

The Museum of Modern Art
Consolidated Financial Statements
June 30, 2020 and 2019

The Museum of Modern Art
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June 30, 2020 and 2019

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Report of Independent Auditors

To the Board of Trustees of
The Museum of Modern Art

We have audited the accompanying consolidated financial statements of The Museum of Modern Art and its subsidiaries, which comprise the consolidated statements of financial position as of June 30, 2020 and 2019, and the related consolidated statements of activities and of cash flows for the years then ended.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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



Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Museum of Modern Art and its subsidiaries as of June 30, 2020 and 2019, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers LLP

New York, New York
October 23, 2020

The Museum of Modern Art
Consolidated Statements of Financial Position
June 30, 2020 and 2019

<i>(in thousands of dollars)</i>	2020	2019
Assets		
Cash and cash equivalents	\$ 92,863	\$ 132,664
Receivables		
Accounts receivable and other	5,878	7,024
Contributions receivable, net	207,727	224,071
The Trust for Cultural Resources	30,182	31,232
Inventories	15,618	16,212
Prepaid expenses and other assets	8,525	14,762
Investments		
Accrued investment income and other receivables	1,259	1,157
Investments, at fair value	1,248,603	1,217,010
Interest in net assets of International Council	6,946	6,320
Property, plant and equipment, net	742,625	728,824
Total assets	<u>\$ 2,360,226</u>	<u>\$ 2,379,276</u>
Liabilities and Net Assets		
Accounts payable, accrued expenses and other liabilities	\$ 36,096	\$ 72,473
Loans payable, bond premium and deferred financing costs, net of accumulated amortization, of \$27,892 in 2020 and \$33,775 in 2019	340,092	329,975
Pension and postretirement benefit obligations	106,392	72,269
Total liabilities	<u>482,580</u>	<u>474,717</u>
Net assets		
Without donor restrictions	1,120,122	768,551
With donor restrictions	757,524	1,136,008
Total net assets	<u>1,877,646</u>	<u>1,904,559</u>
Total liabilities and net assets	<u>\$ 2,360,226</u>	<u>\$ 2,379,276</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, 2020 and 2019**

	2020					2019				
	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	\$ 14,101	\$ -	\$ 14,101	\$ -	\$ 14,101	\$ 29,640	\$ -	\$ 29,640	\$ -	\$ 29,640
Membership	10,098	-	10,098	-	10,098	11,593	-	11,593	-	11,593
Investment income-spending policy	50,456	-	50,456	-	50,456	44,212	-	44,212	-	44,212
Annual fund contributions	12,999	-	12,999	-	12,999	11,811	-	11,811	-	11,811
Other grants and contributions	16,181	-	16,181	24,137	40,318	18,095	-	18,095	10,584	28,679
Circulating exhibition fees	25	-	25	-	25	1,090	-	1,090	-	1,090
Other	3,402	-	3,402	-	3,402	3,599	-	3,599	-	3,599
Revenue of auxiliary activities	52,970	-	52,970	-	52,970	59,196	-	59,196	-	59,196
Net assets released from restrictions	65,744	-	65,744	(65,744)	-	50,933	-	50,933	(50,933)	-
Total operating revenues and other support	225,976	-	225,976	(41,607)	184,369	230,169	-	230,169	(40,349)	189,820
Operating expenses										
Curatorial and related support services	53,450	-	53,450	-	53,450	48,660	-	48,660	-	48,660
Exhibitions	14,194	-	14,194	-	14,194	13,491	-	13,491	-	13,491
Other museum programs	4,763	-	4,763	-	4,763	5,373	-	5,373	-	5,373
Cost of sales/auxiliary activities	56,619	-	56,619	-	56,619	58,551	-	58,551	-	58,551
Depreciation (nonauxiliary)	5,094	31,831	36,925	-	36,925	5,144	21,597	26,741	-	26,741
Public services	4,841	-	4,841	-	4,841	5,381	-	5,381	-	5,381
Membership, development and cultivation	12,602	-	12,602	-	12,602	12,387	-	12,387	-	12,387
Facilities, security and other	36,870	-	36,870	-	36,870	37,494	-	37,494	-	37,494
Public information	8,493	-	8,493	-	8,493	6,943	-	6,943	-	6,943
Administration and other	33,493	-	33,493	-	33,493	28,570	-	28,570	-	28,570
Total operating expenses	230,419	31,831	262,250	-	262,250	221,994	21,597	243,591	-	243,591
(Deficit) excess of operating revenues and support over operating expenses	(4,443)	(31,831)	(36,274)	(41,607)	(77,881)	8,175	(21,597)	(13,422)	(40,349)	(53,771)
Nonoperating revenues, expenses and other support										
Sales of works of art	-	-	-	5,614	5,614	-	-	-	57,922	57,922
Acquisition of works of art	(13,760)	-	(13,760)	-	(13,760)	(40,332)	-	(40,332)	-	(40,332)
Net assets released from restrictions for art acquisitions	13,760	-	13,760	(13,760)	-	40,332	-	40,332	(40,332)	-
Net assets released from restrictions for renovation and expansion	-	427,916	427,916	(427,916)	-	-	-	-	-	-
Excess amounts designated for operations and specific purposes over investment income	(10,707)	-	(10,707)	(793)	(11,500)	(644)	-	(644)	11,910	11,266
Contributions restricted for art acquisitions	-	-	-	10,182	10,182	-	-	-	13,769	13,769
Contributions restricted for capital acquisition and permanent endowment	-	-	-	89,796	89,796	-	-	-	81,367	81,367
Board-designated proceeds and other contributions	14,800	-	14,800	-	14,800	103,267	-	103,267	-	103,267
Defined benefit plan changes other than net periodic benefit cost	(26,475)	-	(26,475)	-	(26,475)	(10,797)	-	(10,797)	-	(10,797)
Other pension costs	(11,488)	-	(11,488)	-	(11,488)	(1,565)	-	(1,565)	-	(1,565)
Interest expense, change in fair value of interest rate swap agreements and other financing costs	(6,201)	-	(6,201)	-	(6,201)	(6,211)	-	(6,211)	-	(6,211)
Total nonoperating revenues, expenses and other support	(40,071)	427,916	387,845	(336,877)	50,968	84,050	-	84,050	124,636	208,686
Change in net assets	(44,514)	396,085	351,571	(378,484)	(26,913)	92,225	(21,597)	70,628	84,287	154,915
Net Assets										
Beginning of year	662,501	106,050	768,551	1,136,008	1,904,559	570,276	127,647	697,923	1,051,721	1,749,644
End of year	\$ 617,987	\$ 502,135	\$ 1,120,122	\$ 757,524	\$ 1,877,646	\$ 662,501	\$ 106,050	\$ 768,551	\$ 1,136,008	\$ 1,904,559

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, 2020 and 2019

<i>(in thousands of dollars)</i>	2020	2019
Cash flows from operating activities		
Change in net assets	\$ (26,913)	\$ 154,915
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities		
Depreciation and amortization	31,831	21,516
Defined benefit plan changes other than net periodic benefit cost	26,475	10,797
Change in interest in net assets of International Council	(626)	(255)
Net realized gains and unrealized appreciation on investments	(34,099)	(50,713)
Contributions restricted for capital acquisition and permanent endowment	(76,853)	(70,162)
Contributed securities	(15,840)	(9,196)
Proceeds from sales of contributed securities	5,122	6,898
Change in fair value of interest rate swap agreement	(240)	(240)
Sales of works of art	(5,614)	(57,922)
Acquisition of works of art	13,760	40,322
Changes in assets and liabilities		
Accounts receivable and other	1,146	(588)
Contributions receivable	(20,031)	(3,557)
Accrued investment income and other investment receivables	(102)	(479)
Inventories	594	121
Prepaid expenses and other assets	6,237	(1,483)
Accounts payable, accrued expenses and other liabilities	(14,499)	(5,080)
Pension and postretirement benefit obligations	7,648	(269)
Net cash (used in) provided by operating activities	<u>(102,004)</u>	<u>34,625</u>
Cash flows from investing activities		
Purchases of property, plant and equipment	(59,153)	(112,768)
Proceeds from disposition of investments	298,719	337,670
Purchase of investments	(302,918)	(430,610)
Distributions from Trust for Cultural Resources	1,050	850
Sales of works of art	5,614	57,922
Acquisition of works of art	(27,760)	(41,322)
Net cash used in investing activities	<u>(84,448)</u>	<u>(188,258)</u>
Cash flows from financing activities		
Contributions restricted for capital acquisition and permanent endowment	104,091	125,965
Proceeds from sales of contributed securities	19,855	14,343
Proceeds from line of credit borrowing	16,000	-
Net cash provided by financing activities	<u>139,946</u>	<u>140,308</u>
Net decrease in cash and cash equivalents	(46,506)	(13,325)
Cash, cash equivalents, and restricted cash		
Beginning of year	<u>146,524</u>	<u>159,849</u>
End of year	<u>\$ 100,018</u>	<u>\$ 146,524</u>
Supplemental disclosures		
Cash paid in the year for interest	\$ 12,323	\$ 11,759
Change in accruals of property, plant and equipment acquisitions	(7,638)	(2,948)
Change in accruals of acquisitions of works of art	(14,000)	(1,000)
Contributed securities	24,977	21,222

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

The Museum of Modern Art

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

(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 \$6,946 and \$6,320 in the consolidated statements of financial position as of June 30, 2020 and 2019, 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 \$811 and \$6,544, respectively, at June 30, 2020 and \$461 and \$6,553, respectively, at June 30, 2019. All of the Council’s investments (as of June 30, 2020 and 2019) 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 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 exclusively to acquire other items for the collection.

The Museum of Modern Art

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

(in thousands of dollars)

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 of Trustees. As reflected in the accompanying consolidated statements of financial position, the Museum and the Board of Trustees 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.

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, 2020 and 2019. 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 \$15,840 and \$9,196 of revenue related to contributed securities for the years ended June 30, 2020 and 2019, respectively.

The Museum of Modern Art

Notes to Consolidated Financial Statements

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(in thousands of dollars)

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 FASB 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, 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

Investments

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

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

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(in thousands of dollars)

The Museum's investment funds, which include equity funds, fixed income funds, hedge funds, private equity funds and real assets, consist of the Museum's ownership interest in externally managed funds, which may be invested in less liquid investments. The fair value of these investments is determined based on the net asset value (the "NAV") provided by the external investment managers of the underlying funds. For all these investments fair value represents the Museum's original investment plus the Museum's allocated share of income, realized gains and losses and unrealized appreciation and depreciation, net of fees and distributions. The Museum believes that the NAV of these investments is a reasonable estimate of fair value as of June 30, 2020 and 2019. 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, 2020 and 2019, 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 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 statements of cash flows and not short-term investments.

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

	2020	2019
Cash, Cash Equivalents, and Restricted Cash		
Cash and cash equivalents on the statements of financial position	\$ 92,863	\$ 132,664
Cash included in investments	<u>7,155</u>	<u>13,860</u>
Total cash and cash equivalents, restricted cash on statements of cash flows	<u>\$ 100,018</u>	<u>\$ 146,524</u>

The Museum of Modern Art

Notes to Consolidated Financial Statements

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(in thousands of dollars)

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 capital acquisitions and debt reduction, excess of investment income over amounts designated for operations and specific purposes, interest expense, change in fair value of interest rate swap agreements and other financing costs, contributions restricted for capital acquisitions and permanent endowment, board-designated and other contributions, the costs of the voluntary retirement program, or defined benefit plan changes other than net periodic benefit cost and the non-service components of the net periodic benefit 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.

Membership, Development and Cultivation

Membership, development and cultivation expenses were \$12,602 and \$12,387, respectively, for the years ended June 30, 2020 and 2019. 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, 2020 and 2019 was \$4,228 and \$3,288, respectively.

Functional Expenses

The costs of providing program and other activities have been summarized on a functional basis in the 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 accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the dates of the financial statements, and the reported amounts of revenues and expenses during the reporting period. The most significant estimates include the valuation assumptions associated with investments without readily determinable fair values, net realizable value of contributions receivable, and pension and postretirement benefit liabilities. Actual results could differ from those estimates.

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Derivative Instruments

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

New Accounting Pronouncements

In fiscal year 2020, the Museum implemented ASU 2016-18 *Restricted Cash*. The new guidance requires that the reconciliation of the beginning-of-period and end-of period amounts shown in the consolidated statement of cash flows include restricted cash and restricted cash equivalents. Companies will also need to disclose information about the nature of the restrictions. The new standard was effective July 1, 2019 and was adopted by the Museum using a retrospective application. The Museum has implemented the new guidance as included in the Cash, Cash Equivalents, and Restricted Cash section of this Note 1. The adoption of ASU 2016-18 did not have a material impact on the Museum's statements of activities; however, in the consolidated statements of cash flows, the adoption decreased net cash used in investing activities for the year ended June 30, 2019 from \$193,526 as previously reported to \$188,258, increased 2019 beginning of year cash and cash equivalents from \$151,259 as previously reported to \$159,851 and increased 2019 end of year cash and cash equivalents from \$132,664 as previously reported to \$146,524.

In fiscal year 2020, the Museum adopted ASU 2017-07, *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*. The amendments in this ASU require that an employer report the service cost component in the same line item or items as other compensation costs arising from services rendered by the pertinent employees during the period. The other components of net benefit cost are required to be presented in the income statement separately from the service cost component and outside a subtotal of income from operations, if one is presented. The amendments in this update also allow only the service cost component to be eligible for capitalization when applicable. The Museum adopted the standard retrospectively in 2020 and as a result, recorded the non-service cost components of the net periodic costs for its pension and postretirement benefit plans of \$3,659 and \$1,565 within the nonoperating revenues, expenses and other support section "other pension costs" line item of the consolidated statements of operations for the years ended June 30, 2020 and 2019, respectively. The Museum utilized a practical expedient as permitted whereby an employer may use the amounts disclosed in the note for Pension and Other Postretirement Benefit Plans (Note 12) for the prior comparative period as the estimation basis for applying the retrospective presentation.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. Under this guidance, lessees will need to recognize the following for all leases (with the exception of leases with a term of twelve months or less) at the commencement date: (a) a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and (b) a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. Under the new guidance, lessor accounting is largely unchanged. The guidance requires a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The modified retrospective approach would not require any transition accounting for leases that expire before the earliest comparative period presented. A full retrospective transition approach is not permitted. This standard is effective for fiscal years beginning after December 15,

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2019 (fiscal year 2021 for the Museum). The Museum is evaluating the impact this standard will have on the consolidated financial statements.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820) Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*. This ASU removed, modified, and added additional disclosure requirements on fair value measurements in Topic 820, specifically surrounding: (a) the amount of and reasons for transfers between Level 1 and Level 2 investments, (b) the policy for timing of these transfers, (c) the valuation process for Level 3 fair value measurements, and (d) the changes in unrealized gains and losses for the period including earnings on Level 3 fair value measurements held at the end of the reporting period. This ASU is effective for fiscal years beginning after December 15, 2019, with early adoption permitted. The Museum will adopt ASU 2018-13 in fiscal year 2021 and is evaluating the impact that this standard will have on the consolidated financial statements.

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 Update modify the disclosure requirements for employers that sponsor defined benefit pension or other postretirement plans. The amendments in this Update are effective for fiscal years ending after December 15, 2021. Early adoption is permitted, however. The Museum plans to adopt ASU 2018-13 in fiscal year 2022 and is evaluating the impact that this standard will have on the consolidated financial statements.

In March 2019, the FASB issued ASU 2019-03 *Not-for-Profit Entities – Updating the Definition of Collections (Topic 958)*. This ASU addresses the use of deaccessioned funds not only for the acquisition of new collection items, but also for direct care of the collection. This ASU is effective for fiscal years beginning after December 15, 2019, with early adoption permitted, to be applied on a prospective basis. The Museum will adopt ASU 2019-03 in fiscal year 2021 and is evaluating the impact that this standard will have on the consolidated financial statements.

Reclassifications

Certain reclassifications have been made to amounts previously reported in the consolidated financial statements to conform to the current year's presentation. Such reclassifications had no effect on the change in net assets.

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2. Contributions Receivable

Contributions receivable at June 30, 2020 and 2019 are as follows:

	2020	2019
Museum operations, programs and endowment	\$ 87,043	\$ 73,417
Future periods-split interest agreements	317	1,318
Capital construction and acquisition	139,496	171,869
	<u>226,856</u>	<u>246,604</u>
Less: Discount for present value	(6,330)	(9,734)
Allowance for doubtful accounts	(12,799)	(12,799)
	<u>\$ 207,727</u>	<u>\$ 224,071</u>
Amounts due in		
Less than one year	\$ 96,629	\$ 88,402
One to five years	128,911	156,884
More than five years	1,316	1,318
	<u>\$ 226,856</u>	<u>\$ 246,604</u>

Multi-year pledges initially fair valued in fiscal year 2020 and 2019 are computed using a risk-free rate adjusted for a market risk premium or the credit worthiness of the donor.

3. Financial Instruments

The Museum follows guidance with respect to accounting and reporting for the fair value of 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.

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

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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, and registered mutual funds.

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

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

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

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

The Fair Value Option for financial assets and liabilities gives entities the option, at specific election dates, to measure certain financial assets and liabilities at fair value. The election may be applied to financial assets and liabilities on an instrument by instrument basis, is irrevocable, and may only be applied to entire instruments. Unrealized gains and losses on instruments for which the fair value option has been elected are reported in earnings at each subsequent reporting date. During fiscal year 2020 and 2019, the Museum did not elect fair value accounting for any assets or liabilities that are not currently required to be measured at fair value.

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The following tables summarize the financial instruments reported within the consolidated statements of financial position carried at fair value as of June 30, 2020 and 2019, 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, 2020 Total Fair Value
Assets				
Cash and cash equivalents	\$ 83,720	\$ -	\$ -	\$ 83,720
Short term investments	104,395	-	-	104,395
Government and corporate bonds	-	52,095	-	52,095
Equity securities	247,358	-	-	247,358
Investment funds				
Registered mutual funds	45,521	-	-	45,521
Fixed income	-	402	-	402
	<u>\$ 480,994</u>	<u>\$ 52,497</u>	<u>\$ -</u>	<u>533,491</u>
Investments measured at NAV				<u>799,597</u>
Total assets at fair value				<u>\$ 1,333,088</u>
Liabilities				
Interest rate swaps	\$ -	\$ 4,758	\$ -	\$ 4,758
Total liabilities at fair value	<u>\$ -</u>	<u>\$ 4,758</u>	<u>\$ -</u>	<u>\$ 4,758</u>

	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	June 30, 2019 Total Fair Value
Assets				
Cash and cash equivalents	\$ 139,925	\$ -	\$ -	\$ 139,925
Short term investments	51,790	-	-	51,790
Government and corporate bonds	-	49,340	-	49,340
Equity securities	346,272	-	-	346,272
Investment funds				
Registered mutual funds	44,120	-	-	44,120
Fixed income	-	414	-	414
	<u>\$ 582,107</u>	<u>\$ 49,754</u>	<u>\$ -</u>	<u>631,861</u>
Investments measured at NAV				<u>719,243</u>
Total assets at fair value				<u>\$ 1,351,104</u>
Liabilities				
Interest rate swaps	\$ -	\$ 4,998	\$ -	\$ 4,998
Total liabilities at fair value	<u>\$ -</u>	<u>\$ 4,998</u>	<u>\$ -</u>	<u>\$ 4,998</u>

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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, 2020

Investment Strategy	Adjusted Fair Value Determined Using NAV (in 000's)	Number of Funds	Remaining Life*	Unfunded Commitments (in 000's)	Redemption Terms	Redemption Restrictions and Terms	Redemption Restrictions and Terms in Place at Year End
Fixed Income - Investment funds	\$ 36,732	2	N/A	N/A	Monthly: 55% (with 45 days notice) Quarterly: 45% (with 60 days notice)	See redemption terms.	None
Equity - Investment funds	241,993	5	N/A	N/A	Monthly: 25% (with 30 days notice) Quarterly: 21% (with 30 days notice) Quarterly: 16% (with 60 days notice) Annual at 12/31: 27% (with 90 days notice) Annual at 12/31 with 1/3 investor level gate: 9% (with 90 days notice) 2/1/21: 2% (with 90 days notice)	See redemption terms.	None
Absolute Return - Multi-strategy and other	123,345	7	N/A	N/A	Month-end: 37% (with 60 days notice) Quarterly: 31% (with 45 days notice) Semi-annual: 22% (with 90 days notice) Sidepockets: 10%	See redemption terms.	Full redemption requests made for two funds (representing 4% 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	94,110	5	N/A	N/A	Annual at 12/31: 17% Quarterly (with 25% investor level gate): 76% Pending final redemption: 7% 3 funds, representing 93% of assets. The remaining two funds are pending final redemption.	1 fund, representing 7% of assets is in process of being fully redeemed, subject to investor level gate. Full redemption to occur at 6/30/21 1 fund, representing 38% of assets has a 25% quarterly investor-level gate.	<1% (one fund) was fully redeemed on 6/30/11. An investor-level gate was imposed, and the investment will be fully distributed when realized
Absolute Return - Event driven	392	1	N/A	N/A	100% of funds represents audit holdback	Fully redeemed (audit holdback held in escrow until audit completion).	None
Private Equity	296,683	44	0-3 Years: 13% 3-5 Years: 10% >5 Years: 77%	157,486	N/A	N/A	N/A
Real Assets	6,342	4	0-3 Years: 19% 3-5 Years: 81% >5 Years: 0%	3,546	N/A	N/A	N/A
	<u>\$ 799,597</u>			<u>\$ 161,032</u>			

* Defined as the period between June 30, 2020 and the initial termination date of the fund as defined in legal documentation.

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(in thousands of dollars)

June 30, 2019

Investment Strategy	Adjusted Fair Value Determined Using NAV in (000's)	Number of Funds	Remaining Life*	Unfunded Commitments (in 000's)	Redemption Terms	Redemption Restrictions and Terms	Redemption Restrictions and Terms in Place at Year End
Fixed Income - Investment funds	\$ 38,155	3	N/A	N/A	Monthly: 55% (with 30 days notice) Quarterly: 45% (with 60 days notice)	Full redemption made from 1 fund with remaining balances representing cash holdback until after the fund completes its FY 2019 audit.	None
Equity - Investment funds	199,424	5	N/A	N/A	Month-end: 21% and 21% (with 15 days notice and 30 days notice, respectively) Quarterly: 22% (with 30 days notice) 12/31/19 and then annual: 21% (with 90 days notice) 5/1/20 and then annual: 7% (with 90 days notice) 12/31/2020 and then annual: 3% (with 90 days notice) 2/1/21 and then annual: 2% (with 90 days notice) 12/31/2021 and then annual: 3% (with 90 days notice)	See redemption terms.	None
Absolute Return - Multi-strategy and other	84,919	5	N/A	N/A	Annual at 12/31: 53% Month-end: 34% (with 45 days notice) Sidepocket (> 3 Yrs): 14% (All funds require notice periods that range from 60 to 180 days.)	See redemption terms.	Full redemption requests made for two funds (representing 4% 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	124,720	6	N/A	N/A	Annual at 12/31: 38% Quarterly: 52% 3/31/20 and relocking for 24 months: 3% 6/30/20 and relocking for 24 months: 1% 3/31/21 and relocking for 24 months: 3% 6/30/21 and relocking for 24 months: 1% Pending final redemption: <1% 5 funds, representing 100% of assets, require 90 days notice. The remaining fund is pending final redemption.	1 fund, representing 20% of assets has a 20% annual fund-level gate. 1 fund, representing 31% of assets has a 25% quarterly investor-level gate.	<1% (one fund) was fully redeemed on 6/30/11. An investor-level gate was imposed, and the investment will be fully redeemed over several quarters.
Absolute Return - Event driven	31,130	1	N/A	N/A	Quarterly: 100% (All funds require notice periods that range from 45 to 60 days.)	1 fund, representing 100% of assets has a gate, triggered at 25% of investor-level NAV / quarter.	None
Private Equity	229,596	38	0-3 Years: 15% 3-5 Years: 2% >5 Years: 83%	173,549	N/A	N/A	N/A
Real Assets	11,299	5	0-3 Years: 18% 3-5 Years: 81% >5 Years: 1%	4,113	N/A	N/A	N/A
	<u>\$ 719,243</u>			<u>\$ 177,662</u>			

* Defined as the period between June 30, 2019 and the initial termination date of the fund as defined in legal documentation.

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4. Investments

Investments at June 30, 2020 and 2019 are as follows:

	2020		2019	
	Cost	Fair Value	Cost	Fair Value
Cash	\$ 7,155	\$ 7,155	\$ 13,860	\$ 13,860
Short term investments	104,312	104,395	51,700	51,790
Equity securities	212,615	247,358	302,189	346,272
Government and corporate bonds	49,509	51,953	48,064	49,200
Investment funds				
Registered mutual funds	42,874	44,689	42,580	43,198
Fixed income	36,985	36,732	37,398	38,155
Equity (long only)	200,308	241,993	185,656	199,424
Credit	96,141	94,110	106,732	124,720
Multi-strategy and other **	99,933	123,345	55,039	84,919
Event-driven	-	392	25,000	31,130
Private equity	234,480	296,683	188,890	229,596
Real assets	8,171	6,342	8,808	11,299
Investments	<u>\$ 1,092,483</u>	<u>1,255,147</u>	<u>\$ 1,065,916</u>	<u>1,223,563</u>
Less: Investments maintained for the Council		<u>(6,544)</u>		<u>(6,553)</u>
Investments per the consolidated statements of financial position		<u>\$ 1,248,603</u>		<u>\$ 1,217,010</u>

***Included in the fair value are investment subscriptions paid in advance from proceeds from short term investments totaling \$20 million for which the Museum has paid prior to June 30, 2020.*

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, 2020 and 2019, if it had liquidated its investments in the funds on these dates.

Private equity fund holdings include investments in buyouts, credit and venture capital. Hedge funds include credit, equity long/short, multi-strategy and other. 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 hedge funds, private equity and real asset funds value investments based upon the best information available for a given circumstance and may incorporate assumptions that are the investment manager's best estimates after consideration of a variety of internal and external factors. Hedge funds, private equity and real asset funds may make investments in securities that are publicly traded, which are generally valued based on observable market prices, unless a restriction exists.

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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, 2020 and 2019, 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 updated 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 in fiscal 2020 and 2019.

The following schedules summarize the investment return and its classification in the consolidated statements of activities for 2020 and 2019:

	Without Restrictions	With Restrictions	Total 2020
Dividends and interest, net of investment management and related fees of \$11,342	\$ 3,975	\$ 1,535	\$ 5,510
Net realized gains, changes in unrealized appreciation	<u>36,427</u>	<u>(2,328)</u>	<u>34,099</u>
Total return on long-term investments	40,402	(793)	39,609
Museum operations (spending policy)	<u>(50,456)</u>	<u>-</u>	<u>(50,456)</u>
Investment return in excess of spending policy	(10,054)	(793)	(10,847)
Auxiliary activities	<u>(653)</u>	<u>-</u>	<u>(653)</u>
Amounts designated for operations and specific purposes in excess of investment return	<u>\$ (10,707)</u>	<u>\$ (793)</u>	<u>\$ (11,500)</u>

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	Without Restrictions	With Restrictions	Total 2019
Dividends and interest, net of investment management and related fees of \$14,578	\$ 1,869	\$ 3,254	\$ 5,123
Net realized gains, changes in unrealized appreciation	42,343	8,656	50,999
Total return on long-term investments	44,212	11,910	56,122
Museum operations (spending policy)	(44,212)	-	(44,212)
Investment return in excess of spending policy	-	11,910	11,910
Auxiliary activities	(644)	-	(644)
Amounts designated for operations and specific purposes in excess of investment return	\$ (644)	\$ 11,910	\$ 11,266

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:

	2020	2019
Financial Assets		
Total assets at year-end	\$ 2,360,226	\$ 2,379,276
Less non-financial assets		
Property, plant and equipment, net	(742,625)	(728,824)
The Trust for Cultural Resources receivable	(30,182)	(31,232)
Prepaid expenses and other assets	(8,525)	(14,762)
Inventory	(15,618)	(16,212)
Interest in net assets of International Council	(6,946)	(6,320)
Contributions receivable (with restriction)	(195,091)	(217,596)
Financial assets, at year-end	1,361,239	1,364,330
Less amounts unavailable for general expenditure within one year		
Restricted by donor with time or purpose restrictions	(74,545)	(74,304)
Subject to appropriation and satisfaction of donor restrictions	(503,787)	(453,215)
Financial assets available to meet cash needs for general expenditures within one year	782,907	836,811
Liquidity resources		
Available bank lines of credit and revolvers	38,200	54,200
Total financial assets and resources available within one year	\$ 821,107	\$ 891,011

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

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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 \$72,000 at 2020 and 2019, respectively, of which \$38,200 and \$54,200 at June 30, 2020 and 2019, respectively, remain available.

Included in the total financial assets and resources available within one year is board designated endowments funds of \$145,208 and \$137,106 at June 30, 2020 and 2019, 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 World Health Organization recognized the novel strain of coronavirus, COVID-19, as a pandemic in January 2020. This outbreak has severely restricted the level of economic activity around the world and has disrupted business in every sector of the economy. In response to this outbreak and to control the spread of this virus, New York State imposed restrictions on business operations, travel, and initiated a stay-at-home policy for its citizens. In accordance with directives issued by the New York State government, the Museum was closed to the public on March 13, 2020 to visitors and staff excluding essential personnel required to operate the campus. This disruption lasted through the end of the Museum's fiscal year, June 30, 2020. The Museum recently reopened to the public on August 27, 2020 after authorization from New York State.

There is considerable uncertainty regarding the total impact of the closing on future operations including restrictions relating to reopening; the possibility of another closing; the impact on visitorship due to international travel restrictions or reluctance to travel; the comfort of visitors to return to Museums; and the impact on other sources of revenue such as fundraising events, in-store retail operations, food services, educational programming, and other events. Therefore, the Museum expects this matter to negatively impact its operating results for the foreseeable future.

In response to the pandemic, the Museum took immediate steps to reduce the Museum's cash outflow while leaving the workforce intact during this time of uncertainty.

The Museum, as a result of the impacts already realized and the ongoing uncertainty of the overall impact of this disruption, updated its forecasted overall financial results based on best estimates. The Museum believes it will meet all obligations as they become due as a result of initiatives implemented, agreements in place, and its overall liquidity.

However, given the uncertainty regarding the development of this coronavirus and steps taken to contain it or treat its effects, there is difficulty in predicting the ultimate duration and severity of the impact of COVID-19 on the Museum. The ultimate impact of these uncertainties may be material to the Museum's results and financial position.

Extensive work has been done to prioritize the safety of the employees and visitors of the Museum. The Museum contracted with an infectious disease specialist to establish new safety protocols for visitors, staff, gallery and office space.

The Museum reopened to the public on August 27, 2020 with new safety protocols including timed tickets, requiring masks and temperature checks, social distancing, contactless bag checks and comprehensive cleaning of the facility with emphasis on common areas. At this time, following guidelines from New York State, the Museum is planning on a maximum occupancy of 25% of capacity during its reopening.

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6. Inventories

At June 30, 2020 and 2019, inventories are as follows:

	2020	2019
Publishing and retail		
Available for sales	\$ 15,121	\$ 14,362
Work in process	459	1,813
	<u>15,580</u>	<u>16,175</u>
All other	38	37
	<u>\$ 15,618</u>	<u>\$ 16,212</u>

7. Property, Plant and Equipment

At June 30, 2020 and 2019, property, plant and equipment are as follows:

	2020	2019
Buildings	\$ 844,885	\$ 565,083
Leasehold improvements	4,752	4,752
Software, equipment, machinery and furniture and fixtures	185,489	72,792
Total property, plant and equipment at cost	<u>1,035,126</u>	<u>642,627</u>
Less: Accumulated depreciation	396,644	364,518
Property, plant and equipment, net	638,482	278,109
Land, at cost	99,454	90,420
Construction-in-progress	4,689	360,295
	<u>\$ 742,625</u>	<u>\$ 728,824</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, 2020 and 2019 and totaled \$11,998 and \$13,173, respectively.

The Museum completed a multi-year expansion project comprised of development, construction and integration of a Museum-owned condominium unit (part of a mixed use facility adjacent to the Museum) into the current galleries of the Museum's main facility, construction and equipping new galleries at an adjacent property, and planning and design renovation changes to the Museum's main facility. The Museum reopened to the public on October 21, 2019, placing approximately \$355,000 into service from construction-in-progress.

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8. Loans Payable

Loans payable at June 30, 2020 and 2019 are as follows:

	2020	2019
Series 2016 One E bonds	\$ 278,400	\$ 278,400
Revolvers	8,000	8,000
Line of credit	<u>25,800</u>	<u>9,800</u>
Total debt	312,200	296,200
Bond premium, net of amortization	28,467	34,403
Deferred financing costs, net of amortization	<u>(575)</u>	<u>(628)</u>
Total debt and bond premium	<u>\$ 340,092</u>	<u>\$ 329,975</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 6.

The Series 2016 One E bonds consisted of the following amounts and maturities at June 30, 2020:

	Principal	Yield at Issuance	Rate	Maturity
Revenue Bonds, Series 2016-One-E				
Revenue bonds	\$ 110,725,000	1.26%	4.0%	Feb 1, 2023
Revenue bonds	<u>167,675,000</u>	1.51% -2.14%	4.0%	April 1, 2025-2031
	<u>\$278,400,000</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.

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

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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 accounting and reporting derivatives and hedging 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, 2020 and 2019, the fair value of the Museum's derivative financial instruments were in a liability position of \$4,758 and \$4,998, 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, 2020 and 2019 was \$240, 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 and \$606, for the years ended June 30, 2020 and 2019, respectively.

In January 2020, the Museum renewed its \$20,000 revolving note agreement. This revolver will mature in January 2021 and has an interest rate based on various LIBOR maturities that was 0.52% at June 30, 2020. In June 2020, MoMA PS1 renewed a \$2,000 revolving note agreement with a commercial bank. This revolver will mature in January 2021 and has an interest rate based on various LIBOR maturities that was 1.263% as of June 30, 2020. Borrowings under these two facilities totaled \$8,000 for the years ended June 30, 2020 and 2019.

At June 30, 2020, the Museum has available a \$50,000 line of credit with a commercial bank. The line of credit expires in November 2020. Borrowings under the line of credit totaled \$25,800 and \$9,800, respectively, as of June 30, 2020 and 2019 at an interest rate based on LIBOR maturities that was 1.813% and 2.6% respectively.

Annual principal payments as of June 30, 2020 due during the next five fiscal years and in total thereafter under all of the aforementioned loans payable are approximately as follows:

2021	\$ 33,800
2022	-
2023	110,725
2024	-
2025	-
Thereafter	<u>167,675</u>
	<u>\$ 312,200</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, 2020 and 2019.

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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.

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

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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 2020 and 2019, 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 minimum of 4.00% and 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 of Trustees, 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 \$44,689 and \$43,198 as of June 30, 2020 and 2019, 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, 2020 and 2019:

	With Restrictions	Without Restrictions	Total 2020
Donor-restricted endowment funds	\$ 572,749	\$ -	\$ 572,749
Board-designated endowment funds	-	145,208	145,208
Total endowment funds	<u>\$ 572,749</u>	<u>\$ 145,208</u>	<u>\$ 717,957</u>
	With Restrictions	Without Restrictions	Total 2019
Donor-restricted endowment funds	\$ 523,734	\$ -	\$ 523,734
Board-designated endowment funds	-	137,016	137,016
Total endowment funds	<u>\$ 523,734</u>	<u>\$ 137,016</u>	<u>\$ 660,750</u>

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

	2020	2019
Net assets with restrictions		
Museum programs	\$ 173,666	\$ 159,605
Acquisition of works of art	79,139	74,590
Museum operations and other activities	273,183	273,293
Support of exhibitions	46,761	16,246
Total endowment funds classified as net assets with restrictions	<u>572,749</u>	<u>523,734</u>
Net assets without restrictions		
Total endowment funds classified as net assets without restrictions	<u>145,208</u>	<u>137,016</u>
Total endowment funds	<u>\$ 717,957</u>	<u>\$ 660,750</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, 2020 was \$585 and included 15 funds with original donor contributions totaling \$32,597. The aggregate amount by which fair value was below historic dollar value at June 30, 2019 was \$42 and included three funds with original donor contributions totaling \$8,525. 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, 2020 and 2019 is as follows:

	2020	2019
Endowment net assets	\$ 717,957	\$ 660,750
Subtract		
Contributions receivable, net, and other adjustments included in endowment net assets	(74,407)	(68,260)
Add		
Without and with restrictions investments, at fair value	<u>605,053</u>	<u>624,520</u>
Investments, at fair value	<u>\$ 1,248,603</u>	<u>\$ 1,217,010</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, 2018	<u>\$ 476,828</u>	<u>\$ 30,282</u>	<u>\$ 507,110</u>
Investment return			
Investment income	24,396	4,330	28,726
Net (depreciation) appreciation	<u>(7,277)</u>	<u>2,110</u>	<u>(5,167)</u>
Total investment return	17,119	6,440	23,559
Contributions	45,977	103,250	149,227
Appropriation of endowment assets for expenditure	<u>(16,190)</u>	<u>(2,956)</u>	<u>(19,146)</u>
Endowment net assets as of June 30, 2019	<u>523,734</u>	<u>137,016</u>	<u>660,750</u>
Investment return			
Investment income	13,504	3,476	16,980
Net depreciation	<u>(3,829)</u>	<u>(1,390)</u>	<u>(5,219)</u>
Total investment return	9,675	2,086	11,761
Contributions	59,279	11,800	71,079
Appropriation of endowment assets for expenditure	<u>(19,939)</u>	<u>(5,694)</u>	<u>(25,633)</u>
Endowment net assets as of June 30, 2020	<u>\$ 572,749</u>	<u>\$ 145,208</u>	<u>\$ 717,957</u>

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11. Net Assets

At June 30, 2020 and 2019, net assets were available for the following purposes:

	2020	2019
Net assets with donor restrictions		
Subject to time or purpose restrictions		
Museum programs	\$ 54,179	\$ 58,125
Acquisitions of works of art	61,445	58,598
Maintaining art collections	13,346	14,765
Support of exhibitions	37,666	37,791
Expansion and renovation	53,570	488,484
Operating support and other purposes	63,788	64,042
Time or purpose restricted	<u>283,994</u>	<u>721,805</u>
Held in perpetuity		
Museum programs	182,551	138,812
Acquisition of works of art	68,284	63,564
Museum operations and other activities	222,695	211,827
Amounts required to be held in perpetuity	<u>473,530</u>	<u>414,203</u>
Total net assets with donor restrictions	<u>757,524</u>	<u>1,136,008</u>
Net assets without donor restrictions		
Undesignated	974,914	631,535
Board-designated endowment	145,208	137,016
Total net assets without donor restrictions	<u>1,120,122</u>	<u>768,551</u>
Total net assets	<u>\$ 1,877,646</u>	<u>\$ 1,904,559</u>

During fiscal 2020 and 2019, net assets were released from donor restrictions as a result of either satisfying the restricted purpose or by the occurrence of other events specified by donors, as follows:

	2020	2019
Museum programs, exhibitions and other	\$ 65,744	\$ 50,933
Expansion and renovation	427,916	-
Acquisitions of works of art	13,760	40,332
Total net assets released from restrictions	<u>\$ 507,420</u>	<u>\$ 91,265</u>

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

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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 \$2,249 and \$1,897 to the Plan for the years ended June 30, 2020 and 2019, 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.

In fiscal year 2015, the Society of Actuaries released updated mortality tables which reflect longer actuarial life expectancies. The Museum has incorporated these updated mortality tables in its underlying estimates and financial obligations associated with the Museum's defined pension plans and other postretirement benefits as required as of and for the years ended June 30, 2020 and 2019.

In fiscal year 2020, the Museum completed a Voluntary Retirement Program for employees meeting specific service and age criteria. Employees that elected the plan terminated from the Museum on April 30, 2020 or were extended in appropriate cases at the discretion of the Museum. The actuarial costs and payments related to this plan totaled \$8,049 and are included in defined benefit plan changes other than net periodic benefit cost in the consolidated statement of activities.

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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,	
	2020	2019	2020	2019
Change in benefit obligation				
Benefit obligation at beginning of year	\$ 133,616	\$ 117,922	\$ 23,670	\$ 23,169
Service cost	2,546	2,290	637	626
Interest cost	4,989	5,150	872	996
Actuarial loss (gain)	22,997	12,166	1,813	2
Benefits paid	(4,609)	(3,912)	(1,100)	(1,247)
Employee contributions	-	-	88	82
Medicare Part D reimbursements	-	-	41	42
Special termination benefits	4,210	-	5,113	-
Benefit obligation at end of year	<u>163,749</u>	<u>133,616</u>	<u>31,134</u>	<u>23,670</u>
Change in plan assets				
Fair value of plan assets at beginning of year	85,017	79,350	-	-
Actual return on plan assets	4,711	5,952	-	-
Employer contributions	3,372	3,627	971	1,123
Employee contributions	-	-	88	82
Medicare Part D reimbursements	-	-	41	42
Benefits paid	(4,609)	(3,912)	(1,100)	(1,247)
Fair value of plan assets at end of year	<u>88,491</u>	<u>85,017</u>	<u>-</u>	<u>-</u>
Funded status at end of year	<u>\$ (75,258)</u>	<u>\$ (48,599)</u>	<u>\$ (31,134)</u>	<u>\$ (23,670)</u>
Amounts recognized in the consolidated statements of financial position consist of				
Pension and postretirement benefit obligations	<u>\$ (75,258)</u>	<u>\$ (48,599)</u>	<u>\$ (31,134)</u>	<u>\$ (23,670)</u>
Amounts recognized in net assets without restrictions consist of				
Net (loss) gain	\$ (57,875)	\$ (36,060)	\$ (1,263)	\$ 657
Prior service (cost) credit	(512)	(1,063)	25	3,299
	<u>\$ (58,387)</u>	<u>\$ (37,123)</u>	<u>\$ (1,238)</u>	<u>\$ 3,956</u>
Defined benefit plan changes other than net periodic benefit cost				
Net (loss) gain	\$ (24,412)	\$ (11,956)	\$ (1,813)	\$ (2)
Amortization of net loss (gain)	2,596	1,457	(2,752)	(123)
Amortization of prior service cost (credit)	552	552	(646)	(725)
	<u>\$ (21,264)</u>	<u>\$ (9,947)</u>	<u>\$ (5,211)</u>	<u>\$ (850)</u>

The discount rate using the bond matching method was calculated at 2.78%. The rate was determined with an analysis of bonds available at June 30, 2020 with an "AA" or better rating by at least two of the three bond rating agencies, Moody's S&P and Fitch. A hypothetical bond portfolio was constructed to match the expected monthly benefit payments under the plans.

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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:

	<u>Pension Benefits</u>		<u>Postretirement Benefits</u>	
	<u>June 30,</u>		<u>June 30,</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Used for obligations				
Discount rate	2.78 %	3.84 %	2.78 %	3.84 %
Rate of compensation increase	3.50	3.50	3.50	3.50
	<u>Pension Benefits</u>		<u>Postretirement Benefits</u>	
	<u>June 30,</u>		<u>June 30,</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Used for Net Benefit Cost				
Discount rate	3.84 %	4.41 %	3.84 %	4.41 %
Expected return on plan assets	7.25	7.25	-	-
Rate of compensation increase	3.50	3.50	3.50	3.50

Amounts in net assets without donor restrictions expected to be recognized in net periodic benefit cost in 2021	Pension Benefits	Postretirement Benefits
Net (loss) gain	\$ (3,877)	\$ -
Prior service (cost) credit	(504)	26
	<u>\$ (4,381)</u>	<u>\$ 26</u>

The accumulated benefit obligation for the pension plan at June 30, 2020 and 2019 was \$141,784 and \$114,827, respectively. Detail of the changes in the accumulated benefit obligation for the pension plan is as follows:

	2020	2019
Accumulated benefit obligation at beginning of year	\$ 114,827	\$ 103,045
Accumulation of benefits, including experience gains/losses	3,368	2,355
Change in average discount period	4,321	4,459
Benefit payments	(4,609)	(3,912)
Plan amendments	5,953	-
Change in actuarial assumptions	17,924	8,880
Accumulated benefit obligation at end of year	<u>\$ 141,784</u>	<u>\$ 114,827</u>

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The accumulated benefit obligation for the Supplemental Executive Retirement Plan at June 30, 2020 and 2019 was \$4,162 and \$3,478, 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, 2020 and 2019:

	Pension Benefits		Postretirement Benefits	
	2020	2019	2020	2019
Service cost	\$ 2,656	\$ 2,290	\$ 627	\$ 626
Interest cost	4,880	5,150	871	996
Expected return on plan assets	(6,127)	(5,742)	-	-
Amortization of prior service cost (credit)	552	552	603	(725)
Amortization of net loss (gain)	2,597	1,457	283	(123)
Net periodic benefit cost	<u>\$ 4,558</u>	<u>\$ 3,707</u>	<u>\$ 2,384</u>	<u>\$ 774</u>

The health care cost trend rate assumption used in determining the accumulated postretirement benefit obligation for the coming year is 6.4% and 6.9% at June 30, 2020 and 2019, respectively.

The following data shows the effect of a one percentage point health care cost trend rate increase (decrease) for 2020, inclusive of the impact of a higher discount rate in fiscal 2020:

	Percentage Point Increase	Percentage Point (Decrease)
Effect on total of service and interest cost	\$ 310	\$ (242)
Effect on postretirement benefit obligation	4,844	(3,926)

Target allocations at June 30, 2020, 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.

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Fair Value Measurements

Within the fair value hierarchy, the pension plan's investments at fair value by level as of June 30, 2020 and 2019 are as follows:

	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value 2020
Assets				
Cash and cash equivalents	\$ 194	\$ -	\$ -	\$ 194
Fixed income				
Fixed income – other	-	5,890	-	5,890
Government & corporate	-	15,467	-	15,467
Equities				
Securities	15,072	-	-	15,072
Registered mutual funds	50,796	-	-	50,796
Investment funds	-	1,072	-	1,072
	<u>66,062</u>	<u>22,429</u>	<u>-</u>	<u>88,491</u>
Total investments and cash equivalents	\$ 66,062	\$ 22,429	\$ -	\$ 88,491

	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value 2019
Assets				
Cash and cash equivalents	\$ 894	\$ -	\$ -	\$ 894
Fixed income				
Fixed income – other	-	3,139	-	3,139
Government & corporate	-	16,999	-	16,999
Equities				
Securities	11,186	-	-	11,186
Registered mutual funds	48,136	-	-	48,136
Investment funds	-	4,663	-	4,663
	<u>60,216</u>	<u>24,801</u>	<u>-</u>	<u>85,017</u>
Total investments and cash equivalents	\$ 60,216	\$ 24,801	\$ -	\$ 85,017

There were no significant transfers between Level 1 and Level 2 in fiscal years 2020 and 2019.

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

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Cash flows for the fiscal year ending June 30, 2020 are as follows:

	Pension Benefits	Postretirement Benefits
Expected employer contributions		
2021	\$ 5,427	\$ 1,917
Projected benefit payments for the fiscal year ending June 30,		
2021	5,527	1,918
2022	5,574	1,780
2023	5,810	1,492
2024	5,975	1,474
2025	6,134	1,423
2026-2030	33,224	6,789

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 2020 and 2019.

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.

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 \$30,182 and \$31,232, respectively, at June 30, 2020 and 2019.

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(in thousands of dollars)

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 \$148,847 and \$145,735 at June 30, 2020 and 2019, respectively.

Commencing on July 1, 2009 and thereafter, the unpaid balance of any outstanding advances will accrue interest at a floating rate equal to the 3-year Treasury rate in effect on July 1 of that year. The rate was 1.74% and 2.7% for fiscal years 2020 and 2019, 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 \$1,050 and \$850 in 2020 and 2019, respectively. The amounts were paid to the Museum, decreasing the receivable from the Trust. The Museum receives annual audited financial statements of the Trust. In addition, the Museum reviews the tax equivalency billings, subsequent collection and allocation of proceeds.

14. Commitments

The Museum is obligated under lease agreements, which generally require the payment of base rents plus escalations. Rent expense under these leases amounted to \$3,138 in 2020 and 2019.

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Minimum lease payments under noncancelable operating leases as of June 30, 2020 are as follows:

2021	\$ 3,504
2022	2,648
2023	2,697
2024	2,748
2025	2,142
Thereafter	16,054
Total minimum lease payments	<u>\$ 29,793</u>

15. Functional Expenses

Expenses by functional and natural classification for the year ended June 30, 2020 and 2019 are as follows:

	2020								
	Cost of Goods	Depreciation	Occupancy, Utilities and Repairs	Professional Fees	Salaries & Benefits	Supplies & Other	Travel and Research Related Expenses	Communications	2020 Total
Program Expenses									
Auxiliary	\$ 26,629	\$ 819	\$ 3,753	\$ 1,331	\$ 15,754	\$ 5,421	\$ 300	\$ 2,612	\$ 56,619
Curatorial & Support	-	-	1,755	8,266	40,766	2,252	409	2	53,450
Exhibitions	-	-	-	-	802	12,667	725	-	14,194
Facilities, Security & Other	-	31,849	12,375	1,630	21,452	1,391	22	-	68,719
Other Museum Programs	-	-	3	876	3,228	236	420	-	4,763
Public Information	-	-	12	1,576	4,701	61	16	2,127	8,493
Public Services	-	-	2	18	3,768	879	78	96	4,841
Management and General									
Admin & Other	-	5,076	4,341	4,285	19,604	4,930	308	25	38,569
Fundraising									
Membership, Development & Cultivation	-	-	294	763	8,681	1,122	518	1,224	12,602
Total operating costs	<u>\$ 26,629</u>	<u>\$ 37,744</u>	<u>\$ 22,535</u>	<u>\$ 18,745</u>	<u>\$ 118,756</u>	<u>\$ 28,959</u>	<u>\$ 2,796</u>	<u>\$ 6,086</u>	<u>262,250</u>
Other Pension costs	-	-	-	-	11,488	-	-	-	11,488
Interest expense, change in fair value of interest rate swap agreements and other financing costs	-	-	6,201	-	-	-	-	-	6,201
Total expenses	<u>\$ 26,629</u>	<u>\$ 37,744</u>	<u>\$ 28,736</u>	<u>\$ 18,745</u>	<u>\$ 130,244</u>	<u>\$ 28,959</u>	<u>\$ 2,796</u>	<u>\$ 6,086</u>	<u>\$ 279,939</u>
	2019								
	Cost of Goods	Depreciation	Occupancy, Utilities and Repairs	Professional Fees	Salaries & Benefits	Supplies & Other	Travel and Research Related Expenses	Communications	2019 Total
Program Expenses									
Auxiliary	\$ 28,998	\$ 806	\$ 4,348	\$ 1,608	\$ 16,903	\$ 2,169	\$ 274	\$ 3,445	\$ 58,551
Curatorial & Support	-	-	1,450	2,002	40,729	3,629	730	120	48,660
Exhibitions	-	-	201	2,996	1,292	7,342	810	850	13,491
Facilities, Security & Other	-	20,048	14,126	370	22,281	704	12	2	57,543
Other Museum Programs	-	-	4	1,153	3,782	-	372	43	5,354
Public Information	-	-	3	1,277	4,414	160	1	1,088	6,943
Public Services	-	-	-	201	3,538	1,160	113	369	5,381
Management and General									
Admin & Other	-	5,088	2,389	6,331	13,290	5,981	530	68	33,677
Fundraising									
Membership, Development & Cultivation	-	1,605	111	723	8,303	1,365	262	1,622	13,991
Total operating costs	<u>\$ 28,998</u>	<u>\$ 27,547</u>	<u>\$ 22,632</u>	<u>\$ 16,661</u>	<u>\$ 114,532</u>	<u>\$ 22,510</u>	<u>\$ 3,104</u>	<u>\$ 7,607</u>	<u>\$ 243,591</u>
Other Pension costs	-	-	-	-	1,565	-	-	-	1,565
Interest expense, change in fair value of interest rate swap agreements and other financing costs	-	-	6,211	-	-	-	-	-	6,211
Total expenses	<u>\$ 28,998</u>	<u>\$ 27,547</u>	<u>\$ 28,843</u>	<u>\$ 16,661</u>	<u>\$ 116,097</u>	<u>\$ 22,510</u>	<u>\$ 3,104</u>	<u>\$ 7,607</u>	<u>\$ 251,367</u>

16. Subsequent Events

The Museum has performed an evaluation of subsequent events through October 23, 2020, which is the date the consolidated financial statements were issued.