditure as part of the annual budget process approval; however, amounts from its board designated endowment could be made available, if necessary.

The Museum acknowledges that there exists uncertainty arising from general macroeconomic conditions as well as the lingering impact of the COVID-19 worldwide pandemic. The impact of such uncertainty could include, but is not limited to, continued lowered visitation due to curtailment of travel; lower than projected revenues from fundraising, membership, and retail operations; an adverse change in the value of the Museum's investment portfolio; and the possibility of another closing or a new, more dangerous COVID-19 variant. At this time, the Museum believes it will meet all obligations as they become due as a result of initiatives implemented to grow revenues and contain cost growth, agreements in place, and its overall liquidity.

However, the ultimate impact of the aforementioned uncertainty is difficult to predict and may be material to the Museum's future results and financial position.

6. Inventories

At June 30, 2022 and 2021, inventories are as follows:

	2022	2021
Publishing and retail		
Available for sales	\$ 13,684	\$ 12,063
Work in process	<u>427</u>	<u>467</u>
	14,111	12,530
All other	<u>37</u>	<u>38</u>
	<u>\$ 14,148</u>	<u>\$ 12,569</u>

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7. Property, Plant and Equipment

At June 30, 2022 and 2021, property, plant and equipment are as follows:

	2022	2021
Buildings	\$ 852,973	\$ 852,134
Leasehold improvements	4,919	4,919
Software, equipment, machinery and furniture and fixtures	192,145	193,413
Total property, plant and equipment at cost	<u>1,050,037</u>	<u>1,050,466</u>
Less: Accumulated depreciation	<u>(480,537)</u>	<u>(439,881)</u>
Property, plant and equipment, net	569,500	610,585
Land, at cost	99,454	99,454
Construction-in-progress	2,578	396
	<u>\$ 671,532</u>	<u>\$ 710,435</u>

Capitalized interest primarily related to bond financing from the Museum's 2004 expansion project (Note 8) was included in fixed assets for the years ended June 30, 2022 and 2021 and totaled \$9,647 and \$10,822, respectively.

8. Loans Payable

Loans payable at June 30, 2022 and 2021 are as follows:

	2022	2021
Series 2021 Taxable bonds	\$ 100,000	\$ 100,000
Series 2016 One E bonds	243,400	243,400
Total debt	<u>343,400</u>	<u>343,400</u>
Bond premium, net of amortization	16,011	20,947
Deferred financing costs, net of amortization	<u>(1,104)</u>	<u>(1,175)</u>
	<u>\$ 358,307</u>	<u>\$ 363,172</u>

Interest expense on loans payable totaled \$13,563 and \$14,107 for the years ended June 30, 2022 and 2021, respectively.

In April 2021, the Museum issued taxable fixed rate bonds (Series 2021 Taxable Bonds) with proceeds totaling \$100,000 at par with a coupon rate of 3.22%. As part of the transaction, \$35,000 of the Series 2016 One E bonds were defeased and \$32,800 in lines of credit and revolvers were repaid. After costs of issuance of \$210 and the underwriter's discount of \$515, the remaining proceeds were used for general corporate purposes.

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The Series 2021 Taxable Bonds consisted of the following amounts and maturities at June 30, 2022:

	Principal	Yield at Issuance	Rate	Maturity
Taxable Bonds, Series 2021				
Taxable bonds	\$ 100,000	3.22 %	3.22 %	April 1, 2051
	<u>\$ 100,000</u>			

In August 2016, the Museum issued fixed rate bonds (Series 2016 One E) with proceeds totaling \$330,117 (par of \$278,400 and premium of \$51,717) with a coupon rate of 4.00% and blended yield of 1.65% across the various maturities (years 2023 to 2031). All outstanding bond issues at June 30, 2016 totaling \$238,655 (Series 2008 One A, 2010 One A and 2012 One D) were extinguished. A portion of the bond proceeds was used for the multi-year construction and expansion project completed in 2020 and described in Note 7. \$35,000 of the Series 2016 One E bonds were defeased in the April 2021 transaction noted above.

The remaining Series 2016 One E bonds consisted of the following amounts and maturities at June 30, 2021:

	Principal	Yield at Issuance	Rate	Maturity
Revenue Bonds, Series 2016-One-E				
Revenue bonds	\$ 75,725	1.26 %	4.0 %	Feb 1, 2023
Revenue bonds	167,675	1.51% - 2.14%	4.0 %	April 1, 2025-2031
	<u>\$ 243,400</u>			

The Museum received bond proceeds of \$75,750 in March 2000 (Series 2000 One A/B) and bond proceeds of \$235,000 in December 2001 (Series 2001 One A/B/C/D). The bonds were issued by the Trust for Cultural Resources (the "Trust"), a public benefit organization created by the State of New York. The Series 2000 One A/B bonds and Series 2001 One A/B/C bonds were redeemed by the Series 2008 One A bonds issued by the Trust for the benefit of the Museum in July 2008. A portion of these bonds was subsequently redeemed by the Series 2010 One A bonds issued in July 2010. The Series 2001 One D bonds callable on July 1, 2012 were redeemed in July 2012 through a combination of refinancing proceeds from the Series 2012 One D bonds and a \$43,000 short term bridge loan, which the Museum repaid shortly after issuance. All outstanding tranches of the Series 2008 One A Bonds, the Series 2010 One A Bonds, and the Series 2012 One D Bonds were redeemed or defeased as part of the August 2016 transaction.

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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 ratepayer under one and a floating ratepayer under the other. The Museum has the right to optionally terminate each swap contract for an agreed upon cash settlement amount based on market conditions. Under certain triggering events tied to the Museum's overall credit ratings, the Museum may be required to post collateral to the Counterparty, or the Counterparty may terminate the swap contracts, provided both are terminated simultaneously.

The accounting guidance for ASC 815 requires that all derivatives be recognized in the consolidated statements 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 activities.

At June 30, 2022 and 2021, the fair value of the Museum's derivative financial instruments were in a liability position of \$3,279 and \$4,086, respectively, and included in other liabilities on the consolidated statements of financial position. The total gain recognized on these derivatives for the years ended June 30, 2022 and 2021 was \$807 and \$672, and was included in interest expense, change in fair value of interest rate swap agreement and other financing costs in the consolidated statements of activities. Payments on the swaps totaled \$608, for each of the years ended June 30, 2022 and 2021.

In January 2021, the Museum reduced its \$20,000 revolving note agreement to \$10,000 with a commercial bank. This revolver will mature in January 2023 under this facility for the years ended June 30, 2022 and 2021.

At June 30, 2022, the Museum has available a \$25,000 line of credit with a commercial bank. The line of credit expires in November 2022. Borrowings under the line of credit totaled \$0, respectively, as of June 30, 2022 and 2021.

At June 30, 2022, MoMA PS1 has available a \$2,000 line of credit with a commercial bank. This revolver will mature in November 2022 and borrowing under the line of credit totaled \$0 respectively, as of June 30, 2022 and 2021.

Annual principal payments as of June 30, 2022 due during the next five fiscal years and in total thereafter under all of the aforementioned loans payable are approximately as follows:

2023	\$ 75,725
2024	-
2025	-
2026	15,320
2027	60,935
Thereafter	<u>191,420</u>
	<u>\$ 343,400</u>

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The Museum's revolver and line of credit agreements contain financial covenants, the most restrictive of which requires a certain ratio of Unrestricted Assets, as defined under the revolver and line of credit agreements to its principal amount of outstanding debt. The Museum was in compliance with all financial covenants as of June 30, 2022 and 2021.

9. Endowment Funds

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

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

Under NYPMIFA, a detailed prudence standard governs appropriation from endowment funds, and there is no longer a requirement to maintain historic dollar value. Prudent appropriation from a fund whose value is less than its historic dollar value is permitted. In particular, NYPMIFA provides that, unless a donor expresses a contrary intention in a gift instrument, a charitable institution may appropriate as much of an endowment fund as it "determines is prudent for the uses, benefits, purposes and duration for which the fund is established," without regard for historic dollar value. As with prior law, NYPMIFA retains the requirement that in making any decision to appropriate, "the institution shall act in good faith, with the care that an ordinarily prudent person in a like position would exercise under similar circumstances." It further provides a new requirement that the 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.

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The provisions of NYPMIFA allowing prudent appropriation without regard to historic dollar value apply to funds created after its 2010 effective date. 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 restriction 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.

For both fiscal years 2022 and 2021, the draw is derived based on 25% determined by calculating 5% of the ending annual market value and 75% determined based on the previous year's draw adjusted for inflation (for those funds not governed by contrary donor-imposed restrictions). The total spending rate is limited to a maximum of 5.75% of the ending market value.

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 and investment portfolio. Under these policies, and as approved by the Museum's Board, the long-term focus of the endowment and unrestricted investments 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, the endowment and unrestricted investments will seek to maximize long term returns consistent with prudent levels of risk.

10. Financial Reporting of Endowments

Consistent with endowment accounting for not-for-profit organizations for funds subject to an enacted version of NYPMIFA, the Museum retains in perpetuity and classifies as net assets with donor restrictions (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 net assets with donor restrictions 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 net assets with donor restrictions 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 net assets without restrictions.

Funds share in the overall earnings rate of the Museum's portfolio except for two funds totaling \$43,043 and \$44,358 as of June 30, 2022 and 2021, respectively, which are managed by third parties. Earnings are utilized in accordance with donor stipulations.

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Endowment net asset composition by type of fund as of June 30, 2022 and 2021:

	With Restrictions	Without Restrictions	Total 2022
Donor-restricted endowment funds	\$ 649,549	\$ -	\$ 649,549
Board-designated endowment funds	-	159,438	159,438
Total endowment funds	<u>\$ 649,549</u>	<u>\$ 159,438</u>	<u>\$ 808,987</u>
	With Restrictions	Without Restrictions	Total 2021
Donor-restricted endowment funds	\$ 717,494	\$ -	\$ 717,494
Board-designated endowment funds	-	177,765	177,765
Total endowment funds	<u>\$ 717,494</u>	<u>\$ 177,765</u>	<u>\$ 895,259</u>

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

	2022	2021
Net assets with restrictions		
Museum programs	\$ 211,676	\$ 231,504
Acquisition of works of art	84,003	90,598
Museum operations and other activities	310,021	357,848
Support of exhibitions	43,849	37,544
Total endowment funds classified as net assets with restrictions	<u>649,549</u>	<u>717,494</u>
Net assets without restrictions		
Total endowment funds classified as net assets without restrictions	<u>159,438</u>	<u>177,765</u>
Total endowment funds	<u>\$ 808,987</u>	<u>\$ 895,259</u>

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, 2022 was \$554 and included 5 funds with original donor contributions totaling \$5,692. As of June 30, 2021 there were no assets associated with individual donor-restricted endowment funds where fair market value was below historic dollar value. When donor-restricted endowment fund deficits exist, they are classified as a reduction of net assets with donor restrictions. The Museum has interpreted NYPMIFA to permit spending from endowments with a deficit in accordance with prudent measures required under law. Continued future appropriations from underwater endowment funds will be considered based on current facts and circumstances on the next appropriation decision date.

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Reconciliation from endowment net assets to investments, at fair value, as of June 30, 2022 and 2021 is as follows:

	2022	2021
Endowment net assets	\$ 808,987	\$ 895,259
Subtract		
Contributions receivable, net, and other adjustments included in endowment net assets	(36,152)	(52,004)
Add		
Without and with restrictions investments, at fair value	<u>717,070</u>	<u>802,555</u>
Investments, at fair value	<u>\$ 1,489,905</u>	<u>\$ 1,645,810</u>

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

	With Restrictions	Without Restrictions	Total
Endowment net assets as of June 30, 2020	<u>\$ 572,749</u>	<u>\$ 145,208</u>	<u>\$ 717,957</u>
Investment return			
Investment income	35,396	9,189	44,585
Net appreciation	<u>112,601</u>	<u>29,728</u>	<u>142,329</u>
Total investment return	147,997	38,917	186,914
Contributions	21,664	-	21,664
Appropriation of endowment assets for expenditure	<u>(24,916)</u>	<u>(6,360)</u>	<u>(31,276)</u>
Endowment net assets as of June 30, 2021	<u>717,494</u>	<u>177,765</u>	<u>895,259</u>
Investment return			
Investment income	37,527	9,286	46,813
Net appreciation	<u>(85,298)</u>	<u>(20,627)</u>	<u>(105,925)</u>
Total investment return	(47,771)	(11,341)	(59,112)
Contributions	8,490	-	8,490
Appropriation of endowment assets for expenditure	<u>(28,664)</u>	<u>(6,986)</u>	<u>(35,650)</u>
Endowment net assets as of June 30, 2022	<u>\$ 649,549</u>	<u>\$ 159,438</u>	<u>\$ 808,987</u>

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11. Net Assets

At June 30, 2022 and 2021, net assets were available for the following purposes:

	2022	2021
Net assets with donor restrictions		
Subject to time or purpose restrictions		
Museum programs	\$ 93,289	\$ 110,860
Acquisitions of works of art	76,704	83,475
Maintaining art collections	15,409	16,925
Support of exhibitions	32,613	35,936
Expansion and renovation	54,340	49,060
Operating support and other purposes	89,319	131,959
Time or purpose restricted	<u>361,674</u>	<u>428,215</u>
Held in perpetuity		
Museum programs	194,043	189,432
Acquisition of works of art	71,237	69,750
Museum operations and other activities	237,748	235,638
Amounts required to be held in perpetuity	<u>503,028</u>	<u>494,820</u>
Total net assets with donor restrictions	<u>864,702</u>	<u>923,035</u>
Net assets without donor restrictions		
Undesignated	1,039,660	1,131,209
Board-designated endowment	159,438	177,765
Total net assets without donor restrictions	<u>1,199,098</u>	<u>1,308,974</u>
Total net assets	<u>\$ 2,063,800</u>	<u>\$ 2,232,009</u>

Net assets released from net assets with donor restrictions are as follows:

	2022	2021
Museum programs, exhibitions and other	\$ 31,163	\$ 23,992
Renovation, expansion and specific purpose	2,877	30,922
Acquisitions of works of art	16,694	8,568
Total net assets released from restrictions	<u>\$ 50,734</u>	<u>\$ 63,482</u>

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12. Pension Plans and Other Postretirement Benefits

In fiscal year 2009, as part of the Museum's proactive plan to stabilize operations in response to the global economic and financial crisis, the Museum approved changes to its pension plans, effective November 1, 2009. Generally, with certain differences among the Museum's non-union and various union staff, all employees in the Museum's defined benefit plan opted either to remain in the defined benefit pension plan and forgo future matching contributions from the Museum in the Museum's 403(b) defined contribution plan, or receive an enhanced match in the Museum's 403(b) defined contribution plan and forgo future accruals in the defined benefit plan. New employees hired after June 30, 2009 are eligible to participate in the enhanced 403(b) Plan only, thereby freezing the number of participants in the defined benefit plan.

For those remaining in the 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 \$2,071 and \$2,277 to the 403(b) Plan for the years ended June 30, 2022 and 2021, respectively. Regardless of match eligibility, the 403(b)-retirement savings plan is open for all non-union employees and employees in several unions under collective bargaining agreements. Employees may contribute up to Internal Revenue code limits.

Postretirement health and welfare benefit costs are funded by the Museum on a pay-as-you-go basis. Only employees hired before February 1, 2003 are eligible for these benefits. Additionally, as part of the package of changes in fiscal year 2009, employees who retire after November 1, 2009 share the cost of health coverage at the same percentage level as an active employee. Effective July 1, 2009, the Museum required that, for active employees, most non-union and certain union employees contribute to the Museum-provided healthcare plan based on salary and coverage level. Plan design changes affecting all staff on the Museum's active healthcare plan and future retirees were also effective as of July 1, 2009. Additional plan design changes applicable to both current and retired employees were implemented in fiscal year 2016, lowering the expected future cost projections of the plan.

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The following table sets forth the amounts recognized in the consolidated statements of financial position, the change in the benefit obligation, the change in plan assets, and the funded status for the plans:

	Pension Benefits		Postretirement Benefits	
	June 30,		June 30,	
	2022	2021	2022	2021
Change in benefit obligation				
Benefit obligation at beginning of year	\$ 160,413	\$ 163,749	\$ 24,860	\$ 31,134
Service cost	1,974	2,729	522	789
Interest cost	4,524	4,510	711	839
Actuarial gain	(37,622)	(3,540)	(3,699)	(6,576)
Benefits paid	(5,695)	(7,035)	(2,109)	(1,554)
Employee contributions	-	-	184	171
Medicare Part D reimbursements	-	-	60	57
Benefit obligation at end of year	123,594	160,413	20,529	24,860
Change in plan assets				
Fair value of plan assets at beginning of year	110,935	88,491	-	-
Actual return on plan assets	(10,376)	24,905	-	-
Employer contributions	2,684	4,573	1,865	1,326
Employee contributions	-	-	184	171
Medicare Part D reimbursements	-	-	60	57
Benefits paid	(5,695)	(7,035)	(2,109)	(1,554)
Fair value of plan assets at end of year	97,548	110,934	-	-
Funded status at end of year	\$ (26,046)	\$ (49,479)	\$ (20,529)	\$ (24,860)
Amounts recognized in the consolidated statements of financial position consist of				
Pension and postretirement benefit obligations	\$ (26,046)	\$ (49,479)	\$ (20,529)	\$ (24,860)
Amounts recognized in net assets without restrictions consist of				
Net (loss) gain	\$ (11,114)	\$ (31,726)	\$ 8,704	\$ 5,314
Prior service cost	-	(8)	-	-
	\$ (11,114)	\$ (31,734)	\$ 8,704	\$ 5,314
Defined benefit plan changes other than net periodic benefit cost				
Net gain	\$ 19,308	\$ 22,064	\$ 3,701	\$ 6,576
Amortization of net loss (gain)	1,304	4,085	(311)	2
Amortization of prior service cost (credit)	8	504	-	(26)
	\$ 20,620	\$ 26,653	\$ 3,390	\$ 6,552

The actuarial gain for the pension plans benefits obligation at June 30, 2022 and 2021 was \$37,622 and \$3,540. The change was primarily due to the increase in the discount rate at year end from 2.93% to 4.78%.

The discount rate using the bond matching method was calculated at 4.78% as of June 30, 2022. The rate was determined with an analysis of bonds available at June 30, 2022 with an "AA" or better rating by at least two of the three bond rating agencies, Moody's S&P and Fitch. A

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hypothetical bond portfolio was constructed to match the expected monthly benefit payments under the plans.

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 includes the weighted-average assumptions for the plans:

	Pension Benefits		Postretirement Benefits	
	June 30,		June 30,	
	2022	2021	2022	2021
Used for benefit obligation at year end				
Discount rate	4.78 %	2.93 %	4.78 %	2.93 %
Rate of compensation increase	3.50	3.50	3.50	3.50

	Pension Benefits		Postretirement Benefits	
	June 30,		June 30,	
	2022	2021	2022	2021
Used for net benefit cost				
Discount rate	2.93 %	2.78 %	2.93 %	2.78 %
Expected return on plan assets	7.25 %	7.25 %	N/A	N/A
Rate of compensation increase	3.50 %	3.50 %	3.50 %	3.50 %
Initial healthcare cost trend	N/A	N/A	5.30 %	5.40 %
Ultimate retiree healthcare cost trend	N/A	N/A	4.20 %	4.30 %
Year ultimate trend rate is achieved	N/A	N/A	2072	2072

The accumulated benefit obligation for the pension plan at June 30, 2022 and 2021 was \$112,124 and \$138,575, respectively.

The accumulated benefit obligation for the Supplemental Executive Retirement Plan at June 30, 2022 and 2021 was \$2,822 and \$3,614, respectively. The plan was frozen in fiscal year 2009.

The following table sets forth the components of the net periodic pension and postretirement benefits cost for the years ended June 30, 2022 and 2021:

	Pension Benefits		Postretirement Benefits	
	2022	2021	2022	2021
Service cost	\$ 1,974	\$ 2,729	\$ 522	\$ 789
Interest cost	4,524	4,510	711	839
Expected return on plan assets	(7,938)	(6,381)	-	-
Amortization of prior service cost (credit)	8	504	-	(26)
Amortization of net (gain) loss	1,304	4,085	(311)	2
Net periodic benefit cost	\$ (128)	\$ 5,447	\$ 922	\$ 1,604

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The pension plan's target allocations at June 30, 2022, by asset category are as follows:

Asset category	
Equity securities	75 %
Fixed income	25 %

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, 2022 and 2021 are as follows:

	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value 2022
Assets				
Cash and cash equivalents	\$ 734	\$ -	\$ -	\$ 734
Fixed income				
Fixed income – other	-	5,001	-	5,001
Government and corporate bonds	-	20,056	-	20,056
Equities				
Securities	6,575	-	-	6,575
Mutual funds	65,182	-	-	65,182
	<u>65,182</u>	<u>-</u>	<u>-</u>	<u>65,182</u>
Total investments and cash equivalents	<u>\$ 72,491</u>	<u>\$ 25,057</u>	<u>\$ -</u>	<u>\$ 97,548</u>
	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value 2021
Assets				
Cash and cash equivalents	\$ 806	\$ -	\$ -	\$ 806
Fixed income				
Fixed income – other	-	5,348	-	5,348
Government and corporate bonds	-	19,557	-	19,557
Equities				
Securities	8,633	-	-	8,633
Mutual funds	76,590	-	-	76,590
	<u>76,590</u>	<u>-</u>	<u>-</u>	<u>76,590</u>
Total investments and cash equivalents	<u>\$ 86,029</u>	<u>\$ 24,905</u>	<u>\$ -</u>	<u>\$ 110,934</u>

There were no significant transfers between Level 1 and Level 2 in fiscal years 2022 and 2021.

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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 pension plan’s assets across asset classes. The assets are viewed as having a long-term horizon with high liquidity needs.

Expected future cash flows are as follows:

	Pension Benefits	Postretirement Benefits
Expected employer contributions		
2023	\$ 2,285	\$ -
Projected benefit payments for the fiscal year ending June 30,		
2023	7,022	1,486
2024	6,948	1,495
2025	8,577	1,448
2026	6,663	1,398
2027	6,716	1,279
2028-2032	35,518	6,319

The Medicare Prescription Drug Act (The “Act”) introduced a prescription drug benefit under Medicare Part D as well as a federal subsidy to employers whose plans provide an “actuarial equivalent” prescription drug benefit. The Museum’s postretirement prescription drug benefit qualified for this subsidy and consequently the Museum treats the effects of the Act as an actuarial gain. The effects of the Act are not significant. Accordingly, there was minimal impact on the net periodic postretirement benefit cost for fiscal years 2022 and 2021.

13. Advances to the Trust

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

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

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

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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 \$28,342 and \$29,542, respectively, at June 30, 2022 and 2021.

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 \$150,041 and \$149,191 at June 30, 2022 and 2021, respectively.

Commencing on July 1, 2009 and thereafter, the unpaid balance of any outstanding advances will accrue interest at a floating rate equal to the 3-year Treasury rate in effect on July 1 of that year. The rate was 0.47% and 0.19% for fiscal years 2022 and 2021, respectively. This agreement provided for the issuance of new instruments to the Museum to evidence the obligations of the Trust, which required the authorization of the Comptroller of the State of New York and of the Comptroller of the City of New York. These authorizations were obtained in August 2006 and the new instruments evidencing the Trust’s obligations have now been issued.

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.

TEPs available in accordance with the Arts and Cultural Affairs Law described above to reimburse the Museum for its advances were \$1,200 and \$640 in 2022 and 2021, respectively. The amounts were paid to the Museum, decreasing the receivable from the Trust. The Museum receives annual audited financial statements of the Trust. In addition, the Museum reviews the tax equivalency billings, subsequent collection and allocation of proceeds.

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14. Leases

The Museum has a limited number of operating leases, most of which are for commercial retail stores and other space rentals. On July 1, 2020, the Museum adopted ASC 842, *Leases*, and as permitted under the guidance, has elected a package of practical expedients, which is one that allows the Museum to maintain its historical lease classifications. The most significant lease is the Museum's operating lease for retail space located in Soho, New York City, which went into effect on September 17, 1999 and was most recently renewed in 2016 for a term of 15.5 years. As of June 30, 2022, there are 115 months remaining on the lease. Other leases include a retail store in midtown New York City and a distribution center in South River, New Jersey, which expire at various dates through 2026.

Management will consider various factors such as market conditions and the terms of any renewal options that may exist to determine whether to renew or replace a lease. For leases in place as of June 30, 2022, renewals are not considered within the lease term and minimum lease payments as they are not reasonably certain to be exercised.

The Museum includes fixed rent, predetermined rent escalations, rent-free periods, and deferred rent as lease components. Lease expense is recognized on a straight-line basis over the life of the lease. Some of these leases require variable payments for taxes, storage, and operating expenses and are expensed as incurred.

The lease liabilities are initially and subsequently measured at the present value of the remaining lease payments. The right of use assets are initially recognized at the amount of the lease liabilities initially recognized less lease incentives received, plus initial direct costs and prepaid lease payments, if any. Since the Museum's lease agreements do not have readily determinable discount rates implicit in the leases, the Museum used its incremental borrowing rate of 2.23% to determine the present value of the lease payments. Should there be a modification, the rate may be updated with a more current incremental borrowing rate. The Museum has also elected a practical expedient to allow the lease and non-lease components not to be separated in event the agreement contains both.

Lease payments that impact operating cash flows during 2022 were \$2,962.

Rent expense, including taxes and operating expenses, included within the consolidated statements of activities for the year ended June 30, 2022 and 2021 was \$3,899 and \$3,468.

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June 30, 2022 and 2021

(in thousands of dollars)

The following table reconciles the undiscounted cash flows expected to be paid in each of the next five years and thereafter to the lease liability recorded on the statement of financial position for operating leases existing as of June 30, 2022:

2023	\$	3,441
2024		3,518
2025		3,597
2026		3,568
2027		2,250
Thereafter		<u>11,402</u>
Total minimum lease payments		27,776
Less: Imputed interest		<u>2,815</u>
Present value of lease liability	\$	<u>24,961</u>

15. Functional Expenses

Expenses by functional and natural classification for the years ended June 30, 2022 and 2021 are as follows:

	2022								
	Cost of Goods	Depreciation	Occupancy, Utilities and Repairs	Professional Fees	Salaries & Benefits	Supplies & Other	Travel and Research Related Expenses	Communications	2022 Total
Program expenses									
Auxiliary	\$ 37,424	\$ 709	\$ 4,202	\$ 1,296	\$ 15,862	\$ 6,833	\$ 84	\$ 2,794	\$ 69,204
Curatorial & Support	-	-	760	1,023	36,110	5,332	284	-	43,509
Exhibitions	-	-	341	2,521	2,172	5,935	506	7	11,482
Facilities, Security & Other	-	38,115	11,910	3,700	19,686	1,098	24	-	74,533
Other Museum Programs	-	-	4	562	2,944	800	306	-	4,616
Public Information	-	-	3	1,635	3,459	67	14	1,921	7,099
Public Services	-	-	54	372	3,063	732	36	30	4,287
Management and general									
Admin & Other	-	5,315	4,143	5,446	16,128	2,193	219	18	33,462
Fundraising									
Membership, Development & Cultivation	-	-	403	1,112	7,812	952	321	847	11,447
Total operating costs	37,424	44,139	21,820	17,667	107,236	23,942	1,794	5,617	259,639
Other pension and voluntary transition costs	-	-	-	-	(2,293)	-	-	-	(2,293)
Interest expense, change in fair value of interest rate swap agreements and other financing costs	-	-	7,996	-	-	-	-	-	7,996
Total expenses	\$ 37,424	\$ 44,139	\$ 29,816	\$ 17,667	\$ 104,943	\$ 23,942	\$ 1,794	\$ 5,617	\$ 265,342

	2021								
	Cost of Goods	Depreciation	Occupancy, Utilities and Repairs	Professional Fees	Salaries & Benefits	Supplies & Other	Travel and Research Related Expenses	Communications	2021 Total
Program expenses									
Auxiliary	\$ 28,574	\$ 772	\$ 3,468	\$ 1,227	\$ 16,373	\$ 2,459	\$ 45	\$ 2,700	\$ 55,618
Curatorial & Support	-	-	672	846	33,510	3,793	45	1	38,867
Exhibitions	-	-	400	883	1,561	3,340	171	16	6,371
Facilities, Security & Other	-	37,805	10,407	2,232	18,211	1,165	13	-	69,833
Other Museum Programs	-	-	-	864	2,538	474	48	-	3,925
Public Information	-	-	1	1,256	3,941	77	4	691	5,970
Public Services	-	-	16	80	3,355	314	6	2	3,773
Management and general									
Admin & Other	-	5,551	2,307	2,771	17,613	1,041	58	17	29,358
Fundraising									
Membership, Development & Cultivation	-	-	13	1,462	6,880	626	102	505	9,588
Total operating costs	28,574	44,128	17,284	11,621	103,982	13,289	492	3,932	223,303
Other pension and voluntary transition costs	-	-	-	-	8,559	-	-	-	8,559
Interest expense, change in fair value of interest rate swap agreements and other financing costs	-	-	6,925	-	-	-	-	-	6,925
Total expenses	\$ 28,574	\$ 44,128	\$ 24,209	\$ 11,621	\$ 112,541	\$ 13,289	\$ 492	\$ 3,932	\$ 238,787

The Museum of Modern Art
Notes to Consolidated Financial Statements
June 30, 2022 and 2021

(in thousands of dollars)

16. Subsequent Events

The Museum has performed an evaluation of subsequent events through October 18, 2022, which is the date the consolidated financial statements were issued.