

The Museum of Modern Art
Consolidated Financial Statements
June 30, 2023 and 2022

The Museum of Modern Art
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June 30, 2023 and 2022

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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, 2023 and 2022, 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, 2023 and 2022, 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 consolidated 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 consolidated financial statements are issued.



Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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.

PricewaterhouseCoopers LLP

New York, New York
October 24, 2023

The Museum of Modern Art
Consolidated Statements of Financial Position
June 30, 2023 and 2022

<i>(in thousands of dollars)</i>	2023	2022
Assets		
Cash and cash equivalents	\$ 141,391	\$ 192,559
Receivables		
Accounts receivable and other	7,048	7,024
Contributions receivable, net	37,459	90,147
The Trust for Cultural Resources	27,417	28,342
Inventories	18,812	14,148
Prepaid expenses and other assets	11,595	11,069
Investments		
Redemption receivables and accrued investment income	53,565	10,677
Investments, at fair value	1,550,853	1,479,905
Interest in net assets of International Council	9,487	8,998
Right-of-use assets	21,478	23,863
Property, plant and equipment, net	643,830	671,532
Museum collections (Note 1)	-	-
Total assets	<u>\$ 2,522,935</u>	<u>\$ 2,538,264</u>
Liabilities and Net Assets		
Accounts payable, accrued expenses and other liabilities	\$ 43,529	\$ 44,621
Lease liability	22,077	24,961
Loans payable, bond premium and deferred financing costs, net of accumulated amortization	278,664	358,307
Pension and postretirement benefit obligations	31,666	46,575
Total liabilities	<u>375,936</u>	<u>474,464</u>
Net assets		
Without donor restrictions	1,228,721	1,199,098
With donor restrictions	918,278	864,702
Total net assets	<u>2,146,999</u>	<u>2,063,800</u>
Total liabilities and net assets	<u>\$ 2,522,935</u>	<u>\$ 2,538,264</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, 2023 and 2022**

	2023					2022				
	Without Donor Restrictions					Without Donor Restrictions				
	Museum Operations	Plant and Equipment Funded by Designated Gifts	Total Without Donor Restrictions	With Donor Restrictions	Total	Museum Operations	Plant and Equipment Funded by Designated Gifts	Total Without Donor Restrictions	With Donor Restrictions	Total
<i>(in thousands of dollars)</i>										
Operating revenues and other support										
Admissions	\$ 36,458	\$ -	\$ 36,458	\$ -	\$ 36,458	\$ 22,473	\$ -	\$ 22,473	\$ -	\$ 22,473
Membership	15,392	-	15,392	-	15,392	13,164	-	13,164	-	13,164
Investment income-spending policy	58,180	-	58,180	-	58,180	58,581	-	58,581	-	58,581
Annual fund contributions	13,561	-	13,561	-	13,561	12,331	-	12,331	-	12,331
Other grants and contributions	20,765	-	20,765	13,069	33,834	19,573	-	19,573	26,752	46,325
Other	3,791	-	3,791	-	3,791	4,070	-	4,070	-	4,070
Retail, publishing, and restaurant activities	75,933	-	75,933	-	75,933	71,192	-	71,192	-	71,192
Net assets released from restrictions	28,150	-	28,150	(28,150)	-	-	-	31,163	(31,163)	-
Total operating revenues and other support	252,230	-	252,230	(15,081)	237,149	232,547	-	232,547	(4,411)	228,136
Operating expenses										
Curatorial and related support services	47,272	-	47,272	-	47,272	43,509	-	43,509	-	43,509
Exhibitions	16,098	-	16,098	-	16,098	11,482	-	11,482	-	11,482
Other museum programs	7,395	-	7,395	-	7,395	4,616	-	4,616	-	4,616
Cost of sales from retail, publishing, and restaurant activities	70,991	-	70,991	-	70,991	69,204	-	69,204	-	69,204
Depreciation	5,068	37,638	42,706	-	42,706	5,315	38,115	43,430	-	43,430
Public services	5,738	-	5,738	-	5,738	4,287	-	4,287	-	4,287
Membership, development and cultivation	12,133	-	12,133	-	12,133	11,447	-	11,447	-	11,447
Facilities, security and other	40,282	-	40,282	-	40,282	36,418	-	36,418	-	36,418
Public information	7,793	-	7,793	-	7,793	7,099	-	7,099	-	7,099
Administration and other	30,592	-	30,592	-	30,592	28,147	-	28,147	-	28,147
Total operating expenses	243,362	37,638	281,000	-	281,000	221,524	38,115	259,639	-	259,639
Excess (Deficit) of operating revenues and support over operating expenses	8,868	(37,638)	(28,770)	(15,081)	(43,851)	11,023	(38,115)	(27,092)	(4,411)	(31,503)
Nonoperating revenues, expenses and other support										
Sales of works of art	-	-	-	4,022	4,022	-	-	-	9,902	9,902
Acquisition of works of art	(25,659)	-	(25,659)	-	(25,659)	(16,694)	-	(16,694)	-	(16,694)
Net assets released from restrictions for art acquisitions	25,659	-	25,659	(25,659)	-	16,694	-	16,694	(16,694)	-
Net assets released from restrictions for renovation, expansion and specific purpose	869	-	869	(869)	-	2,877	-	2,877	(2,877)	-
Investment return in excess of (less than) amounts designated for operations and specific purposes	40,854	-	40,854	49,896	90,750	(103,985)	-	(103,985)	(74,499)	(178,484)
Contributions restricted for art acquisitions	-	-	-	12,256	12,256	-	-	-	12,086	12,086
Contributions restricted for capital acquisition and permanent endowment	-	-	-	29,011	29,011	-	-	-	18,160	18,160
Board-designated and other contributions	11,826	-	11,826	-	11,826	17	-	17	-	17
Defined benefit plan changes other than net periodic benefit cost	11,423	-	11,423	-	11,423	24,010	-	24,010	-	24,010
Other pension plan costs	1,222	-	1,222	-	1,222	2,293	-	2,293	-	2,293
Interest expense, change in fair value of interest rate swap agreements and other financing costs	(7,801)	-	(7,801)	-	(7,801)	(7,996)	-	(7,996)	-	(7,996)
Total nonoperating revenues, expenses and other support	58,393	-	58,393	68,657	127,050	(82,784)	-	(82,784)	(53,922)	(136,706)
Change in net assets	67,261	(37,638)	29,623	53,576	83,199	(71,761)	(38,115)	(109,876)	(58,333)	(168,209)
Net Assets										
Beginning 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
End of year	\$ 828,420	\$ 400,301	\$ 1,228,721	\$ 918,278	\$ 2,146,999	\$ 761,159	\$ 437,939	\$ 1,199,098	\$ 864,702	\$ 2,063,800

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, 2023 and 2022

<i>(in thousands of dollars)</i>	2023	2022
Cash flows from operating activities		
Change in net assets	\$ 83,199	\$ (168,209)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation and amortization	41,786	41,534
Defined benefit plan changes other than net periodic benefit cost	(11,423)	(24,010)
Change in interest in net assets of International Council	(489)	330
Net realized (gain) loss and unrealized (appreciation) depreciation on investments	(138,972)	121,963
Contributions restricted for capital acquisition and permanent endowment	(75,349)	(64,556)
Contributed securities	(5,071)	(4,223)
Proceeds from sales of contributed securities	3,282	4,123
Change in fair value of interest rate swap agreement	(601)	(807)
Sales of works of art	(4,022)	(9,902)
Acquisition of works of art	25,659	16,694
Changes in assets and liabilities		
Accounts receivable and other	(24)	(1,573)
Contributions receivable	47,789	45,391
Redemption receivables and accrued investment income	(526)	11
Inventories	(4,664)	(1,579)
Prepaid expenses and other assets	(526)	1,742
Accounts payable, accrued expenses and other liabilities	(492)	7,130
Pension and postretirement benefit obligations	(3,486)	(3,754)
Right-of-use assets and lease liability	(2,916)	(2,020)
Net cash used in operating activities	<u>(46,846)</u>	<u>(41,715)</u>
Cash flows from investing activities		
Purchases of property, plant and equipment	(15,636)	(5,078)
Proceeds from disposition of investments	245,758	189,244
Purchase of investments	(220,982)	(155,488)
Distributions from Trust for Cultural Resources	925	1,200
Proceeds from sales of works of art	4,022	9,902
Acquisition of works of art	(25,659)	(16,694)
Net cash (used in) provided by investing activities	<u>(11,572)</u>	<u>23,086</u>
Cash flows from financing activities		
Contributions restricted for capital acquisition and permanent endowment	75,349	64,556
Proceeds from sales of contributed securities restricted for capital and permanent endowment	6,688	9,167
Proceeds from MoMA PS1 Term Loan	88	-
Bond repayment of Series 2016 One E Bonds	(75,725)	-
Repayment of MoMA PS1 Term Loan	(37)	-
Net cash provided by financing activities	<u>6,363</u>	<u>73,723</u>
Net (decrease) increase in cash, cash equivalents, and restricted cash	(52,055)	55,094
Cash, cash equivalents, and restricted cash		
Beginning of year	<u>201,286</u>	<u>146,192</u>
End of year	<u>\$ 149,231</u>	<u>\$ 201,286</u>
Supplemental disclosures		
Cash paid in the year for interest	\$ 13,634	\$ 13,667
Contributed securities	9,970	13,290
Investment redemption receivable	52,362	10,000

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

The Museum of Modern Art

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

(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 ("GAAP") 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 \$9,487 and \$8,998 in the consolidated statements of financial position as of June 30, 2023 and 2022, respectively. These net assets are classified as net assets with donor restrictions. The Council's net assets consist primarily of investments which were \$7,997 and \$7,570 at June 30, 2023 and 2022, respectively. All of the Council's investments 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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(in thousands of dollars)

Pursuant to the Museum's 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. No material funds from deaccessioning were used to support the direct care of the Museum's collection during the years ended June 30, 2023 and 2022.

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 activities, 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, in line with the Museum's policy, as described in Note 9.

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 net assets without donor restrictions. Investment income earned on donor-restricted contributions whose restrictions are met within the same year as received is reported as net assets without donor restrictions.

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Notes to Consolidated Financial Statements

June 30, 2023 and 2022

(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 GAAP for recognition as contributions. No material nonmonetary contributions were received in the years ended June 30, 2023 and 2022. The Museum recognized \$5,071 and \$4,223 of revenue related to contributed securities for the years ended June 30, 2023 and 2022, respectively.

Multi-year pledges are reported at their discounted present value in the year in which the pledge is received, using a risk-free rate adjusted for a market risk premium or the credit worthiness of the donor. Allowances are recorded for estimated uncollectible contributions receivable based upon management's judgment and analysis of the creditworthiness of the donors, past collection experience and other relevant factors.

Revenue Recognition from Exchange Transactions

The Museum has multiple revenue streams that are accounted for as exchange transactions including admissions, membership, retail, publishing and restaurant 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.

Retail, publishing, and restaurant activities

The Museum's retail revenues are generated from stores, e-commerce, mail order, and trade 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.

Inventories

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

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.

The Museum of Modern Art

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(in thousands of dollars)

Depreciation is computed by the straight-line basis over the following estimated useful lives 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

Leases

The Museum accounts for leases in accordance with ASC 842, *Leases*. The Museum has a limited number of leases, most of which are for commercial retail stores and other space rentals, which are all classified as operating leases under ASC 842. The Museum has elected the practical expedient under ASC 842 to allow the lease and nonlease components not to be separated in event the agreement contains both.

Management considers 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, 2023, 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 Museum's 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 uses an incremental borrowing rate to determine the present value of the lease payments.

Investments

The long-term objective 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.

The Museum invests across a broad range of asset classes, including public equity, fixed income (including government and corporate bonds), hedge funds, private equity (including buyout, growth, venture capital and credit), real assets (including real estate, traditional and renewable energy, and infrastructure), and cash and other. The Museum may invest directly in the securities of these asset classes, or indirectly through interests in funds and limited partnerships.

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.

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(in thousands of dollars)

The Museum classifies its approved distribution of donor-restricted endowment assets, board-designated assets, and unrestricted assets as investment income - spending policy within operating revenues and other support within the consolidated statements of activities. Any investment return (deficit) in excess of (less than) amounts designated for operations and specific purposes is recorded within nonoperating activities within the consolidated statements of activities.

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, 2023 and 2022, 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 within its investment portfolio (Note 4) as investments, and therefore is only including cash held in the portfolio in the consolidated statements of cash flows.

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.

	2023	2022
Cash, cash equivalents, and restricted cash		
Cash and cash equivalents on the consolidated statements of financial position	\$ 141,391	\$ 192,559
Cash included in investments, at fair value on the consolidated statements of financial position	<u>7,840</u>	<u>8,727</u>
Total cash, cash equivalents, and restricted cash on the consolidated statements of cash flows	<u>\$ 149,231</u>	<u>\$ 201,286</u>

The Museum of Modern Art

Notes to Consolidated Financial Statements

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(in thousands of dollars)

Fair Value Measurements

The Museum follows ASC 820, *Fair Value Measurement*, for accounting and reporting of 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 Unadjusted, quoted prices in active markets for identical assets and liabilities for which significant observable inputs exist. Market price data is generally obtained from exchange or dealer markets. 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 quoted prices in active markets 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. 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.

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.

Level 3 Unobservable inputs, as they trade infrequently or not at all, and that are significant to the fair value of the assets or liabilities.

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(in thousands of dollars)

Investments for which fair value is measured at net asset value (“NAV”) per share as the practical expedient consist primarily of the Museum’s ownership in investment companies and partnerships. The fair value of holdings in funds and limited partnerships are based on the net asset value provided by the external investment managers of the underlying funds. Funds and limited partnerships may make investments in securities that are publicly traded, which are generally valued based on observable market prices. Managers of private investment funds and limited partnerships (including equity investment funds, fixed income investment funds, hedge funds, private equity, real assets) value those 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. 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.

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.

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.

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 plan cost.

Membership, Development and Cultivation

Membership, development and cultivation expenses include costs attributable to all fundraising activities related to 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.

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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, 2023 and 2022 was \$4,522 and \$4,369, 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 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 consolidated 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.

Reclassifications

Certain amounts in the 2022 consolidated financial statements have been reclassified to conform to the current year presentation.

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2. Contributions Receivable

Contributions receivable at June 30, 2023 and 2022 are as follows:

	2023	2022
Museum operations, programs and endowment	\$ 37,830	\$ 42,803
Future periods-split interest agreements	317	317
Capital construction and acquisition	<u>10,085</u>	<u>62,476</u>
	48,232	105,596
Less: Discount for present value	(1,975)	(2,650)
Less: Allowance for doubtful accounts	<u>(8,798)</u>	<u>(12,799)</u>
	<u>\$ 37,459</u>	<u>\$ 90,147</u>
Amounts due in		
Less than one year	\$ 24,822	\$ 60,457
One to five years	17,344	44,822
More than five years	<u>6,066</u>	<u>317</u>
	<u>\$ 48,232</u>	<u>\$ 105,596</u>

3. Fair Value Measurements

The following tables summarize the financial instruments reported within the consolidated statements of financial position carried at fair value as of June 30, 2023 and 2022, 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, 2023 Total Fair Value
Assets				
Cash and cash equivalents	\$ 158,006	\$ -	\$ -	\$ 158,006
Government and corporate bonds	-	105,119	-	105,119
Equity securities	225,859	-	-	225,859
Investment funds				
Mutual funds/exchange-traded funds	149,831	-	-	149,831
Fixed income	-	316	-	316
	<u>\$ 533,696</u>	<u>\$ 105,435</u>	<u>\$ -</u>	639,131
Investments measured at NAV				1,050,185
Total assets at fair value				<u>\$ 1,689,316</u>
Liabilities				
Interest rate swaps	\$ -	\$ 2,678	\$ -	\$ 2,678
Total liabilities at fair value	<u>\$ -</u>	<u>\$ 2,678</u>	<u>\$ -</u>	<u>\$ 2,678</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, 2022 Total Fair Value
Assets				
Cash and cash equivalents	\$ 272,300	\$ -	\$ -	\$ 272,300
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>1,028,561</u>
Total assets at fair value				<u>\$ 1,667,751</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>

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.

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The following tables list investments in investment companies and partnerships by major category. All percentages are based on NAV as of the fiscal year-end.

June 30, 2023						
Investment Strategy	Adjusted Fair Value Determined Using NAV	Number of Funds	Remaining Life*	Unfunded Commitments	Redemption Terms	Redemption Restrictions in Place at Year End
Fixed Income - Investment funds	\$ 29,009	1	N/A	N/A	Monthly: 100% (41% with 60 days notice, 59% with 45 days notice)	None
Equity - Investment funds	204,192	4	N/A	N/A	Weekly: 13% Monthly: 36% (with 30 days notice) Quarterly with 25% investor level gate: 21% (with 60 days notice) Quarterly: 29% (with 90 days notice)	Full redemption requests made for one fund
Hedge Funds - Multi-strategy and other	160,169	6	N/A	N/A	Quarterly with 12.5% investor level gate: 12% (with 45 days notice) Quarterly with no gate: 17% (with 60 days notice) Quarterly with 12.5% investor level gate: 26% (with 65 days notice) Quarterly with no investor level gate: 11% (with 90 days notice) Semi-Annual with 50% investor level gate (with 90 days notice): 18% Side-pocketed: 15%	Full redemption requests made for two funds, with remaining balances comprised of special investments to be liquidated over time
Hedge Funds - Credit	98,978	4	N/A	N/A	Quarterly (with 25% investor level gate): 99% (with 90 days notice) Redeemed and distributing side-pocketed investments: 1%.	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	548,765	71	0-3 Years: 7% 3-5 Years: 12% > 5 Years: 81%	\$ 181,208	N/A	N/A
Real Assets	9,072	2	0-3 Years: 100% 3-5 Years: 0% > 5 Years: 0%	1,370	N/A	N/A
	<u>\$ 1,050,185</u>			<u>\$ 182,578</u>		

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June 30, 2022						
Investment Strategy	Adjusted Fair Value Determined Using NAV	Number of Funds	Remaining Life*	Unfunded Commitments	Redemption Terms	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)	None
Equity - Investment funds	228,765	6	N/A	N/A	Weekly: 10% Monthly: 28% (with 30 days notice) Quarterly: 15% (with 30 days notice) Quarterly with 21% investor level gate: 20% (with 60 days notice) Quarterly: 6% (with 90 days notice) Annual at 12/31: 21% (with 90 days notice))	Full redemption requests made for one fund
Hedge Funds - 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%	Full redemption requests made for two funds, with remaining balances comprised of special investments to be liquidated over time.
Hedge Funds - 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%.	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
Real Assets	8,815	2	0-3 Years: 2% 3-5 Years: 98% > 5 Years: 0%	1,794	N/A	N/A
	<u>\$ 1,028,561</u>			<u>\$ 227,739</u>		

* Defined as the period between the June 30 fiscal year end and the initial termination date of the fund as defined in legal documentation.

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4. Investments

Investments at June 30, 2023 and 2022 are as follows:

	2023	2022
Cash	\$ 7,840	\$ 8,727
Short term investments (cash equivalents)	20,802	84,425
Equity securities	225,859	205,505
Government and corporate bonds	105,009	60,497
Investment funds		
Mutual funds/exchange-traded funds	149,155	99,760
Fixed income	29,009	44,071
Equity	204,192	228,765
Hedge Funds - Credit	98,978	93,118
Hedge Funds - Multi-strategy and other	160,169	123,241
Private equity	548,765	530,551
Real assets	9,072	8,815
Investments	<u>1,558,850</u>	<u>1,487,475</u>
Less: Investments maintained for the Council	<u>(7,997)</u>	<u>(7,570)</u>
Investments per the consolidated statements of financial position, at fair value	<u>1,550,853</u>	<u>1,479,905</u>
Add: Investments redemption receivables	<u>52,362</u>	<u>10,000</u>
Total	<u>\$ 1,603,215</u>	<u>\$ 1,489,905</u>

The following schedules summarize the investment return and its classification in the consolidated statements of activities for the years ended June 30, 2023 and 2022:

	2023	2022
Dividends and interest, net of investment management and related fees of \$10,800 in 2023 and \$12,434 in 2022	\$ 8,209	\$ 2,327
Net realized gains (losses) and changes in unrealized appreciation (depreciation)	<u>140,721</u>	<u>(122,230)</u>
Total return on long-term investments	148,930	(119,903)
Total spending policy	<u>(58,180)</u>	<u>(58,581)</u>
Investment return in excess of (less than) amounts designated for operations and specific purposes	<u>\$ 90,750</u>	<u>\$ (178,484)</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:

	2023	2022
Financial assets		
Cash and cash equivalents	\$ 141,391	\$ 192,559
Accounts receivable and other	7,048	7,024
Contributions receivable (without restriction)	3,622	5,973
Redemption receivables and accrued investment income	53,565	10,677
Investments available for general operations	720,841	707,070
Subsequent year spending policy	60,000	58,180
Total financial assets available within one year	986,467	981,483
Liquidity resources		
Available bank lines of credit and revolvers	37,000	37,000
Funds functioning as endowment available for operations	176,694	159,438
Total liquidity resources	213,694	196,438
Total financial assets and liquidity resources available within one year	\$ 1,200,161	\$ 1,177,921

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.

Included in the total financial assets and resources available within one year are board designated endowments funds of \$176,694 and \$159,438 at June 30, 2023 and 2022, 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.

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6. Inventories

At June 30, 2023 and 2022, inventories are as follows:

	2023	2022
Publishing and retail		
Available for sales	\$ 18,314	\$ 13,721
Work in process	498	427
	<u>\$ 18,812</u>	<u>\$ 14,148</u>

7. Property, Plant and Equipment

At June 30, 2023 and 2022, property, plant and equipment are as follows:

	2023	2022
Buildings	\$ 855,245	\$ 852,973
Leasehold improvements	4,919	4,919
Software, equipment, machinery and furniture and fixtures	195,010	192,145
Total property, plant and equipment at cost	<u>1,055,174</u>	<u>1,050,037</u>
Less: Accumulated depreciation	<u>(523,299)</u>	<u>(480,537)</u>
Property, plant and equipment, net	531,875	569,500
Land, at cost	99,454	99,454
Construction-in-progress	12,501	2,578
	<u>\$ 643,830</u>	<u>\$ 671,532</u>

8. Loans Payable

Loans payable at June 30, 2023 and 2022 are as follows:

	2023	2022
Series 2021 Taxable bonds	\$ 100,000	\$ 100,000
Series 2016 One E bonds	167,675	243,400
MoMA PS1 Equipment Term Loan	52	-
Total debt	<u>267,727</u>	<u>343,400</u>
Bond premium, net of amortization	11,977	16,011
Deferred financing costs, net of amortization	<u>(1,040)</u>	<u>(1,104)</u>
	<u>\$ 278,664</u>	<u>\$ 358,307</u>

Interest expense on loans payable totaled \$12,305 and \$13,563 for the years ended June 30, 2023 and 2022, respectively.

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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.

The Series 2021 Taxable Bonds consisted of the following amounts and maturities at June 30, 2023:

	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 Museum's multi-year construction and expansion project which was completed in 2020. \$35,000 of the Series 2016 One E bonds were defeased in the April 2021 transaction noted above. The Museum repaid \$75,725 of the Series 2016 One E bonds in February 2023.

The Series 2016 One E bonds consisted of the following amounts and maturities at June 30, 2023:

	Principal	Yield at Issuance	Rate	Maturity
Revenue Bonds, Series 2016 One E				
Revenue Bonds	\$ 167,675	1.51% - 2.14%	4.00 %	April 1, 2025-2031
	<u>\$ 167,675</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 through 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.

At June 30, 2023 and 2022, the fair value of the Museum's derivative financial instruments were in a liability position of \$2,678 and \$3,279, 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, 2023 and 2022 was \$601 and \$807, 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 \$611 and \$608, for the years ended June 30, 2023 and 2022.

In January 2023, the Museum renewed its \$10,000 revolving note agreement with a commercial bank. This revolver will mature in January 2024. There were no outstanding borrowings under this facility as of June 30, 2023 and 2022.

At June 30, 2023, the Museum has available a \$25,000 line of credit with a commercial bank. The line of credit expires in November 2023. There were no outstanding borrowings under this line of credit as of June 30, 2023 and 2022.

At June 30, 2023, MoMA PS1 has available a \$2,000 line of credit with a commercial bank. This revolver will mature in November 2023. There were no outstanding borrowings under this line of credit as of June 30, 2023 and 2022.

Annual principal payments as of June 30, 2023 due during the next five fiscal years and in total thereafter under all of the aforementioned loans payable are approximately as follows:

2024	\$	52
2025		15,320
2026		60,935
2027		16,285
2028		16,745
Thereafter		158,390
	\$	<u>267,727</u>

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, 2023 and 2022.

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9. Endowment Funds

The Museum's endowment consists of approximately 157 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.

The Museum retains in perpetuity and classifies as net assets with donor-imposed 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.

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.

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;

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

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

Museum Spending Policy

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 2023 and 2022, the draw is derived based on 25% determined by calculating 5% of the ending annual market value of each respective fund at June 30 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.

Funds share in the overall earnings rate of the Museum's portfolio except for two funds totaling \$43,759 and \$43,043 as of June 30, 2023 and 2022, respectively, which are managed by third parties. Earnings are utilized in accordance with donor stipulations.

Endowment Net Assets

The Museum's endowment net assets consist of the following at June 30, 2023 and 2022:

	Without Restrictions	With Restrictions	Total 2023
Donor-restricted endowment funds	\$ -	\$ 685,526	\$ 685,526
Board-designated endowment funds	176,694	-	176,694
Total endowment funds	<u>\$ 176,694</u>	<u>\$ 685,526</u>	<u>\$ 862,220</u>

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	Without Restrictions	With Restrictions	Total 2022
Donor-restricted endowment funds	\$ -	\$ 649,549	\$ 649,549
Board-designated endowment funds	159,438	-	159,438
Total endowment funds	<u>\$ 159,438</u>	<u>\$ 649,549</u>	<u>\$ 808,987</u>

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

	2023	2022
Net assets with restrictions		
Museum programs	\$ 226,795	\$ 211,676
Acquisition of works of art	89,982	84,003
Museum operations and other activities	320,215	310,021
Support of exhibitions	<u>48,534</u>	<u>43,849</u>
Total endowment funds classified as net assets with restrictions	685,526	649,549
Net assets without restrictions		
Total endowment funds classified as net assets without restrictions	<u>176,694</u>	<u>159,438</u>
Total endowment funds	<u>\$ 862,220</u>	<u>\$ 808,987</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, 2023 was \$818 and included 4 funds with original donor contributions totaling \$40,839. The aggregate amount by which fair value was below historic dollar value at June 30, 2022 was \$554 and included 5 funds with original contributions totaling \$5,692. 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.

Reconciliation from endowment net assets to investments, at fair value, as of June 30, 2023 and 2022 is as follows:

	2023	2022
Endowment net assets	\$ 862,220	\$ 808,987
Subtract: Contributions receivable, net included in endowment net assets	(32,208)	(36,152)
Add: Non-endowment investment assets	<u>720,841</u>	<u>707,070</u>
Investments, at fair value	<u>\$ 1,550,853</u>	<u>\$ 1,479,905</u>

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

	Without Restrictions	With Restrictions	Total
Endowment net assets as of June 30, 2021	\$ 177,765	\$ 717,494	\$ 895,259
Investment return			
Investment income	9,286	37,527	46,813
Net depreciation	<u>(20,627)</u>	<u>(85,298)</u>	<u>(105,925)</u>
Total investment loss	<u>(11,341)</u>	<u>(47,771)</u>	<u>(59,112)</u>
Contributions	-	8,490	8,490
Appropriation of endowment assets for expenditure	<u>(6,986)</u>	<u>(28,664)</u>	<u>(35,650)</u>
Endowment net assets as of June 30, 2022	<u>159,438</u>	<u>649,549</u>	<u>808,987</u>
Investment return			
Investment income	3,019	12,467	15,486
Net appreciation	<u>9,761</u>	<u>37,331</u>	<u>47,092</u>
Total investment return	<u>12,780</u>	<u>49,798</u>	<u>62,578</u>
Contributions	11,800	17,075	28,875
Appropriation of endowment assets for expenditure	<u>(7,324)</u>	<u>(30,896)</u>	<u>(38,220)</u>
Endowment net assets as of June 30, 2023	<u>\$ 176,694</u>	<u>\$ 685,526</u>	<u>\$ 862,220</u>

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10. Net Assets

At June 30, 2023 and 2022, net assets were available for the following purposes:

	2023	2022
Net assets with donor restrictions		
Subject to time or purpose restrictions		
Museum programs	\$ 112,770	\$ 93,289
Acquisitions of works of art	68,805	76,704
Maintaining art collections	16,986	15,409
Support of exhibitions	33,758	32,613
Expansion and renovation	69,416	54,340
Operating support and other purposes	96,660	89,319
Time or purpose restricted	<u>398,395</u>	<u>361,674</u>
Held in perpetuity		
Museum programs	207,543	194,043
Acquisition of works of art	76,527	71,237
Museum operations and other activities	235,813	237,748
Amounts required to be held in perpetuity	<u>519,883</u>	<u>503,028</u>
Total net assets with donor restrictions	<u>918,278</u>	<u>864,702</u>
Net assets without donor restrictions		
Museum operations	828,420	761,159
Plant and equipment funded by designated gifts	400,301	437,939
Total net assets without donor restrictions	<u>1,228,721</u>	<u>1,199,098</u>
Total net assets	<u>\$ 2,146,999</u>	<u>\$ 2,063,800</u>

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

	2023	2022
Museum programs, exhibitions and other	\$ 28,150	\$ 31,163
Renovation, expansion and specific purpose	869	2,877
Acquisitions of works of art	25,659	16,694
Total net assets released from restrictions	<u>\$ 54,678</u>	<u>\$ 50,734</u>

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11. Pension Plans and Other Postretirement Benefits

In fiscal year 2009, the Museum amended its defined benefit pension plan, under which all active participants 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 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 \$2,281 and \$2,071 to the 403(b) Plan for the years ended June 30, 2023 and 2022, 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.

The Museum also sponsors a non-qualified pension plan for certain employees (the Supplemental Executive Retirement Plan). The plan was frozen in fiscal year 2009.

The Museum offers a defined benefit postretirement health and welfare benefit plan for employees hired before February 1, 2003, which the Museum funds on a pay-as-you-go basis. 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,	
	2023	2022	2023	2022
Change in benefit obligation				
Benefit obligation at beginning of year	\$ 123,594	\$ 160,413	\$ 20,529	\$ 24,860
Service cost	1,411	1,974	464	522
Interest cost	5,791	4,524	877	711
Actuarial gain	(7,026)	(37,622)	(1,277)	(3,699)
Benefits paid	(5,684)	(5,695)	(2,278)	(2,109)
Employee contributions	-	-	349	184
Medicare Part D reimbursements	-	-	75	60
Benefit obligation at end of year	<u>118,086</u>	<u>123,594</u>	<u>18,739</u>	<u>20,529</u>
Change in plan assets				
Fair value of plan assets at beginning of year	97,548	110,935	-	-
Actual return on plan assets	11,010	(10,376)	-	-
Employer contributions	2,285	2,684	1,854	1,865
Employee contributions	-	-	349	184
Medicare Part D reimbursements	-	-	75	60
Benefits paid	(5,684)	(5,695)	(2,278)	(2,109)
Fair value of plan assets at end of year	<u>105,159</u>	<u>97,548</u>	<u>-</u>	<u>-</u>
Funded status at end of year	<u>\$ (12,927)</u>	<u>\$ (26,046)</u>	<u>\$ (18,739)</u>	<u>\$ (20,529)</u>
Amounts recognized in the consolidated statements of financial position consist of				
Pension and postretirement benefit obligations	<u>\$ (12,927)</u>	<u>\$ (26,046)</u>	<u>\$ (18,739)</u>	<u>\$ (20,529)</u>
Amounts recognized in net assets without restrictions consist of				
Net (loss) gain	<u>\$ (17)</u>	<u>\$ (11,114)</u>	<u>\$ 9,031</u>	<u>\$ 8,704</u>
	<u>\$ (17)</u>	<u>\$ (11,114)</u>	<u>\$ 9,031</u>	<u>\$ 8,704</u>
Defined benefit plan changes other than net periodic benefit cost				
Net gain	\$ 11,097	\$ 19,308	\$ 1,277	\$ 3,701
Amortization of net loss (gain)	-	1,304	(951)	(311)
Amortization of prior service cost (credit)	-	8	-	-
	<u>\$ 11,097</u>	<u>\$ 20,620</u>	<u>\$ 326</u>	<u>\$ 3,390</u>

The accumulated benefit obligation for the pension plan at June 30, 2023 and 2022 was \$106,235 and \$112,124, respectively.

The accumulated benefit obligation for the Supplemental Executive Retirement Plan at June 30, 2023 and 2022 was \$2,707 and \$2,822, respectively.

The actuarial gains for the pension plans' benefits obligation for the years ended June 30, 2023 and 2022 were primarily due to the increases in the discount rate at year end compared to the prior fiscal year end.

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The following table includes the weighted-average assumptions for the plans:

	Pension Benefits		Postretirement Benefits	
	June 30,		June 30,	
	2023	2022	2023	2022
Used for benefit obligation at year end				
Discount rate	5.32 %	4.78 %	5.32 %	4.78 %
Rate of compensation increase	3.50	3.50	3.50	3.50
	Pension Benefits		Postretirement Benefits	
	June 30,		June 30,	
	2023	2022	2023	2022
Used for net benefit cost				
Discount rate	4.78 %	2.93 %	4.78 %	2.93 %
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	6.55 %	5.30 %
Ultimate retiree healthcare cost trend	N/A	N/A	4.20 %	4.20 %
Year ultimate trend rate is achieved	N/A	N/A	2077	2072

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 asset allocations and the expected returns likely to be earned over the life of the plan.

The following table sets forth the components of the net periodic pension and postretirement benefits cost for the years ended June 30, 2023 and 2022:

	Pension Benefits		Postretirement Benefits	
	2023	2022	2023	2022
Service cost	\$ 1,411	\$ 1,974	\$ 464	\$ 522
Interest cost	5,791	4,524	877	711
Expected return on plan assets	(6,939)	(7,938)	-	-
Amortization of prior service cost (credit)	-	8	-	-
Amortization of net (gain) loss	-	1,304	(951)	(311)
Net periodic benefit cost	\$ 263	\$ (128)	\$ 390	\$ 922

Plan Assets

The pension plan's target allocations at June 30, 2023, by asset category are as follows:

Asset category	
Equity securities	75.00 %
Fixed income	25.00 %

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.

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The composition of asset categories and valuation techniques used to measure fair value are described in Note 1.

The pension plan's investments as of June 30, 2023 and 2022 are as follows:

	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value 2023
Assets				
Cash and cash equivalents	\$ 540	\$ -	\$ -	\$ 540
Fixed income				
Government and corporate bonds	-	25,696	-	25,696
Equities				
Mutual funds	<u>78,923</u>	<u>-</u>	<u>-</u>	<u>78,923</u>
Total investments and cash equivalents	<u>\$ 79,463</u>	<u>\$ 25,696</u>	<u>\$ -</u>	<u>\$ 105,159</u>

	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	<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>

There were no significant transfers between Level 1 and Level 2 in fiscal years 2023 and 2022.

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.

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Contributions and Benefit Payments

Expected future cash flows are as follows:

	Pension Benefits	Postretirement Benefits
Expected employer contributions		
2024	\$ 3,112	\$ -
Projected benefit payments for the fiscal year ending June 30,		
2024	6,941	1,426
2025	8,946	1,398
2026	6,645	1,377
2027	6,725	1,262
2028	6,876	1,300
2029-2033	36,409	6,357

12. 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 Trust made the final bond payment for the Series 2012A bonds on April 1, 2023 resulting in no outstanding bonds with respect to the 1980 expansion.

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

In connection with the 1980 expansion, the Museum advanced funds to the Trust to the extent that TEPs and the proceeds of the Serial Bonds were not sufficient to pay debt service and complete the 1980 expansion project. The Museum advanced a total of \$45,000 to the Trust between 1980 and 2000.

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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. During the years ended June 30, 2023 and 2022, the Trust repaid the Museum \$925 and \$1,200, respectively, decreasing the receivable from the Trust. Cumulative advances, net of reimbursements paid by the Trust to the Museum, totaled \$27,417 and \$28,342, respectively, at June 30, 2023 and 2022, and is reflected as a receivable from the Trust on the Museum's consolidated balance sheet.

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.

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 2.85% and 0.47% for fiscal years 2023 and 2022, 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 which were obtained in August 2006. Cumulative interest on the Museum's advances to the Trust totaled \$155,186 and \$150,041 at June 30, 2023 and 2022, respectively. The interest receivable has not been recorded in the Museum's consolidated financial statements as the criteria for recognition has not been met.

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.

13. Leases

The Museum's most significant lease is 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, 2023, 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.

Lease payments that impact operating cash flows during 2023 and 2022 were \$3,441 and \$2,962.

Rent expense, including taxes and operating expenses, included within the consolidated statements of activities for the year ended June 30, 2023 and 2022 was \$4,438 and \$3,899.

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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, 2023:

2024	\$	3,518
2025		3,597
2026		3,568
2027		2,250
2028		2,306
Thereafter		<u>9,097</u>
Total minimum lease payments		24,336
Less: Imputed interest		<u>2,259</u>
Present value of lease liability	\$	<u>22,077</u>

14. Functional Expenses

Expenses by functional and natural classification for the years ended June 30, 2023 and 2022 are as follows:

	2023								2023 Total
	Cost of Goods	Depreciation	Occupancy, Utilities and Repairs	Professional Fees	Salaries & Benefits	Supplies & Other	Travel and Research Related Expenses	Communications	
Program expenses									
Cost of sales from retail, publishing and restaurant activities	\$ 37,224	\$ 615	\$ 4,607	\$ 1,093	\$ 16,207	\$ 8,147	\$ 269	\$ 2,830	\$ 70,991
Curatorial and related support services	-	-	826	1,449	38,823	5,456	717	-	47,272
Exhibitions	-	-	555	3,753	2,871	8,439	477	4	16,098
Facilities, security and other	-	37,638	13,785	2,983	21,958	1,516	40	-	77,920
Other museum programs	-	-	9	609	3,570	2,129	1,078	-	7,395
Public information	-	-	10	2,727	2,826	73	31	2,125	7,793
Public services	-	-	27	365	3,858	1,309	134	45	5,738
Management and general									
Administration and other	-	5,068	4,364	4,628	18,593	2,621	386	1	35,662
Fundraising									
Membership, development and cultivation	-	-	374	2,031	8,029	53	372	1,274	12,133
Total operating costs	37,224	43,321	24,557	19,637	116,735	29,742	3,504	6,279	281,000
Other pension plan costs	-	-	-	-	(1,222)	-	-	-	(1,222)
Interest expense, change in fair value of interest rate swap agreements and other financing costs	-	-	7,801	-	-	-	-	-	7,801
Total expenses	\$ 37,224	\$ 43,321	\$ 32,358	\$ 19,637	\$ 115,514	\$ 29,742	\$ 3,504	\$ 6,279	\$ 287,579

	2022								2022 Total
	Cost of Goods	Depreciation	Occupancy, Utilities and Repairs	Professional Fees	Salaries & Benefits	Supplies & Other	Travel and Research Related Expenses	Communications	
Program expenses									
Cost of sales from retail, publishing and restaurant activities	\$ 37,424	\$ 709	\$ 4,202	\$ 1,296	\$ 15,862	\$ 6,833	\$ 84	\$ 2,794	\$ 69,204
Curatorial and related support services	-	-	760	1,023	36,110	5,332	284	-	43,509
Exhibitions	-	-	341	2,521	2,172	5,935	506	7	11,482
Facilities, security and 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									
Administration and other	-	5,315	4,143	5,446	16,128	2,193	219	18	33,462
Fundraising									
Membership, development and 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 plan 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

15. Subsequent Events

The Museum has performed an evaluation of subsequent events through October 24, 2023, which is the date the consolidated financial statements were issued.