

---

---

**THE MUSEUM OF MODERN ART**

**ANNUAL REPORT  
FOR THE  
FISCAL YEAR ENDED JUNE 30, 2015**

**Dated December 23, 2015**

---

---

THE MUSEUM OF MODERN ART  
ANNUAL REPORT  
FOR THE  
FISCAL YEAR ENDED JUNE 30, 2015

TABLE OF CONTENTS

- I. INTRODUCTION
- II. AUDITED FINANCIAL STATEMENTS OF THE MUSEUM OF MODERN ART FOR THE FISCAL YEAR ENDED JUNE 30, 2015
- III. A. INFORMATION OF THE TYPE INCLUDED IN THE OFFICIAL STATEMENT DATED APRIL 19, 2012 RELATING TO THE SERIES 2012A BONDS UNDER THE HEADINGS “INTRODUCTION”; “PROPERTIES OF THE MUSEUM”; “BOARD OF TRUSTEES”; “ORGANIZATION AND ADMINISTRATION”; “CURATORIAL, PUBLICATIONS, AND EDUCATION PROGRAMS”; “PERSONNEL AND RELATED AREAS”; “STATEMENT OF ACTIVITY OF THE OPERATING FUND”; “SECURITY FOR THE 2012A BONDS - THE RESIDENTIAL TOWER AND TAX EQUIVALENCY PAYMENTS”; “DEBT SERVICE ON BONDS” AND “OTHER BONDS OF THE TRUST ISSUED FOR THE BENEFIT OF THE MUSEUM”.
- B. INFORMATION OF THE TYPE INCLUDED IN THE OFFICIAL STATEMENT DATED JULY 23, 2008 RELATING TO THE SERIES 2008-ONE-A REFUNDING REVENUE BONDS AND INFORMATION OF THE TYPE INCLUDED IN THE OFFICIAL STATEMENT DATED JULY 29, 2010 RELATING TO THE SERIES 2010-ONE-A REFUNDING REVENUE BONDS AND INFORMATION OF THE TYPE INCLUDED IN THE OFFICIAL STATEMENT DATED APRIL 19, 2012 RELATING TO THE SERIES 2012-ONE-D REFUNDING REVENUE BONDS EACH UNDER THE HEADINGS “INTRODUCTION”; “PROPERTIES OF THE MUSEUM”; “BOARD OF TRUSTEES”; “ORGANIZATION AND ADMINISTRATION”; “CURATORIAL, PUBLICATIONS, AND EDUCATION PROGRAMS”; “PERSONNEL AND RELATED AREAS”; “STATEMENT OF ACTIVITY OF THE OPERATING FUND”; “FUTURE FINANCING” AND “OTHER BONDS OF THE TRUST ISSUED FOR THE BENEFIT OF THE MUSEUM”.

## **I. INTRODUCTION**

The Museum of Modern Art (the “Museum”), pursuant to (a) the Continuing Disclosure Agreement dated July 23, 2008 relating to the Series 2008-One-A Refunding Revenue Bonds described below, (b) the Continuing Disclosure Agreement dated July 29, 2010 relating to the Series 2010-One-A Refunding Revenue Bonds described below, (c) the Continuing Disclosure Agreement dated May 1, 2012 relating to the Series 2012-One-D Refunding Revenue Bonds described below, and (d) the Continuing Disclosure Agreement dated May 1, 2012 relating to the Series 2012A Bonds described below (collectively, the “Continuing Disclosure Agreements”), hereby provides its annual information for the fiscal year ended June 30, 2015 (the “Annual Report”).

### **Bond Issues**

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

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

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

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

## Annual Report

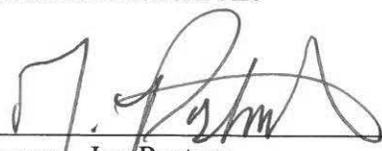
The Museum's Annual Report includes this Introduction and all appendices attached hereto.

## Other Matters

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

Dated: December 23, 2015

The Museum of Modern Art

By:   
Name: Jan Postma  
Title: Chief Financial Officer

**II. AUDITED FINANCIAL STATEMENTS OF THE MUSEUM OF MODERN ART  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

**The Museum of Modern Art**  
**Index**  
**June 30, 2015 and 2014**

---

	<b>Page(s)</b>
<b>Independent Auditor's Report</b> .....	1
<b>Consolidated Financial Statements</b>	
Statements of Financial Position .....	2
Statements of Unrestricted Revenues, Expenses and Changes in Unrestricted Net Assets.....	3
Statements of Changes in Net Assets.....	4
Statements of Cash Flows .....	5
Notes to Financial Statements .....	6–35



## Independent Auditor's Report

To the Board of Trustees of  
The Museum of Modern Art

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

### ***Management's Responsibility for the Consolidated Financial Statements***

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

### ***Auditor's Responsibility***

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

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

### ***Opinion***

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

*PricewaterhouseCoopers LLP*

October 7, 2015

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

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

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

**The Museum of Modern Art**  
**Consolidated Statements of Unrestricted Revenues,**  
**Expenses and Changes in Unrestricted Net Assets**  
**Years Ended June 30, 2015 and 2014**

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

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

**The Museum of Modern Art**  
**Consolidated Statements of Changes in Net Assets**  
**Years Ended June 30, 2015 and 2014**

---

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

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

**The Museum of Modern Art**  
**Consolidated Statements of Cash Flows**  
**Years Ended June 30, 2015 and 2014**

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

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

# The Museum of Modern Art

## Notes to Consolidated Financial Statements

### June 30, 2015 and 2014

---

*(in thousands of dollars)*

#### 1. Organization and Summary of Significant Accounting Policies

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

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

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

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

The Museum's significant accounting policies are described below:

#### **Collections**

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

# The Museum of Modern Art

## Notes to Consolidated Financial Statements

### June 30, 2015 and 2014

---

*(in thousands of dollars)*

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

#### **Net Assets**

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

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

#### **Contributions**

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

# The Museum of Modern Art

## Notes to Consolidated Financial Statements

### June 30, 2015 and 2014

---

*(in thousands of dollars)*

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

Nonmonetary contributions are recorded at estimated fair value at date of receipt if the Museum received certain goods and services that meet criteria under generally accepted accounting principles ("GAAP") for recognition as contributions. No material nonmonetary contributions were made in the years ended June 30, 2015 and 2014. A substantial number of volunteers have contributed significant amounts of time to the Museum; however, no amounts have been reflected in the accompanying consolidated financial statements for such contributed services as these services do not meet the criteria for recognition as contributions under GAAP. Contributed securities of \$7,722 and \$12,175 were received and subsequently liquidated in 2015 and 2014, respectively. Additionally, contributed securities of approximately \$1,769 and \$3,768 were received in June 2015 and June 2014, respectively, and subsequently liquidated after the fiscal year end.

#### **Property, Plant and Equipment**

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

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

#### **Investments**

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

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

# The Museum of Modern Art

## Notes to Consolidated Financial Statements

### June 30, 2015 and 2014

---

*(in thousands of dollars)*

The Museum's investment funds, which include equity funds, fixed income funds, hedge funds, private equity funds and real assets, consist of the Museum's ownership interest in externally managed funds, which may be invested in less liquid investments. The fair value of these investments is determined based on the net asset value (the "NAV") provided by the external investment managers of the underlying funds. For all these investments fair value represents the Museum's original investment plus the Museum's allocated share of income, realized gains and losses and unrealized appreciation and depreciation, net of fees and distributions. The Museum believes that the NAV of these investments is a reasonable estimate of fair value as of June 30, 2015 and 2014. Because these investments may not be readily marketable, the fair value may be subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for the investment existed. Such differences could be material. The amount of gain or loss associated with these investments is reflected in the accompanying consolidated financial statements.

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

#### **Inventories**

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

#### **Cash and Cash Equivalents**

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

#### **Museum Operations**

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

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

Membership, development and cultivation expenses were \$11,646 and \$11,292, respectively, for the years ended June 30, 2015 and 2014. These amounts include costs attributable to all fundraising activities including Museum operations, expansion and renovation, endowment, and art acquisitions. These costs include current and future donor cultivation, acquisition and retention of membership, membership fulfillment costs, fundraising events for the benefit of the Museum and contribution processing and acknowledgement.

# The Museum of Modern Art

## Notes to Consolidated Financial Statements

### June 30, 2015 and 2014

---

*(in thousands of dollars)*

#### **Bond Issuance Costs**

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

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

The cost of providing program and supporting services has been summarized in Note 15.

#### **Advertising Expense**

Advertising is recorded as expense in the period incurred. Advertising expense for the years ended June 30, 2015 and 2014 was \$3,460 and \$3,102, respectively.

#### **Use of Estimates**

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

#### **Derivative Instruments**

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

#### **New Accounting Pronouncements**

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

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

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

---

*(in thousands of dollars)*

**2. Contributions Receivable**

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

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

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

**3. Financial Instruments**

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

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

# The Museum of Modern Art

## Notes to Consolidated Financial Statements

### June 30, 2015 and 2014

---

*(in thousands of dollars)*

The three input levels are as follows:

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

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

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

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

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

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

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

(in thousands of dollars)

The following tables summarize the financial instruments reported within the consolidated statements of financial position carried at fair value as of June 30, 2015 and 2014, by caption and level within the fair value accounting hierarchy:

	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	June 30, 2015 Total Fair Value
<b>Assets</b>				
Cash equivalents	\$ -	\$ 98,095	\$ -	\$ 98,095
Government and corporate bonds	-	43,382	-	43,382
Equity securities	223,972	-	-	223,972
Futures contracts	3,765	-	-	3,765
Investment funds				
Registered mutual funds	35,722	-	-	35,722
Fixed income	-	532	-	532
	<u>263,459</u>	<u>142,009</u>	<u>-</u>	<u>405,468</u>
Investments measured at NAV				<u>584,962</u>
Total assets at fair value				<u>\$ 990,430</u>

<b>Liabilities</b>				
Interest rate swaps	\$ -	\$ 6,821	\$ -	\$ 6,821
Total liabilities at fair value	<u>\$ -</u>	<u>\$ 6,821</u>	<u>\$ -</u>	<u>\$ 6,821</u>

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

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

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

---

*(in thousands of dollars)*

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

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

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

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

# The Museum of Modern Art

## Notes to Consolidated Financial Statements

### June 30, 2015 and 2014

(in thousands of dollars)

Per the applicable guidance, the following tables list investments in other investment companies (in partnership format) by major category. All percentages are based on NAV as of June 30, 2015 and 2014.

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

<sup>1</sup> Defined as the period between June 30, 2015 and the Termination Date of the fund as defined in legal documentation.

# The Museum of Modern Art

## Notes to Consolidated Financial Statements

### June 30, 2015 and 2014

(in thousands of dollars)

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

<sup>1</sup> Defined as the period between June 30, 2014 and the Termination Date of the fund as defined in legal documentation.

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

(in thousands of dollars)

**4. Investments**

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

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

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

Equity and fixed income investments consist of investments in publicly traded U.S. equities, mutual funds, government and corporate bonds and funds that invest in equity and fixed income based strategies. The fair values of publicly traded investments are based on quoted market prices. Investments that are listed on an exchange are valued, in general, at the last reported sale price (or, if there is no sales price, at the last reported bid price, or, in the absence of reported bid prices, at the mean between the last reported bid and asked prices thereof). Fund investments in equity and fixed income based strategies that are not exchange traded are valued based upon NAV provided by the investment managers of the underlying funds. Some of these funds may not have readily ascertainable market values and may be subject to withdrawal restrictions. The fair value of the funds represents the amount the Museum expects to receive at June 30, 2015 and 2014, if it had liquidated its investments in the funds on these dates. The Museum's investment return is calculated as a time weighted internal rate of return for all of the investments over the 2015 fiscal year.

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

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

---

(in thousands of dollars)

are publicly traded, which are generally valued based on observable market prices, unless a restriction exists. Investments for which observable market prices do not exist are reported at fair value as determined by the fund's investment manager. The Museum's management may consider other factors in assessing the fair value of these investments. Some of these funds may not have readily ascertainable market values and may be subject to withdrawal restrictions. The fair value of the funds represents the amount the Museum expects to receive at June 30, 2015 and 2014, if it had liquidated its investments in the funds on these dates.

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

**Investment Income**

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

The following schedules summarize the investment return and its classification in the consolidated statements of unrestricted revenues, expenses and other changes in unrestricted net assets for 2015 and 2014:

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

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

(in thousands of dollars)

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

**5. Inventories**

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

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

**6. Property, Plant and Equipment**

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

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

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

---

*(in thousands of dollars)*

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

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

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

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

**7. Deferred Revenue**

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

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

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

---

(in thousands of dollars)

**8. Loans Payable**

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

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

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

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

The Series 2001 One D bonds callable on July 1, 2012 were redeemed in July 2012 through a combination of refinancing proceeds from the Series 2012 One D bonds and a \$43,000 short term bridge loan, which the Museum repaid shortly after issuance.

The Series 2008 One A bonds, 2010 One A bonds, and 2012 One D bonds consisted of the following amounts and maturities at June 30, 2015:

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

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

---

*(in thousands of dollars)*

As part of the July 2008 transaction, the Museum terminated a swap that was entered into as part of the December 2001 bond transaction (notional amount of \$85,000) and reversed a swap entered into in August 2005 (notional amount at the time of reversal of \$50,000) with an offsetting swap. The counterparty for the two remaining offsetting swap agreements is Goldman Sachs Bank USA (the "Counterparty"). Notional amount schedules, payment dates, and final maturity dates are identical under each agreement, but the Museum is a fixed rate-payer under one and a floating rate-payer under the other. The Museum has the right to optionally terminate each swap contract for an agreed upon cash settlement amount based on market conditions. Under certain triggering events tied to the Museum's overall credit ratings, the Museum may be required to post collateral to the Counterparty or the Counterparty may terminate the swap contracts, provided both are terminated simultaneously.

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

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

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

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

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

2016	\$ 19,000
2017	-
2018	107,830
2019	-
2020	-
Thereafter	<u>130,825</u>
	<u>\$ 257,655</u>

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

---

(in thousands of dollars)

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

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

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

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

**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

# The Museum of Modern Art

## Notes to Consolidated Financial Statements

### June 30, 2015 and 2014

---

*(in thousands of dollars)*

institution “shall consider, if relevant” the following eight factors in deciding whether or not to appropriate from a fund:

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

The provisions of NYPMIFA allowing prudent appropriation without regard to historic dollar value apply to funds created after its effective date of September 17, 2010. Donors of funds created before that date were given the option of requiring institutions to continue to observe the historic dollar value restrictions contained in prior law. Some donors of Museum funds have elected this option. Moreover, as with prior law, a donor may incorporate in a gift instrument specific restrictions on appropriation that are different from either NYPMIFA or prior law. Certain of the Museum’s funds are governed by such instruments. Thus the Museum has funds that fall into three categories with respect to appropriation: those from which it may prudently appropriate without regard to historic dollar value; those from which it may prudently appropriate appreciation only above historic dollar value; and those whose appropriation is governed by specific instructions in the constitutive gift instrument.

Distributions available for spending are now drawn at 5% annually of a lagged average market value of endowment assets for twelve quarters (for those funds not governed by contrary donor-imposed restrictions).

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

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

#### **10. Financial Reporting of Endowments**

Consistent with endowment accounting for not-for-profit organizations for funds subject to an enacted version of UPMIFA, the Museum classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent

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

---

*(in thousands of dollars)*

gifts to the permanent endowment, (c) the net realizable value of future payments to permanently restricted net assets in accordance with the donor's gift instrument (outstanding endowment pledges net of applicable discount), and (d) accumulations, including appreciation, gains and income, to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

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

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

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

	<b>Permanently Restricted</b>	<b>Temporarily Restricted</b>	<b>Unrestricted</b>	<b>Total 2015</b>
Donor-restricted endowment funds	\$ 248,059	\$ 103,700	\$ -	\$ 351,759
Board-designated endowment funds	-	-	30,394	30,394
Total funds	<u>\$ 248,059</u>	<u>\$ 103,700</u>	<u>\$ 30,394</u>	<u>\$ 382,153</u>
	<b>Permanently Restricted</b>	<b>Temporarily Restricted</b>	<b>Unrestricted</b>	<b>Total 2014</b>
Donor-restricted endowment funds	\$ 246,863	\$ 102,791	\$ -	\$ 349,654
Board-designated endowment funds	-	-	30,428	30,428
Total funds	<u>\$ 246,863</u>	<u>\$ 102,791</u>	<u>\$ 30,428</u>	<u>\$ 380,082</u>

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

---

(in thousands of dollars)

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

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

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

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

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

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

(in thousands of dollars)

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

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

**11. Temporarily Restricted Net Assets**

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

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

During fiscal 2015 and 2014, net assets were released from donor restrictions as a result of either satisfying the restricted purpose or by the occurrence of other events specified by donors, as follows:

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

# The Museum of Modern Art

## Notes to Consolidated Financial Statements

### June 30, 2015 and 2014

---

*(in thousands of dollars)*

#### **12. Pension Plans and Other Postretirement Benefits**

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

For those remaining in the 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 \$1,243 and \$1,035 to the Plan for the years ended June 30, 2015 and 2014, respectively. Regardless of match eligibility, the 403(b) retirement savings plan is open for all non-union employees and employees in several unions under collective bargaining agreements. Employees may contribute up to Internal Revenue code limits.

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

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

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

(in thousands of dollars)

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

	<b>Pension Benefits</b>		<b>Postretirement Benefits</b>	
	<b>June 30,</b>		<b>June 30,</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
<b>Change in benefit obligation</b>				
Benefit obligation at beginning of year	\$ 94,458	\$ 84,173	\$ 31,874	\$ 27,089
Service cost	2,470	2,307	1,053	886
Interest cost	4,299	4,173	1,503	1,367
Actuarial loss (gain)	7,379	6,518	(3,659)	3,124
Benefits paid	(2,864)	(2,713)	(718)	(640)
Employee contributions	-	-	28	19
Medicare Part D reimbursements	-	-	34	29
Benefit obligation at end of year	<u>105,742</u>	<u>94,458</u>	<u>30,115</u>	<u>31,874</u>
<b>Change in plan assets</b>				
Fair value of plan assets at beginning of year	71,414	60,568	-	-
Actual return on plan assets	2,126	10,339	-	-
Employer contributions	-	3,220	656	592
Employee contributions	-	-	28	19
Medicare Part D reimbursements	-	-	34	29
Benefits paid	(2,864)	(2,713)	(718)	(640)
Fair value of plan assets at end of year	<u>70,676</u>	<u>71,414</u>	<u>-</u>	<u>-</u>
Funded status at end of year	<u>\$ (35,066)</u>	<u>\$ (23,044)</u>	<u>\$ (30,115)</u>	<u>\$ (31,874)</u>
<b>Amounts recognized in the consolidated statements of financial position consist of</b>				
Pension and postretirement benefit obligations	<u>\$ (35,066)</u>	<u>\$ (23,044)</u>	<u>\$ (30,115)</u>	<u>\$ (31,874)</u>
<b>Amounts recognized in unrestricted net assets consist of</b>				
Net loss	\$ (31,500)	\$ (22,111)	\$ (5,222)	\$ (9,893)
Prior service (cost) credit	(333)	(409)	787	1,011
	<u>\$ (31,833)</u>	<u>\$ (22,520)</u>	<u>\$ (4,435)</u>	<u>\$ (8,882)</u>
<b>Defined benefit plan changes other than net periodic benefit cost</b>				
Net (loss) gain	\$ (10,835)	\$ (945)	\$ 3,659	\$ (3,124)
Amortization of net gain	1,446	1,510	1,013	643
Amortization of prior service credit (cost)	76	76	(224)	(328)
	<u>\$ (9,313)</u>	<u>\$ 641</u>	<u>\$ 4,448</u>	<u>\$ (2,809)</u>
<b>Weighted-average assumptions as of June 30</b>				
Discount rate	4.47 %	4.61 %	4.47 %	4.61 %
Expected return on plan assets	8.00	8.00	N/A	N/A
Rate of compensation increase	3.50	3.50	N/A	N/A

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

(in thousands of dollars)

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

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

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

The accumulated benefit obligation for the Supplemental Executive Retirement Plan at June 30, 2015 and 2014 was \$2,832 and \$2,569, respectively. The plan was frozen in fiscal year 2009.

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

The following table sets forth the components of the net pension and postretirement benefits cost for the years ended June 30, 2015 and 2014:

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

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

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

---

(in thousands of dollars)

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

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

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

<b>Asset category</b>	
Equity securities	78 %
Fixed income	22 %

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

**Fair Value Measurements**

Within the fair value hierarchy, the pension plan's investments at fair value by level as of June 30, 2015 and 2014 are as follows:

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

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

(in thousands of dollars)

	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value 2014
<b>Assets</b>				
Cash and cash equivalents	\$ 546	\$ 1,163	\$ -	\$ 1,709
Fixed income				
Fixed income – other	-	5,623	-	5,623
Government & corporate	-	9,872	-	9,872
Equities				
Securities	21,499	-	-	21,499
Registered mutual funds	22,871	-	-	22,871
Investment funds	-	9,840	-	9,840
Total investments and cash equivalents	<u>\$ 44,916</u>	<u>\$ 26,498</u>	<u>\$ -</u>	<u>\$ 71,414</u>

The investment funds categorized as Level 2 have monthly redemptions with a 15 day notice period. There were no significant transfers between Level 1 and Level 2 in fiscal years 2015 and 2014.

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

Cash flows for the fiscal year ending June 30, 2015 are as follows:

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

The Medicare Prescription Drug Act (The "Act") introduced a prescription drug benefit under Medicare Part D as well as a federal subsidy to employers whose plans provide an "actuarial equivalent" prescription drug benefit. The Museum's postretirement prescription drug benefit qualified for this subsidy and consequently the Museum treats the effects of the Act as an actuarial gain. The effects of the Act are not significant. Accordingly, there was minimal impact on the net periodic postretirement benefit cost for fiscal year 2015.

# The Museum of Modern Art

## Notes to Consolidated Financial Statements

### June 30, 2015 and 2014

---

*(in thousands of dollars)*

#### 13. Advances to the Trust

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

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

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

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

In connection with the 1980 expansion, the Museum agreed to advance funds to the Trust to the extent that TEPs and the proceeds of the Serial Bonds are not sufficient to pay debt service due from time to time from the Trust to the holders of the Serial Bonds and to complete the 1980 expansion project. Such advances totaled \$34,532 and \$35,395 at June 30, 2015 and 2014.

The advances bore interest at a rate of 9% annually through June 30, 2004. Pursuant to an agreement in January 2006 between the Museum and the Trust, the interest rate on the outstanding advances from the Museum was converted to a market-based floating rate. The Museum also agreed that no additional interest would accrue on the advances for a five-year period beginning July 1, 2004 through June 30, 2009. Cumulative interest totaled \$135,236 and \$133,694 at June 30, 2015 and 2014, respectively.

Commencing on July 1, 2009 and thereafter, the unpaid balance of any outstanding advances will accrue interest at a floating rate equal to the 3-year Treasury rate in effect on July 1 of that year. The rate was 0.90% and 0.65% for fiscal years 2015 and 2014, respectively. This agreement provided for the issuance of new instruments to the Museum to evidence the obligations of the Trust, which required the authorization of the Comptroller of the State of New York and of the Comptroller of the City of New York. These authorizations were obtained in August 2006 and the new instruments evidencing the Trust's obligations have now been issued.

# The Museum of Modern Art

## Notes to Consolidated Financial Statements

### June 30, 2015 and 2014

---

*(in thousands of dollars)*

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

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

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

During fiscal year 2015, TEPs available in accordance with the Arts and Cultural Affairs Law described above to reimburse the Museum for its advances were \$863 and \$250 in 2015 and 2014, respectively. The amounts were paid to the Museum, decreasing the receivable from the Trust. The Museum receives annual audited financial statements of the Trust. In addition, the Museum reviews the tax equivalency billings, subsequent collection and allocation of proceeds.

#### 14. Commitments

The Museum is obligated under lease agreements, which generally require the payment of base rents plus escalations. Rent expense under these leases amounted to \$1,777 and \$1,773 in 2015 and 2014, respectively.

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

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

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

---

*(in thousands of dollars)*

**15. Expenses by Functional Classification**

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

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

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

**16. Subsequent Events**

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

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

## **Introduction**

The Museum of Modern Art (the “Museum” or “MoMA”) is a private, non-profit institution chartered by the State of New York Department of Education in 1929 to foster public awareness of modern and contemporary art. In pursuit of this goal, the Museum has collected over 180,000 works of art, including works of painting, sculpture, drawing, prints, illustrated books, photography, film, media, performance art, architecture, and industrial and graphic design. The Museum also operates a publishing program, conducts an extensive education program, and maintains a major library and archives. Its exhibitions are circulated nationally and internationally.

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

The Museum is managed by a Board of Trustees currently consisting of 43 voting members. A Director and an administrative and curatorial staff oversee the Museum’s operations and implement policy set by the Board.

## **Properties of the Museum**

### *Midtown Manhattan Museum*

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

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

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

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

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

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

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

The majority of the costs of the main facility renovation and expansion project, including construction and planning, and the related increase in the endowment, were funded with contributions raised and cash received through the Museum's Capital Campaign, including funds it received from The City of New York and the State of New York. In November 1998, the Capital Campaign was publicly announced, with an initial goal of \$650 million. The Museum's Board of Trustees periodically reviewed the progress of the project and of the Capital Campaign. Based on a variety of factors, such as the estimated cost of the project and the strength of its Capital Campaign fundraising efforts, the Museum determined to increase the goal to \$859 million. The Campaign exceeded this goal with approximately \$900 million in pledges and contributions raised, including government support, of which approximately \$690 million had been collected in cash as of December 15, 2015. The majority of outstanding pledges from this Capital Campaign are in the form of bequests, including a \$100 million pledge to the endowment made in fiscal year 2005 by David Rockefeller; in connection with this gift, Mr. Rockefeller has also pledged and paid \$5 million annually towards unrestricted museum operations, beginning in fiscal year 2006, until the \$100 million pledge is realized.

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

**Building Project.** In May 2007, the Museum and certain of its affiliates sold approximately 162,000 square feet of certain development rights they owned at 50 West 54th Street, 49-55 West 53rd Street, and 44 West 54th Street to W2005 / Hines West Fifty-Third Realty, LLC ("Hines"), an affiliate of international real estate developer Hines Interests LP, after a competitive bidding process. Sale proceeds of \$125 million were principally used to strengthen the Museum's endowment. The Museum retained certain development rights that will be used to add gallery space for the Museum in a mixed use facility to be constructed by Hines as part of the "Building Project." In addition, in 2009, the Museum purchased 136,000 square feet of air rights from the University Club which were conveyed to the Building Project development site. Finally, in July 2011, an affiliate corporation of the Museum purchased the land and building located at 45 West 53<sup>rd</sup> Street directly adjacent to the Museum and assumed a contract which gave Hines the right to acquire an easement for light and air as well as to purchase certain development rights appurtenant to the property. This acquisition complemented and enhanced the Museum's already planned Building Project by allowing for the potential design and construction of additional gallery space and improved visitor circulation.

After certification by the New York City Department of City Planning of an application for Special Permits ("Special Permits") to begin the Uniform Land Use Review Process ("ULURP") and, pursuant to its approval thereof on September 9, 2009 and of the City Council of the City of New York on October 28, 2009, Special Permits were approved for zoning actions allowing for Hines to construct a mixed use building of 1,050 vertical square feet on the development site, including, amongst other things, the use of the University Club and 45 West 53<sup>rd</sup> Street air rights. In December 2009, the Museum and Hines agreed to delay the closing on the sale of the University Club air rights to 2013 with possible additional extensions to 2015, in consideration of which the Museum received a portion of the purchase price. On June 30, 2013, Hines exercised an extension through June 2014, in consideration for which the Museum received a further portion of the purchase price. Hines subsequently exercised a final extension through June 2015, in consideration for which the Museum received a further portion of the purchase price. In September 2014, the Museum and Hines completed and closed on the sale of the additional development rights over the undeveloped property, as well as those owned by the Museum's affiliate appurtenant to the property over 45 West 53rd Street. Hines paid the Museum and its affiliate approximately \$63 million to complete the transaction, for a total of approximately \$117 million; proceeds from the September 2014 closing were placed in the endowment.

One component of the Building Project consists of the arrangement between the Museum and Hines through which the Museum's current galleries on its main campus will be extended on the second, fourth and fifth floor galleries (because the second floor is a double-height floor, there is no third floor in this part of the building) to a newly constructed mixed use facility, principally adding new gallery space for the Museum. As part of the development, Hines will construct the core and shell of the new MoMA-owned space in the mixed-use facility and will use the lobby and the floors above the MoMA-owned space for a residential facility. Hines began construction of the mixed use facility in October 2014. A second component of the Building Project is the development and integration of new spaces at the adjoining 45 West 53<sup>rd</sup> Street site to the Museum's main campus. A third component of the Building Project is select renovations to the existing Museum campus. The overall Building Project will add approximately 40,000 square feet of new gallery space, providing 30% more gallery space for experiencing MoMA's collection and exhibitions. On November 17, 2015, the Board of Trustees approved proceeding from the schematic design phase of the project to the design development phase, along with an accompanying Capital Campaign encompassing estimates for new construction, renovation, ancillary costs, and endowment. The estimate for the new construction portion of the project, inclusive of previously agreed upon fixed payments to Hines for the core and shell build-out in the mixed use facility, is \$395 million; the estimate for the select renovations to the existing campus is \$50 million. Pledges exceeding the estimates for construction and renovation have been secured at this point in time as part of the aforementioned Capital Campaign. The Museum continues to evaluate the balance between the timing of expected pledge payments through the Capital Campaign, debt financing, and the use of existing cash reserves with respect to construction of the Building Project. At this time, no new debt issuances are planned for the Building Project.

#### *Other Manhattan Facilities*

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

#### *MoMAQNS*

In 1999, the Museum purchased land and a building located at 45-20 32<sup>nd</sup> Place in Queens ("MoMAQNS") for the purpose of creating a state-of-the-art art storage and study facility within easy access of midtown Manhattan. MoMAQNS operates as a storage, study, and imaging facility which consolidated art storage from fourteen commercial off-site facilities. In addition to art storage, MoMAQNS houses certain sections of the Museum Library and Archives, four dedicated digital imaging studios, and an image archiving studio.

In addition, a Museum affiliate purchased a building at 32-33 47<sup>th</sup> Avenue in Queens, contiguous to MoMAQNS, which is currently leased to a third party.

#### *Non-New York Facilities*

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

The Museum also owns the Celeste Bartos Film Preservation Center in Hamlin, Pennsylvania (the "Film Center"). The Film Center is used for the preservation, storage, and maintenance of preserved films and film related materials. The facility consists of two buildings: a 7,900 square foot facility for nitrate films and a 28,000 square foot facility for safety films. Both buildings contain custom-designed shelving, security, temperature, and humidity controls, and fire safety systems. The systems of the Film Center are linked to the Museum's Department of Film computer catalog, providing access to curators, cataloguers, study center and film guests, and management staff for the purposes of research, acquisitions, loans and inventory details, exhibition programming, and other collection management matters. The Museum recently completed a comprehensive rehabilitation of the facilities including replacement of the roof of the nitrate building, upgrade of the HVAC systems in both buildings, and consolidation of the storage vaults in order to extend the life of these assets.

## *Insurance*

The Museum maintains property and liability insurance coverage. The property policy includes coverage for the building, including business interruption, earthquake, flood, terrorism, construction, equipment, personal property, etc. The liability coverage includes general, automobile, directors' and officers' liability, and terrorism coverage. Both policies include coverage for all owned or rented locations. Additionally, amongst other insurance coverage, the Museum maintains fine arts insurance coverage for its permanent collection of art and works of art on loan.

### **Board of Trustees**

The governing body of the Museum is the Board of Trustees (the "Board") whose members ("Trustees") serve staggered-three year terms. Of up to 50 voting Trustee seats, 43 are presently filled. Officers of the Museum are elected annually by the Board. All Officers other than the Secretary and Assistant Treasurer are also Trustees. The Museum Director serves as an *ex officio* Trustee. As of December 20, 2015, the officers were as follows:

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

The Board is comprised of the following voting Trustees:

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

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

Eli Broad	Robert B. Menschel
Douglas Cramer	Peter G. Peterson
Joel S. Ehrenkranz	Emily Rauh Pulitzer
Gianluigi Gabetti	David Rockefeller
Agnes Gund	Anna Marie Shapiro
Barbara Jakobson	Jeanne C. Thayer
Werner H. Kramarsky	Joan Tisch
June Noble Larkin	Edgar Wachenheim III
Donald B. Marron	

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

Marilyn Arison	Lord Rogers of Riverside
Mrs. Jan Cowles	Ted Sann
Lewis B. Cullman	Gilbert Silverman
H.R.H. Duke Franz of Bavaria	Yoshio Taniguchi
Maurice R. Greenberg	Eugene V. Thaw
Wynton Marsalis	
Richard E. Oldenburg	

The Mayor, the Comptroller, and the Speaker of the Council of The City of New York, the Co-Chairmen of the Museum's Contemporary Arts Council, the President of the International Council, the Chairman of MoMA PS1, if not a member of the Museum's Board, and the Director of the Museum serve as *ex officio* Trustees and as such are entitled to attend, in an advisory capacity, all meetings of the Board. Each of the Mayor, the Comptroller, and the Speaker may designate a representative to attend meetings in his or her absence. In addition to regular meetings held approximately five times each year, the Board operates through Board Trustee Committees. Members of the Executive Committee and the Finance Committee are elected annually by the Board as a whole. Members of the other standing committees are appointed by the Chairman of the Board with the consent of the Board of Trustees. These committees determine policy for the individual curatorial and administrative departments of the Museum. The Chairman of the Board, the President, and the Director of the Museum are *ex-officio* members of all committees.

### **Organization and Administration**

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

Director	Glenn D. Lowry
Associate Director	Kathy Halbreich
Chief Operating Officer	James Gara
Senior Deputy Director for External Affairs	Todd Bishop
Senior Deputy Director for Curatorial Affairs	Peter Reed
Senior Deputy Director for Exhibitions and Collections	Ramona Bannayan
General Counsel	Patty Lipshutz
Chief Financial Officer	Jan Postma
Chief Investment Officer	Frank Ahimaz

The biographies of certain management personnel follow:

**GLENN D. LOWRY** became the sixth director of The Museum of Modern Art in 1995. Leading a staff of over 750, Mr. Lowry continues the Museum's legacy of enriching public life through exhibitions, educational programs, publications, and digital tools that challenge conventional ideas about modern and contemporary art and design, and initiatives that bring MoMA's renowned collection and research to audiences worldwide. Mr. Lowry has significantly developed the Museum's holdings in all mediums, adding entire collections of contemporary drawings, Fluxus, and Conceptual art, along with the archives of Frank Lloyd Wright.

He guided the Museum's 2004 expansion and accompanying capital campaign—raising \$450 million for the new building and over \$450 million for the endowment and other related expenses—and is currently leading a renovation and expansion project that will offer visitors a more welcoming, participatory experience and unprecedented access to MoMA's collection and programming. Mr. Lowry lectures and writes in support of contemporary art, on the role of museums in society, and on other topics related to his research interests. He is a member of The Andrew W. Mellon Foundation's board of trustees, a fellow of the American Academy of Arts and Sciences, a member of the steering committee for the Aga Khan Award for Architecture, and a resident member of the American Philosophical Society. He also serves on the advisory council of the Department of Art History and Archaeology at Columbia University. In 2004, the French government honored Mr. Lowry with the title of *Officier dans l'Ordre des Arts et des Lettres*.

Mr. Lowry received a BA (1976) magna cum laude from Williams College, an MA (1978) and a PhD (1982) in the history of art from Harvard University, and honorary degrees from the College of William and Mary and the Pennsylvania Academy of the Fine Arts.

**KATHY HALBREICH** joined the Museum as Associate Director in 2008. Ms. Halbreich focuses on curatorial and strategic issues designed to amplify contemporary programs and initiatives at MoMA and MoMA PS1, both locally and globally. She is developing the Museum's acquisitions of very recent works through the Fund for the 21st Century and oversees research designed to expand curatorial expertise in a more global view of art history. Most recently she organized with Tate Modern *Alibis: Sigmar Polke 1963-2010*, the first retrospective of Sigmar Polke to include all the mediums he exploited and one of the largest to be organized at MoMA. She is presently working with Schaulager, Basel on a Bruce Nauman retrospective. Prior to joining the Museum, Ms. Halbreich served as Director of the Walker Art Center for 16 years. Ms. Halbreich was inducted into the American Association of Museums Centennial Honor Roll, is a recipient of the Award for Curatorial Excellence from Bard College, and was named a Chevalier of the French Order of Arts and Letters. Ms. Halbreich has also served as Commissioner for North America and Cuba at the Gwangju Biennale, Curatorial Advisor for Carnegie International, a member of the Documenta X and Documenta XIII International Committees as well as a member of the search committee for a new director at the Kunstmuseum Basel. She is a Board member of the Doris Duke Foundation.

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

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

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

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

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

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

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

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

Curatorial. From an initial gift of eight prints and one drawing, the Museum's collection has grown to include more than 180,000 paintings, sculptures, drawings, prints, illustrated books, photographs, architectural models and drawings, design objects, films, videos, media, and performance art works; in addition, the Museum owns a number of film stills, scripts, posters, and historical documents. The Museum's library contains nearly 350,000 books, artist books, and periodicals, and the archive collection now stands at over 6,000 linear feet, with tens of thousands of photographs and more than 6 million items of extensive historical documentation, including installation views of exhibitions and images of the Museum's building and grounds. Each year the Museum acquires numerous works for its collection, through donation or purchase, in each of its curatorial departments.

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

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

catalyst and an advocate for new ideas, discourses, and trends in contemporary art, MoMA PS1 actively pursues emerging artists, new genres, and adventurous new work by recognized artists in an effort to support innovation in contemporary art.

An indication of the breadth and diversity of the Museum's curatorial program is the following list of exhibitions selected from among more than 150 exhibitions that it has presented over the last ten years: *On-Site: New Architecture in Spain*; *Edvard Munch: The Modern Life of the Soul*; *Without Boundary: Seventeen Ways of Looking*; *Dada: Artists Choice: Herzog & Demeuron, Perception Restrained*; *Douglas Gordon: Timeline*; *Out of Time: A Contemporary View*; *Eye on Europe: Prints, Books, and Multiples / 1960 to Now*; *Brice Marden: A Retrospective of Paintings and Drawings*; *Manet and the Execution of Maximilian*; *Doug Aitken: sleepwalkers*; *Armando Reveron*; *Jeff Wall*; *Comic Abstraction: Image-Breaking, Image-Making*; *Richard Serra Sculpture: Forty Years*; *Georges Seurat: The Drawings*; *Design and the Elastic Mind: Home Delivery: Fabricating the Modern Dwelling*; *Van Gogh and the Colors of the Night*; *Joan Miro: Painting and Anti-Painting 1927-1937*; *Pipilotti Rist: Pour Your Body Out*; *Martin Kippenberger: The Problem Perspective*; *Into the Sunset: Photography's Image of the American West*; *Tangled Alphabets: Leon Ferrari and Mira Schendel*; *James Ensor*; *In and Out of Amsterdam: Travels in Conceptual Art, 1960-1976*; *Monet's Water Lilies*; *Bauhaus 1919-1933: Workshops for Modernity*; *Tim Burton*; *Gabriel Orozco*; *William Kentridge: Five Themes*; *Marina Abramovic: The Artist is Present*; *Henri Cartier Bresson: The Modern Century*; *Matisse: Radical Invention, 1913-1917*; *The Original Copy: Photography of Sculpture, 1839 to Today*; *Small Scale, Big Change: New Architectures of Social Engagement*; *On Line: Drawing Through the Twentieth Century*; *Abstract Expressionist New York*; *Counter Space: Design and the Modern Kitchen*; *Picasso Guitars: 1912-1914*; *German Expressionism: The Graphic Impulse*; *Francis Alys: A Story of Deception*; *Ryan Trecartin: Any Ever*; *Talk to Me: Design and the Communication between People and Objects*; *Carlito Carvalhosa: Sum of Days*; *de Kooning: a Retrospective*; *Diego Rivera: Murals for The Museum of Modern Art*; *Clifford Owens: Anthology*; *Sanja Ivekovic: Sweet Violence*; *Foreclosed: Rehousing the American Dream*; *Print/Out*; *Cindy Sherman*; *Ecstatic Alphabets/Heaps of Language*; *Alighiero Boetti: Game Plan*; *Century of the Child: Growing by Design, 1900-2000*; *Some sweet day*; *Inventing Abstraction, 1910-1925*; *Le Corbusier: An Atlas of Modern Landscapes*; *Bill Brandt: Shadow and Light*; *Soundings: A Contemporary Score*; *Musée de la danse: Three Collective Gestures*; *Magritte: The Mystery of the Ordinary, 1926-1938*; *Mike Kelley*; *Isaac Julien: Ten Thousand Waves*; *Gauguin: Metamorphoses*; *Robert Heineken: Object Matter*; *Frank Lloyd Wright and the City: Density and Dispersal*; *The Aesthetics of Shadow*; *The Berlin School: Films from the Berliner Schule*; *Alibis: Sigmar Polke 1963-2010*; *Lygia Clark: The Abandonment of Art, 1948-1988*; *Christopher Williams: The Production Line of Happiness*; *Robert Gober: The Heart is Not a Metaphor*; *Henri Matisse: The Cut-Outs*; *Modern Photographs from the Thomas Walther Collection, 1909-1949*; *Sturtevant: Double Trouble*; *The Forever Now: Contemporary Painting in an Atemporal World*; *Latin America in Construction: Architecture 1955-1980*; *One-Way Ticket: Jacob Lawrence's Migration Series and Other Visions of the Great Movement North*; *Yoko Ono: One Woman Show, 1960-1971*; *Picasso Sculpture*; *Walid Raad*; and *Joaquin Torres-Garcia: The Arcadian Modern*.

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

The curatorial departments and their Chief Curators are listed below. Martino Stierli joined the Museum as Chief Curator of Architecture and Design in March 2015.

Architecture and Design	Martino Stierli
Drawings and Prints	Christophe Cherix
Film	Rajendra Roy
Media and Performance Art	Stuart Comer
Painting and Sculpture	Ann Temkin
Photography	Quentin Bajac
Chief Curator at Large / Director of MoMA PS1	Klaus Biesenbach

Each year the Museum is anchored by a vibrant and dynamic program including a rich temporary exhibition schedule at MoMA and MoMA PS1, gallery rotations, a performance art series, the film program, many educational programs, publications, and online content. In FY 2016, the Museum is administering over 20 temporary exhibitions at MoMA and MoMA PS1. In addition, the quality and depth of the Museum's collections enable the Museum to maintain an active loan program, which serves institutions both in the United States and abroad: each year, the Museum lends a number of works beyond those exhibited in its own galleries. In FY 2016, the Museum has planned over 14 temporary exhibition tours and content licensing arrangements in cities, both domestically and internationally, including Boston, Cologne, Gwangju, Istanbul, Los Angeles, Madrid, Rome, Santiago, Seoul, Shanghai, Vienna, Zurich, and others. The Museum's multi-year collaborations and cultural exchanges with the High Museum in Atlanta, Georgia and Perth, Australia culminated in 2013, during which the Museum collaborated on the development of exhibitions and fostered the exchange of expertise, in furtherance of each institution's non-profit, educational mission. While programming at the Museum remains the first priority, multi-year collaborations are instrumental in helping to realize the Museum's objective of developing new audiences in key geographic regions, and the Museum is actively exploring future collaborations with other institutions.

The following exhibitions, among others, are currently on view or are planned at the Museum in the remainder of FY 2016 and first quarter of FY 2017:

- *Picasso Sculpture*
- *Walid Raad*
- *Joaquin Torres-Garcia: The Arcadian Modern*
- *Transmissions: Art in Eastern Europe and Latin America, 1960-1980*
- *This is for Everyone: Design Experiments for the Common Good*
- *Making Music Modern: Design for Ear and Eye*
- *Take an Object*
- *Endless House: Intersections of Art and Architecture*
- *Jackson Pollock: A Collection Survey, 1934-1954*
- *Soldier, Spectre, Shaman: The Figure and the Second World War*
- *Ocean of Images: New Photography 2015*
- *Scenes for a New Heritage: Contemporary Art from the Collection*
- *Ernie Gehr: Carnival of Shadows*
- *Marcel Broodthaers*
- *Edgar Degas: A Strange New Beauty*
- *BRUCE CONNER: IT'S ALL TRUE*
- *A Japanese Constellation: Toyo Ito, SANAA, and Beyond*
- *Dadaglobe Reconstructed*

Acquisitions. In pursuit of its mission, the Museum has collected over 180,000 works of art, including works of painting, sculpture, drawing, prints, illustrated books, photography, film, media, performance art, architecture, and industrial and graphic design. This year, over 1,400 works were added to this collection, both by donation and by purchase. Notable acquisitions completed in FY 2015 included George Braque's significant cubist painting *Homage to J.S. Bach* (1911-12), key photographic acquisitions ranging from Gustave Le Gray's *Tugboat Normandy* (1856-57) to Robert Mapplethorpe's *Self-Portrait* (1980), Glenn Ligon's monumental set of 50 screenprinted self-portraits titled *Figure* (2001), five films from the 1950s-70s by Brazilian filmmaker Nelson Pereira dos Santos including *Como Era Gostoso o Meu Francês (How Tasty Was My Little Frenchman)* (1971), a group of 3-D printed objects by Israeli designer Neri Oxman titled *Imaginary Beings* (2012) featured this year in the exhibition *This is for Everyone: Design Experiments for the Common Good*, over 400 works by Latin American architects coinciding with the exhibition *Latin America in Construction: Architecture 1955-1980*, five sculptures by Chinese artist Chen Zhen from a series titled *Un Village sans frontières* (2000), an 8-channel video by Moroccan-French artist Bouchra Khalili entitled *The Mapping Journey Project* (2011), and British filmmaker and video artist Steve McQueen's *Static* (2009), a major work shown two years ago at MoMA PS1.

Publications. Since its founding, the Museum has published some 1,400 editions appearing in more than 20 languages. Approximately twenty-five new books, including children's books and limited editions, are published

each year. In addition, over thirty titles are now available in various digital formats, which feature high-resolution reproductions of artworks as well as video and audio content, which readers can download and enjoy on their personal computers, tablets, and mobile devices. Among the best known of the Museum's publications are the following:

- *The Family of Man* by Edward Steichen
- *Complexity and Contradiction in Architecture* by Robert Venturi
- *Looking at Photographs* by John Szarkowski
- *Jackson Pollock* by Kirk Varnedoe with Pepe Karmel
- *Henri Cartier-Bresson: The Modern Century* by Peter Galassi
- *Mies in Berlin* by Terence Riley and Barry Bergdoll
- *Machine Art* by Philip Johnson
- *Gerhard Richter: Forty Years of Painting* by Robert Storr
- *Matisse Picasso* by John Elderfield, Kirk Varnedoe, et al.
- *Richard Serra Sculpture: Forty Years* by Kynaston McShine et al.
- *Bauhaus 1919-1933: Workshops in Modernity* by Barry Bergdoll and Leah Dickerman
- *de Kooning: a Retrospective* by John Elderfield
- *Cindy Sherman* by Eva Respini
- *Magritte: The Mystery of the Ordinary, 1926-1938* by Anne Umland
- *Duchamp: A Biography* by Calvin Tomkins
- *Alibis: Sigmar Polke 1963-2010* by Kathy Halbreich
- *Henri Matisse: The Cut-Outs* by Karl Buchberg, Nicholas Cullinan, Jodi Hauptman, and Nicholas Serota
- *Jacob Lawrence: The Migration Series* by Leah Dickerman and Elsa Smithgall
- *Picasso Sculpture* by Ann Temkin and Anne Umland

Education. The Museum was founded in 1929 as an educational institution and maintains a vast breadth of educational programming, which increased in the years after the opening of the renovated and expanded main facility in 2004. In FY 2015, over 4 million children, students, and adults, of all abilities, were served by the Education Department: over 3 million onsite visitors who accessed or participated in interpretative programs to support their learning in the galleries including labels, audio content (offered in nine languages), and/or gallery sessions; over 1.4 million who used on-line educational resources; and over 210,000 who participated in programs. The Museum has made a number of enhancements over the past year to facilitate digital access for visitors using their own devices in the Museum, including improvements to the wifi network, the addition of charging stations within the museum, better signage, and ongoing incorporation of user feedback.

Educational resources include informational labels, family guides, interactive games, public tours, audio tours in nine languages, visual description tours for the blind and partially sighted, and resources for other individuals with special needs. The Education Center provides a central location for a wide array of educational resources including three classrooms, a theater, a publicly accessible library, an archives reading room, three curatorial study centers, and programmed "laboratory" spaces such as the interactive space for families, *MoMA Art Lab: Process* and *MoMA Studio: Design Interactions Studio*. Educational programs take place throughout weekdays from 9 a.m. through 10 p.m. and on weekends as well. The following is a selected sampling of the programming offered by the education department:

- Interpretation and Research (MoMA Audio+ guides for all audiences in nine languages are available onsite; Audio+ content is also available as a downloadable app for iOS and accessible through MoMA.org; labels and other in-gallery support for visitor learning; digital resources on-line; interactive games; visitor research projects; evaluation projects)
- Digital Learning (free online resources such as an informal learning site for teachers, students, and educators; audio, video, and multimedia content creation for online learning experiences including on Coursera and via Khan Academy; instructor-led online courses; self-guided versions of online course content to extend the reach of content and experience; communication and social media outlets for online and onsite visitors)

- Family programs (free gallery conversations; art workshops; film screenings; activity guides; websites; interactive spaces for families)
- School visits for kindergarten through high school seniors (free admission for New York City public Title 1 K-8 schools and for all New York City public high schools; customized school partnerships)
- Teen programs (In the Making Art Programs; Cross Museum Collective; online courses)
- Teacher programs (teacher workshops; Connecting Collections)
- Selected Internships and Fellowships
- Adult and Academic Programs (Gallery Sessions; interactive spaces offering hands-on workshops; a wide range of exhibition-related lectures, symposia, and panel discussions; a variety of art history and studio courses; sign language interpretation and captioning is available for selected programs)
- Access Programs (customized programs for visitors of all ages with disabilities, including families of children with developmental disabilities; programs for individuals who are deaf, hard of hearing, blind or partially sighted; Meet Me At MoMA for persons living with dementia and their caregivers)
- Community Programs (community and school partnerships)

**Personnel and Related Areas**

Staffing. As of December 15, 2015, a staff of approximately 785 employees was responsible for the operation of the Museum.

Labor Relations. As of December 15, 2015, the Museum was party to the following five collective bargaining agreements covering approximately 60% of the Museum’s permanent employees:

<u>Covered Staff</u>	<u>Union</u>	<u>% of Employee</u>	<u>Contract Expiration</u>
Unionized non-management staff	Professional and Administrative Staff Association, Local 2110, U.A.W.	33	May 20, 2018
Unionized security guards	Local 32-BJ, Service and Employees International Union, AFL-CIO	16	December 31, 2016
Unionized engineers, carpenters	Local 30	8	July 31, 2017
Unionized AV technicians, projectionists	Local 306	2	October 31, 2017
Unionized painters	Local 1456	<1	July 31, 2019

Since July 1, 2014, the Museum has reached a new three year collective bargaining agreement with Local 2110 which will expire on May 20, 2018, a new three year collective bargaining agreement with Local 30 which will expire on July 31, 2017, a new five year collective bargaining agreement with Local 1456 which will expire on July 31, 2019, and a new collective bargaining agreement with Local 306 which will expire on October 31, 2017. The current collective bargaining agreements include annual salary increases for the duration of the contracts. In addition, MoMA PS1 entered into its first collective bargaining agreement with Local 30, which will expire on October 31, 2018.

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

As of November 30, 2015, the assets of the Museum’s defined benefit pension plan totaled approximately \$69.8 million. As of June 30, 2015, based on prevailing discount rates, the accumulated benefit obligation was \$91.5 million and the projected benefit obligation, which includes all future service estimates, was \$105.7 million. Plan

contributions of approximately \$276,000 were required for the plan year FY 2015. The Museum makes cash contributions into this soft-closed plan when required under ERISA. In fiscal year 2015, the Society of Actuaries released updated mortality tables which reflect longer actuarial life expectancies. The Museum has incorporated these updated mortality tables in its underlying estimates and financial obligations associated with the Museum's defined pension plans and other postretirement benefits as required as of and for the year ended June 30, 2015.

Health and Welfare Plans. Changes to the Museum's healthcare plan were implemented, effective July 1, 2009, to require that most non-union and certain union employees contribute to the Museum's healthcare plan, based on salary and coverage level. During FY 2013, the Museum bid out its health insurance carrier contract, an initiative that concluded successfully with the decision to switch healthcare insurance carriers based on financial and non-financial factors that benefit Museum staff..

Postretirement health and welfare benefit costs are funded by the Museum on a pay-as-you-go basis. The Museum's postretirement benefit liability was \$30.1 million at June 30, 2015. Employees hired after February 1, 2003 are not eligible for the retiree medical plan. Additionally, based on recent changes, employees who retire after November 1, 2009 share the cost of postretirement health coverage by contributing the same percentage of the cost as they contributed while they were active employees just prior to retirement. These actions have lowered the projected growth in the Museum's postretirement benefit liability.

A financial summary of the Museum's Pension Plan and other Postretirement Benefits is included in Footnote 12 to the Museum's FY 2015 Audited Consolidated Financial Statements attached hereto as Section II.

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

The table on the following page sets forth certain financial data of the Museum's operations as derived from its Consolidated Statements of Unrestricted Revenues, Expenses and Changes in Unrestricted Net Assets for the period from FY 2011 through FY 2015. The financial data only depicts certain operations of the Museum and does not represent the Museum's consolidated results for any period presented. The financial data for this period were derived from the Museum's financial statements, which were prepared in accordance with accounting principles generally accepted in the United States of America, and should be read in accordance with the Museum's Consolidated Financial Statements for the years ended June 30, 2015 and 2014, and notes thereto, attached as Section II. There has been no material adverse change in the Museum's financial condition since June 30, 2015.

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

**The Museum of Modern Art**  
**Financial Data of the Museum Operations of The Museum of Modern Art**  
**for the years ended June 30, 2015, 2014, 2013, 2012, and 2011**

	(000's)				
	<u>FY15</u>	<u>FY14</u>	<u>FY 13</u>	<u>FY 12</u>	<u>FY 11</u>
Revenue and Support:					
Admissions	\$32,989	31,759	28,530	\$27,596	\$22,695
Membership	18,042	16,975	16,796	16,377	14,991
Investment Income Allocated from Endowment and Restricted Funds under the spending policy	29,628	28,296	27,249	26,782	26,005
Annual Fund Contributions	11,308	12,661	11,981	10,831	8,564
Program Grants, Contributions, Other Revenue from Restricted Funds	20,690	19,574	17,658	12,956	7,589
Other Grants and Contributions	20,929	18,608	16,942	17,634	17,406
Government Support				-	-
Circulation Exhibition Fees	1,234	2,627	6,393	6,096	3,508
Other	8,030	7,873	6,857	8,047	6,364
Revenue of Auxiliary Activities	<u>58,813</u>	<u>54,152</u>	<u>51,899</u>	<u>53,090</u>	<u>50,493</u>
<b>Total Revenue and Support</b>	<b><u>201,663</u></b>	<b><u>192,525</u></b>	<b><u>184,305</u></b>	<b><u>179,409</u></b>	<b><u>157,615</u></b>
Operating Expenses:					
Curatorial and Related Support Services	41,990	40,419	38,204	33,737	26,603
Exhibitions	12,955	11,596	11,077	11,081	7,835
Other Programs	5,802	5,321	4,723	4,728	3,771
Membership, Development, and Cultivation	11,646	11,292	10,516	11,258	10,705
Public Information	4,784	4,712	4,965	4,655	4,205
Public Services	4,293	4,725	4,702	5,090	4,530
Facilities/Security/Other Operating	28,525	27,478	25,965	26,420	25,950
Administration and Other	28,154	26,454	27,511	23,700	21,549
Cost of Sales/Other Auxiliary Activities	54,471	50,663	49,060	49,845	47,507
Depreciation (Non-Auxiliary)	<u>4,747</u>	<u>4,064</u>	<u>3,419</u>	<u>2,674</u>	<u>2,295</u>
<b>Total Expenses</b>	<b><u>197,367</u></b>	<b><u>186,724</u></b>	<b><u>180,142</u></b>	<b><u>173,188</u></b>	<b><u>154,950</u></b>
<b>Excess of Revenue and Support over Operating Expenses</b>	<b><u>\$4,296</u></b>	<b><u>\$5,801</u></b>	<b><u>\$4,163</u></b>	<b><u>\$6,221</u></b>	<b><u>\$2,665</u></b>

*Management Discussion and Analysis*

The Museum believes that competition for time, audience trends, and philanthropic trends; its exhibition schedule, admission fees, and audience experience; membership pricing and benefits; and general economic conditions in New York City, the nation, and the world are factors that influence its results. In FY 2015, the eleventh year in the expanded midtown Manhattan facility, the Museum balanced its operating budget for the twentieth consecutive year, continuing to grow revenues while prudently managing expenses.

In FY 2015, the Museum achieved record results across many audience engagement and revenue metrics, limited expense growth to key priority areas, and completed key infrastructure investments in both information technology and building operations. MoMA and MoMA PS1 achieved record onsite visitation of 3.4 million, including an all-time daily attendance high and a 55-hour all day, all night marathon for the closing weekend of

*Henri Matisse: The Cut-Outs*. Additionally, the Museum’s membership program grew to a year-end record of approximately 144,000 members; fundraising remained strong, led by education, exhibition, and multi-year Museum programs; retail achieved near-record net income, with successful merchandising of new exhibition and design products, coupled with high attendance and e-commerce growth, anchoring efforts to reinforce retail ties to the overall Museum mission; and global digital reach achieved a new record, led by MoMA.org content and social media. On the capital investment side, key curatorial projects such as the Digital Repository for Museum Collections and the Celeste Bartos Film Preservation Center were completed. During the current fiscal year, initiatives including new programs designed specifically for artists, members, and New Yorkers; an improved entry experience in the lobby; participation in the IDNYC cultural institution program in New York City; and ongoing expansion of audience-facing technology projects (redesign of MoMA.org, e-commerce initiatives, the Museum’s proprietary mobile POS system, livestreaming, and original video content) are part of a multi-year plan to better serve the Museum’s public, concurrent with growing existing, and identifying new, sources of revenue.

Continuing efforts on the part of the Board of Trustees and Museum management are directed toward achieving balanced budgets in the future, as they have been over the last twenty years. In May 2015, the Board approved the Museum’s balanced operating budget for FY 2016.

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

In FY 2011, \$11.5 million of net cash interest was paid on a cash basis through a combination of operating revenues, receipts of campaign pledges, and other sources of revenue, as planned. In FY 2012, \$10.9 million of net cash interest was paid on a cash basis through a combination of operating revenues, receipts of campaign pledges, and other sources of revenue, as planned. In FY 2013, FY 2014, and FY 2015, \$8.2 million, \$9.2 million, and \$11.7 million of net cash interest, respectively, was paid on a cash basis primarily through operating revenues, as planned. Net cash interest increased in FY 2015 concomitant with the closure of the transaction with Hines; Hines had previously been paying the Museum interest income on the unpaid balance of the purchase price. Going forward, net cash interest is expected to continue to be principally paid from Museum operating revenue and support.

### *Revenue and Support*

Admissions; Membership. The Museum charges set fees for admission and sells memberships of various categories. The Museum’s admission ticket prices are: adult \$25, senior \$18, and student \$14. Children under the age of seventeen receive free admission. The Museum’s Individual-level membership price is \$85. Since May 1, 2013, the Museum has been open to the public seven days a week and during FY 2015, the Museum attracted over 370,000 visitors on Tuesdays, the day of the week the Museum was formerly closed; this was an over 15% increase from the prior year. The attendance figures below represent combined onsite attendance at both MoMA and MoMA PS1. As of November 30, 2015, attendance at MoMA and MoMA PS1 is tracking to reach approximately 3.1 million visitors for FY 2016, and the Museum’s membership count stands at over 144,000 members.

<u>Fiscal Year</u> <u>(ending June 30)</u>	<u>Approximate</u> <u>Attendance</u>	<u>Approximate</u> <u>Membership</u>
2011	2,890,000	128,000
2012	3,070,000	141,000
2013	3,030,000	135,000
2014	3,264,000	138,000
2015	3,350,000	144,000

Outside of onsite attendance, the Museum also measures its global reach in order to track and understand the many different channels through which the Museum interacts with its audience beyond its onsite programs and exhibitions. In FY 2015, this reach was estimated to be approximately 46 million people (or 34 million people after normalizing for repeat visits), including people who engaged the museum by visiting exhibitions and programs on tour at collaborating institutions; visiting or shopping in the Museum's three retail stores; visiting virtually via MoMA.org, MoMAPS1.org, and MoMAstore.org; visiting virtually on external platforms via Facebook, Twitter, Instagram, YouTube, Coursera, or Tumblr; downloading a MoMA mobile application; or subscribing to the Museum's email announcements. FY 2015 MoMA.org and MoMAPS1.org visits exceeded 24 million, an increase of 7%, or 1.5 million, year over year. The Museum continued to enhance smart phone capabilities (mobile traffic to MoMA.org has grown to 30% of total) and significantly expanded other digital programs such as livestreams, original video content, online courses, and in-depth exhibition websites. Through December 15, 2015, MoMA and MoMA PS1 had over 6.1 million Facebook fans, Twitter followers, and Instagram followers, an increase of approximately 25% versus the prior year. Also of note, through December 15, 2015, the Museum's e-mail database stood at approximately 866,000 unique addresses, up approximately 15% over a twelve month period.

Investment Income. "Investment income allocated from Endowment and Restricted Funds" appearing in this Statement of Activity of the Operating Fund section reflects transfers of investment income and realized gains from the Museum's endowment to support operations of the Museum. Pursuant to a policy adopted by the Board of Trustees (which may be amended by the Board at any time), the Board has limited the amount of available unrestricted endowment that can be budgeted for use in operations. For FY 2012 and beyond, the Board of Trustees approved a revised spending policy by which the Museum will draw 5% of the trailing twelve-quarter average market value of the endowment. This policy is intended to permit a larger portion of funds to remain in the endowment to build for the future. In addition, certain endowment funds designated for specific operating, program, or acquisition purposes are utilized in an amount equal to 5% of the average market value of endowment assets over a multi-year period

In FY 2012, the Board authorized a transfer of \$23 million in unrestricted monies out of the endowment to fund a portion of the purchase price for the land and building on 45 West 53rd Street. Current investment balances reflect this transfer. In FY 2013, FY 2014, and FY 2015, there were no Board designated transfers.

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

Auxiliary Activities. "Revenue of Auxiliary Activities," appearing in this Statement of Activity of the Operating Fund section, includes gross sales and other revenues derived from the Museum's retail (including stores, e-commerce, mail order, and trade operations), publishing, and restaurant operations. The Museum's retail operations generate the largest portion of the revenue from Auxiliary Activities. In addition to the Museum Design and Bookstore within the main facility, the Museum maintains a Design Store on the south side of 53<sup>rd</sup> Street and visible from the Museum entrance. The Museum also operates a retail store at 81 Spring Street in the Soho neighborhood of Manhattan and an e-commerce site. The Museum currently licenses three restaurant facilities at its 53rd Street facility as a service to Museum visitors, members, and the general public.

International Council of The Museum of Modern Art. The International Council of the Museum of Modern Art (the "Council") provides exhibition and programming support to the Museum. In 2014, the Council amended its Certificate of Incorporation to be organized and operate exclusively for the benefit of, to perform the functions of, and to carry out the purposes of The Museum of Modern Art. As a result of this amendment, the Museum has recorded its interest in 100% of the Council's net assets of \$6.6 million and \$6.4 million on the consolidated statements of financial position as of June 30, 2015 and 2014, respectively.

### *Expenses*

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

### *Management and Financial Controls*

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

### *Outstanding Indebtedness and Related Commitments*

As of December 15, 2015, the following bonds issued by the Trust were outstanding:

<b><u>Outstanding Series of Bonds</u></b>	<b><u>Outstanding Principal Amount</u></b>
Series 2008-One-A Fixed Rate Bonds	\$130,825,000
Series 2010-One-A Fixed Rate Bonds	\$55,285,000
Series 2012-One-D Fixed Rate Bonds	\$52,545,000
Series 2012A TEP Fixed Rate Bonds	<u>\$29,465,000</u>
<b>Total</b>	<b>\$268,120,000</b>

Loans payable by the Museum relate primarily to both the renovation and expansion project of its main facility, which reopened to the public in November 2004, and to the construction project of MoMAQNS, the Museum's storage facility in Long Island City, New York. The Museum received bond proceeds of \$75,750 in March 2000 (Series 2000 One A/B) and bond proceeds of \$235,000 in December 2001 (Series 2001 One A/B/C/D). The bonds were issued by the Trust. The Series 2000 One A/B Bonds and Series 2001 One A/B/C Bonds were then redeemed by the Series 2008-One-A Bonds issued by the Trust for the benefit of the Museum in July 2008. A portion of these bonds was subsequently redeemed by the Series 2010-One-A Bonds issued in July 2010.

The Series 2001-One-D Bonds callable on July 1, 2012 were defeased in May 2012 (and subsequently redeemed on July 2, 2012) through a combination of refinancing proceeds from the Series 2012-One-D Bonds and a \$43,000,000 short term bridge loan, issued on May 1, 2012, and then repaid by the Museum on May 2, 2012. Concurrently with the refunding of the Series 2001-One-D Bonds, the Museum refunded the Series 1996A TEP Bonds and Series 2001A TEP Bonds with the Series 2012A TEP Bonds (the "TEP Bonds"), which are payable in the first instance with tax equivalency payments made by owners of the condominium units in a 44-story, 247 unit tower above the West Wing Facility.

The Museum is obligated pursuant to a Payment Agreement with the Trust to cover any shortfalls in the collection of TEPs necessary to pay interest and principal on the TEP Bonds. With respect to the Series 2008 Bonds, the Series 2010 Bonds, and the Series 2012-One-D Bonds (which are not TEP Bonds) (collectively, the "Non-TEP Bonds"), the Museum is obligated pursuant to a Loan Agreement with the Trust to provide amounts sufficient to pay principal of and interest on such Non-TEP Bonds. For further detail on the Series 2012A TEP Bonds, see Footnote 13 to the Consolidated Financial Statements of the Museum for FY 2015 attached hereto as Section II and the section herein concerning "The 2012A BONDS – THE RESIDENTIAL TOWER AND TAX EQUIVALENCY PAYMENTS".

The Museum also currently maintains a revolving credit facility totaling \$35 million with a financial institution. The proceeds are available for general working capital purposes, capital expenditures, and to bridge finance capital campaign proceeds. As of December 15, 2015, \$0.8 million was outstanding on this facility. In FY 2013, the Museum reconstituted a \$20 million taxable fixed rate term loan into a revolving note agreement with a financial institution. At December 15, 2015, \$17 million was outstanding on this facility. This facility matures in January 2016 and the Museum is in the process of extending this borrowing arrangement. In June 2014, the Museum guaranteed a \$2 million revolving note for MoMA PS1 for working capital purposes. The revolving note is with a commercial bank and expires in January 2016, and MoMA PS1 is in the process of extending this borrowing arrangement. At December 15, 2015, \$1.2 million was outstanding.

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 \$85,000,000) and reversed a swap entered into in August 2005 (notional amount at the time of reversal of \$50,000,000) with an offsetting swap. The counterparty for the two remaining offsetting swap contracts is Goldman Sachs Bank USA (the “Counterparty”); notional amount schedules, payment dates, and final maturity dates are identical under each contract, but the Museum is a fixed rate-payer under one and a floating rate-payer under the other. The Museum has the right to optionally terminate each swap contract for an agreed upon cash settlement amount based on market conditions. Under certain triggering events tied to the Museum’s overall credit ratings, the Museum may be required to post collateral to the Counterparty or the Counterparty may terminate the swap contracts, provided both are terminated simultaneously. Were a triggering event to occur and the Counterparty elect to exercise its termination rights, the estimated net payment from the Museum to Counterparty based on the market value of the swap contracts as of November 30, 2015 would be approximately \$6.8 million.

#### *Investments*

The Museum’s investments as of June 30, 2015 are summarized in the table below. The fair value of investments is defined as the exchange price that would be received for an asset in the principal or most advantageous market for the asset in an orderly transaction between participants on the measurement date. The assets themselves are invested as a fungible pool, and are not segregated except by explicit donor stipulation. The value and earnings of the Museum’s investments are subject to changes in the financial markets, and are subject to various other risks, including, but not limited to, credit, interest rate and liquidity risk, lack of a ready market for certain securities or investments, and reliance upon third party investment advisors. Past investment performance cannot be relied upon as an indicator of future results.

<u>Investments at Fair Value (\$000s)</u>	<u>June 30, 2015</u>
Unrestricted investments <sup>(1)</sup>	\$ 590,877
Temporarily restricted investments <sup>(2)</sup>	102,932
Permanently restricted investments <sup>(3)</sup>	219,891
Total	<u>\$ 913,700</u>
Annual rate of return during FY 2015 <sup>(4)</sup>	5.1%

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

<sup>(2)</sup> Temporarily restricted investments are subject to donor-imposed restrictions that permit the Museum to use up or expend the donated assets as specified. The restriction is satisfied either by the passage of time or by actions of the Museum. Neither principal nor interest is available for payment of any debt of the Museum, including the bonds issued by the Trust for the benefit of the Museum.

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

(4) Total return includes interest and dividends received as well as realized and unrealized gains net of investment fees based upon fair value.

The Museum's investments are supervised by the Investment Committee of the Board of Trustees, which reviews the performance of the Museum's investments and makes recommendations to the Board concerning the Museum's investment policies. All investments are professionally managed. The Museum currently retains 48 professional managers and has invested a portion of its funds with partnerships.

The Museum's portfolio (including the Museum's private equity and real estate investments) gained 5.1% in FY 2015. Over the trailing 5-year period ending June 30, 2015, the portfolio generated a compounded average annual gain of 11.0%. For FY 2016, the estimated unaudited portfolio return through November 30, 2015 was -4.3%.

The approximate fair value and composition of all the Museum's investments as of June 30, 2015 are shown below.

<b><u>At June 30, 2015</u></b>	<b>Fair Value <sup>(1)</sup> (\$000s)</b>	<b>Percent of Portfolio <sup>(1)</sup></b>
Cash equivalents	\$ 23,122	3%
Equity securities	223,972	25%
Government and corporate bonds	43,196	5%
Investment funds		
Registered mutual funds	34,683	4%
Fixed income	31,794	3%
Equity (long only)	239,591	26%
Equity long/short <sup>(2)</sup>	23,122	3%
Credit <sup>(2)</sup>	93,487	10%
Multi-strategy and other <sup>(2)</sup>	67,178	7%
Event-driven <sup>(2)</sup>	41,016	4%
Private equity <sup>(3)</sup>	80,240	9%
Real estate/assets <sup>(3)</sup>	8,534	1%
Total investments	<u>\$ 909,935</u>	<u>100%</u>
Futures contracts	<u>\$ 3,765</u>	
	\$ 913,700	
Less: Investments maintained for the Council	<u>\$ (6,272)</u>	
Investments per the consolidated statements of financial position	<u>\$ 907,428</u>	

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

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

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

For a complete description of the cost and fair value of these funds at June 30, 2015, see Footnote 4 of the Consolidated Financial Statements of the Museum for FY 2015 attached hereto as Section II.

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

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

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

Under the terms of the Act,

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

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

The table below shows the actual assessed value and the transitional assessed value for each of the Museum’s fiscal years from the fiscal year ending June 30, 2012 through the fiscal year ending June 30, 2015. In connection with the table, the following should be noted:

- The amounts set forth under the column “Actual Assessed Value” reflect annual cumulative increases and decreases in assessed value, without regard to the phasing in over five years of increases, and

- include the immediate reductions as a result, among other factors, of tax commission settlements with New York City through certiorari filings by owners of units in the Residential Tower.
- The amounts set forth under the column “Transitional Assessed Value” reflect annual increases in the Actual Assessed Value as phased in over five years, as well as decreases in Actual Assessed Value that become effective immediately.
  - The amounts set forth under the column “Gross Tax Equivalency Payments” represent the tax equivalency payments billed to the unit owners by the Trust in each year. The basis for the amount of the billings may differ from year to year due to a number of factors. For example, a particular owner’s billing may reflect a credit based upon a settlement of a prior year’s payments. Or, assessed value information received prior to June 30 in one year may not have been received until after June 30 in a subsequent year, thereby causing a delay in the billing as to that unit(s).
  - The amounts set forth under the column “Amount Available to pay Debt Service on Bonds” reflect the amount of tax equivalency payments collected during that year, less (1) certain costs of administration of the Trust, and (2) certain payments to The City of New York in lieu of real estate taxes. Collections in any year do not necessarily relate to the amount billed that year, as payments of amounts due in one year may be received in a later year, or an owner may challenge the amount billed and not pay the settlement until a later year.
  - With respect to the “Museum Funding Required,” Museum funding is affected by the timing of the receipt of tax equivalency payments. To the extent that tax equivalency payments were received after January 1, they were not available for scheduled January 1 debt service payment on the outstanding Bonds. As of December 15, 2015, approximately \$205,000 in prior tax equivalency payments pertaining to two units in the Residential Tower had not been collected.

Fiscal Year (June 30)	Actual Assessed Value	Transitional Assessed Value	Gross Tax Equivalency Payments	Amount Available for Debt Service	Museum Funding Required
2012	\$49,707,887	\$47,862,262	\$6,125,740	\$4,017,481	\$0
2013	54,349,880	49,587,421	6,405,000	4,632,000	0
2014	58,190,416	51,449,706	6,683,726	4,766,000	0
2015	70,001,528	58,454,302	6,846,810	4,841,000	0

In connection with the 1980 expansion, the Museum agreed to advance funds to the Trust to the extent that TEPs and the proceeds of the TEP Bonds are not sufficient to pay debt service due from time to time from the Trust to the holders of the TEP Bonds and to complete the 1980 expansion project. Such advances totaled \$34.5 and \$35.4 million, respectively, at June 30, 2015 and 2014. These advances, which bore interest at a rate of 9% annually through June 30, 2004, as well as the accrued interest, represent an obligation from the Trust to the Museum, to be paid from future excess TEPs.

In an amendment to the 1979 agreement between the Trust and the Museum, in 2006, the interest rate on the outstanding advances from the Museum to the Trust was converted to a market-based floating rate. The Museum also agreed that no additional interest would accrue on the advances for a five-year period beginning July 1, 2004 through June 30, 2009. Commencing on July 1, 2009 and thereafter, the unpaid balance of any outstanding advances accrues interest at a floating rate equal to the 3-year Treasury rate in effect on July 1 of that year. The rate was 0.90% through June 30, 2015 and will be 1.08% through June 30, 2016. This agreement provided for the issuance of new instruments to the Museum to evidence the obligations of the Trust, which required the authorization of the Comptroller of the State of New York and of the Comptroller of the City. These authorizations were obtained in August 2006, and the new instruments evidencing the Trust's obligations were issued.

In the event that the Museum is required to make further advances to cover debt service on the Series 2012A Bonds described above, the Trust has agreed to issue to the Museum instruments for the amount of each such advance, which will be subject to the same terms and conditions as the instruments currently outstanding with respect to the previous advances from the Museum.

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

During FY 2015, there was \$863,000 of excess TEPs available in accordance with the Act to reimburse the Museum for its advances. Interest on the aggregate advances from the Museum is presently accruing as described above. Cumulative interest totaled \$135.2 million and \$133.7 million at June 30, 2015 and 2014, respectively.

#### **Debt Service on Bonds**

At December 15, 2015, the Series 2012A Bonds, issued at \$38,360,000, had an outstanding balance of \$29,465,000 with an interest rate of 4.0% or 5.0% depending on the maturity tranche. Debt service on the Series 2012A Bonds will be paid with available tax equivalency receipts after deduction of Trust expenses and amounts payable to New York City. Principal repayment of the Series 2012A Bonds will be included as part of debt service each year.

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

The Trust has issued several series of its Non-TEP Bonds for the benefit of the Museum in order to finance, and refinance, certain projects. The Non-TEP Bonds are payable from payments made by the Museum pursuant to a Loan Agreement with the Trust. The obligation of the Museum under the Loan Agreement is an unsecured obligation of the Museum and ranks on a parity with all other unsecured indebtedness of the Museum, including the Museum's payment obligation under the Payment Agreement. None of the Property, the Collections, or the Restricted Assets of the Museum will be available to satisfy the obligations of the Museum under the Loan Agreement. There is \$238.7 million aggregate principal amount of the Non-TEP Bonds outstanding as of December 15, 2015.

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

## **Introduction**

The Museum of Modern Art (the “Museum” or “MoMA”) is a private, non-profit institution chartered by the State of New York Department of Education in 1929 to foster public awareness of modern and contemporary art. In pursuit of this goal, the Museum has collected over 180,000 works of art, including works of painting, sculpture, drawing, prints, illustrated books, photography, film, media, performance art, architecture, and industrial and graphic design. The Museum also operates a publishing program, conducts an extensive education program, and maintains a major library and archives. Its exhibitions are circulated nationally and internationally.

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

The Museum is managed by a Board of Trustees currently consisting of 43 voting members. A Director and an administrative and curatorial staff oversee the Museum’s operations and implement policy set by the Board.

## **Properties of the Museum**

### *Midtown Manhattan Museum*

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

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

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

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

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

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

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

The majority of the costs of the main facility renovation and expansion project, including construction and planning, and the related increase in the endowment, were funded with contributions raised and cash received through the Museum's Capital Campaign, including funds it received from The City of New York and the State of New York. In November 1998, the Capital Campaign was publicly announced, with an initial goal of \$650 million. The Museum's Board of Trustees periodically reviewed the progress of the project and of the Capital Campaign. Based on a variety of factors, such as the estimated cost of the project and the strength of its Capital Campaign fundraising efforts, the Museum determined to increase the goal to \$859 million. The Campaign exceeded this goal with approximately \$900 million in pledges and contributions raised, including government support, of which approximately \$690 million had been collected in cash as of December 15, 2015. The majority of outstanding pledges from this Capital Campaign are in the form of bequests, including a \$100 million pledge to the endowment made in fiscal year 2005 by David Rockefeller; in connection with this gift, Mr. Rockefeller has also pledged and paid \$5 million annually towards unrestricted museum operations, beginning in fiscal year 2006, until the \$100 million pledge is realized.

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

**Building Project.** In May 2007, the Museum and certain of its affiliates sold approximately 162,000 square feet of certain development rights they owned at 50 West 54th Street, 49-55 West 53rd Street, and 44 West 54th Street to W2005 / Hines West Fifty-Third Realty, LLC ("Hines"), an affiliate of international real estate developer Hines Interests LP, after a competitive bidding process. Sale proceeds of \$125 million were principally used to strengthen the Museum's endowment. The Museum retained certain development rights that will be used to add gallery space for the Museum in a mixed use facility to be constructed by Hines as part of the "Building Project." In addition, in 2009, the Museum purchased 136,000 square feet of air rights from the University Club which were conveyed to the Building Project development site. Finally, in July 2011, an affiliate corporation of the Museum purchased the land and building located at 45 West 53<sup>rd</sup> Street directly adjacent to the Museum and assumed a contract which gave Hines the right to acquire an easement for light and air as well as to purchase certain development rights appurtenant to the property. This acquisition complemented and enhanced the Museum's already planned Building Project by allowing for the potential design and construction of additional gallery space and improved visitor circulation.

After certification by the New York City Department of City Planning of an application for Special Permits ("Special Permits") to begin the Uniform Land Use Review Process ("ULURP") and, pursuant to its approval thereof on September 9, 2009 and of the City Council of the City of New York on October 28, 2009, Special Permits were approved for zoning actions allowing for Hines to construct a mixed use building of 1,050 vertical square feet on the development site, including, amongst other things, the use of the University Club and 45 West 53<sup>rd</sup> Street air rights. In December 2009, the Museum and Hines agreed to delay the closing on the sale of the University Club air rights to 2013 with possible additional extensions to 2015, in consideration of which the Museum received a portion of the purchase price. On June 30, 2013, Hines exercised an extension through June 2014, in consideration for which the Museum received a further portion of the purchase price. Hines subsequently exercised a final extension through June 2015, in consideration for which the Museum received a further portion of the purchase price. In September 2014, the Museum and Hines completed and closed on the sale of the additional development rights over the undeveloped property, as well as those owned by the Museum's affiliate appurtenant to the property over 45 West 53rd Street. Hines paid the Museum and its affiliate approximately \$63 million to complete the transaction, for a total of approximately \$117 million; proceeds from the September 2014 closing were placed in the endowment.

One component of the Building Project consists of the arrangement between the Museum and Hines through which the Museum's current galleries on its main campus will be extended on the second, fourth and fifth floor galleries (because the second floor is a double-height floor, there is no third floor in this part of the building) to a newly constructed mixed use facility, principally adding new gallery space for the Museum. As part of the development, Hines will construct the core and shell of the new MoMA-owned space in the mixed-use facility and will use the lobby and the floors above the MoMA-owned space for a residential facility. Hines began construction of the mixed use facility in October 2014. A second component of the Building Project is the development and integration of new spaces at the adjoining 45 West 53<sup>rd</sup> Street site to the Museum's main campus. A third component of the Building Project is select renovations to the existing Museum campus. The overall Building Project will add approximately 40,000 square feet of new gallery space, providing 30% more gallery space for experiencing MoMA's collection and exhibitions. On November 17, 2015, the Board of Trustees approved proceeding from the schematic design phase of the project to the design development phase, along with an accompanying Capital Campaign encompassing estimates for new construction, renovation, ancillary costs, and endowment. The estimate for the new construction portion of the project, inclusive of previously agreed upon fixed payments to Hines for the core and shell build-out in the mixed use facility, is \$395 million; the estimate for the select renovations to the existing campus is \$50 million. Pledges exceeding the estimates for construction and renovation have been secured at this point in time as part of the aforementioned Capital Campaign. The Museum continues to evaluate the balance between the timing of expected pledge payments through the Capital Campaign, debt financing, and the use of existing cash reserves with respect to construction of the Building Project. At this time, no new debt issuances are planned for the Building Project.

#### *Other Manhattan Facilities*

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

#### *MoMAQNS*

In 1999, the Museum purchased land and a building located at 45-20 32<sup>nd</sup> Place in Queens ("MoMAQNS") for the purpose of creating a state-of-the-art art storage and study facility within easy access of midtown Manhattan. MoMAQNS operates as a storage, study, and imaging facility which consolidated art storage from fourteen commercial off-site facilities. In addition to art storage, MoMAQNS houses certain sections of the Museum Library and Archives, four dedicated digital imaging studios, and an image archiving studio.

In addition, a Museum affiliate purchased a building at 32-33 47<sup>th</sup> Avenue in Queens, contiguous to MoMAQNS, which is currently leased to a third party.

#### *Non-New York Facilities*

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

The Museum also owns the Celeste Bartos Film Preservation Center in Hamlin, Pennsylvania (the "Film Center"). The Film Center is used for the preservation, storage, and maintenance of preserved films and film related materials. The facility consists of two buildings: a 7,900 square foot facility for nitrate films and a 28,000 square foot facility for safety films. Both buildings contain custom-designed shelving, security, temperature, and humidity controls, and fire safety systems. The systems of the Film Center are linked to the Museum's Department of Film computer catalog, providing access to curators, cataloguers, study center and film guests, and management staff for the purposes of research, acquisitions, loans and inventory details, exhibition programming, and other collection management matters. The Museum recently completed a comprehensive rehabilitation of the facilities including replacement of the roof of the nitrate building, upgrade of the HVAC systems in both buildings, and consolidation of the storage vaults in order to extend the life of these assets.

## *Insurance*

The Museum maintains property and liability insurance coverage. The property policy includes coverage for the building, including business interruption, earthquake, flood, terrorism, construction, equipment, personal property, etc. The liability coverage includes general, automobile, directors' and officers' liability, and terrorism coverage. Both policies include coverage for all owned or rented locations. Additionally, amongst other insurance coverage, the Museum maintains fine arts insurance coverage for its permanent collection of art and works of art on loan.

### **Board of Trustees**

The governing body of the Museum is the Board of Trustees (the "Board") whose members ("Trustees") serve staggered-three year terms. Of up to 50 voting Trustee seats, 43 are presently filled. Officers of the Museum are elected annually by the Board. All Officers other than the Secretary and Assistant Treasurer are also Trustees. The Museum Director serves as an *ex officio* Trustee. As of December 20, 2015, the officers were as follows:

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

The Board is comprised of the following voting Trustees:

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

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

Eli Broad	Robert B. Menschel
Douglas Cramer	Peter G. Peterson
Joel S. Ehrenkranz	Emily Rauh Pulitzer
Gianluigi Gabetti	David Rockefeller
Agnes Gund	Anna Marie Shapiro
Barbara Jakobson	Jeanne C. Thayer
Werner H. Kramarsky	Joan Tisch
June Noble Larkin	Edgar Wachenheim III
Donald B. Marron	

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

Marilyn Arison	Lord Rogers of Riverside
Mrs. Jan Cowles	Ted Sann
Lewis B. Cullman	Gilbert Silverman
H.R.H. Duke Franz of Bavaria	Yoshio Taniguchi
Maurice R. Greenberg	Eugene V. Thaw
Wynton Marsalis	
Richard E. Oldenburg	

The Mayor, the Comptroller, and the Speaker of the Council of The City of New York, the Co-Chairmen of the Museum's Contemporary Arts Council, the President of the International Council, the Chairman of MoMA PS1, if not a member of the Museum's Board, and the Director of the Museum serve as *ex officio* Trustees and as such are entitled to attend, in an advisory capacity, all meetings of the Board. Each of the Mayor, the Comptroller, and the Speaker may designate a representative to attend meetings in his or her absence. In addition to regular meetings held approximately five times each year, the Board operates through Board Trustee Committees. Members of the Executive Committee and the Finance Committee are elected annually by the Board as a whole. Members of the other standing committees are appointed by the Chairman of the Board with the consent of the Board of Trustees. These committees determine policy for the individual curatorial and administrative departments of the Museum. The Chairman of the Board, the President, and the Director of the Museum are *ex-officio* members of all committees.

### **Organization and Administration**

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

Director	Glenn D. Lowry
Associate Director	Kathy Halbreich
Chief Operating Officer	James Gara
Senior Deputy Director for External Affairs	Todd Bishop
Senior Deputy Director for Curatorial Affairs	Peter Reed
Senior Deputy Director for Exhibitions and Collections	Ramona Bannayan
General Counsel	Patty Lipshutz
Chief Financial Officer	Jan Postma
Chief Investment Officer	Frank Ahimaz

The biographies of certain management personnel follow:

**GLENN D. LOWRY** became the sixth director of The Museum of Modern Art in 1995. Leading a staff of over 750, Mr. Lowry continues the Museum's legacy of enriching public life through exhibitions, educational programs, publications, and digital tools that challenge conventional ideas about modern and contemporary art and design, and initiatives that bring MoMA's renowned collection and research to audiences worldwide. Mr. Lowry has significantly developed the Museum's holdings in all mediums, adding entire collections of contemporary drawings, Fluxus, and Conceptual art, along with the archives of Frank Lloyd Wright.

He guided the Museum's 2004 expansion and accompanying capital campaign—raising \$450 million for the new building and over \$450 million for the endowment and other related expenses—and is currently leading a renovation and expansion project that will offer visitors a more welcoming, participatory experience and unprecedented access to MoMA's collection and programming. Mr. Lowry lectures and writes in support of contemporary art, on the role of museums in society, and on other topics related to his research interests. He is a member of The Andrew W. Mellon Foundation's board of trustees, a fellow of the American Academy of Arts and Sciences, a member of the steering committee for the Aga Khan Award for Architecture, and a resident member of the American Philosophical Society. He also serves on the advisory council of the Department of Art History and Archaeology at Columbia University. In 2004, the French government honored Mr. Lowry with the title of *Officier dans l'Ordre des Arts et des Lettres*.

Mr. Lowry received a BA (1976) magna cum laude from Williams College, an MA (1978) and a PhD (1982) in the history of art from Harvard University, and honorary degrees from the College of William and Mary and the Pennsylvania Academy of the Fine Arts.

**KATHY HALBREICH** joined the Museum as Associate Director in 2008. Ms. Halbreich focuses on curatorial and strategic issues designed to amplify contemporary programs and initiatives at MoMA and MoMA PS1, both locally and globally. She is developing the Museum's acquisitions of very recent works through the Fund for the 21st Century and oversees research designed to expand curatorial expertise in a more global view of art history. Most recently she organized with Tate Modern *Alibis: Sigmar Polke 1963-2010*, the first retrospective of Sigmar Polke to include all the mediums he exploited and one of the largest to be organized at MoMA. She is presently working with Schaulager, Basel on a Bruce Nauman retrospective. Prior to joining the Museum, Ms. Halbreich served as Director of the Walker Art Center for 16 years. Ms. Halbreich was inducted into the American Association of Museums Centennial Honor Roll, is a recipient of the Award for Curatorial Excellence from Bard College, and was named a Chevalier of the French Order of Arts and Letters. Ms. Halbreich has also served as Commissioner for North America and Cuba at the Gwangju Biennale, Curatorial Advisor for Carnegie International, a member of the Documenta X and Documenta XIII International Committees as well as a member of the search committee for a new director at the Kunstmuseum Basel. She is a Board member of the Doris Duke Foundation.

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

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

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

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

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

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

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

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

Curatorial. From an initial gift of eight prints and one drawing, the Museum's collection has grown to include more than 180,000 paintings, sculptures, drawings, prints, illustrated books, photographs, architectural models and drawings, design objects, films, videos, media, and performance art works; in addition, the Museum owns a number of film stills, scripts, posters, and historical documents. The Museum's library contains nearly 350,000 books, artist books, and periodicals, and the archive collection now stands at over 6,000 linear feet, with tens of thousands of photographs and more than 6 million items of extensive historical documentation, including installation views of exhibitions and images of the Museum's building and grounds. Each year the Museum acquires numerous works for its collection, through donation or purchase, in each of its curatorial departments.

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

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

catalyst and an advocate for new ideas, discourses, and trends in contemporary art, MoMA PS1 actively pursues emerging artists, new genres, and adventurous new work by recognized artists in an effort to support innovation in contemporary art.

An indication of the breadth and diversity of the Museum's curatorial program is the following list of exhibitions selected from among more than 150 exhibitions that it has presented over the last ten years: *On-Site: New Architecture in Spain*; *Edvard Munch: The Modern Life of the Soul*; *Without Boundary: Seventeen Ways of Looking*; *Dada: Artists Choice: Herzog & Demeuron, Perception Restrained*; *Douglas Gordon: Timeline*; *Out of Time: A Contemporary View*; *Eye on Europe: Prints, Books, and Multiples / 1960 to Now*; *Brice Marden: A Retrospective of Paintings and Drawings*; *Manet and the Execution of Maximilian*; *Doug Aitken: sleepwalkers*; *Armando Reveron*; *Jeff Wall*; *Comic Abstraction: Image-Breaking, Image-Making*; *Richard Serra Sculpture: Forty Years*; *Georges Seurat: The Drawings*; *Design and the Elastic Mind: Home Delivery: Fabricating the Modern Dwelling*; *Van Gogh and the Colors of the Night*; *Joan Miro: Painting and Anti-Painting 1927-1937*; *Pipilotti Rist: Pour Your Body Out*; *Martin Kippenberger: The Problem Perspective*; *Into the Sunset: Photography's Image of the American West*; *Tangled Alphabets: Leon Ferrari and Mira Schendel*; *James Ensor*; *In and Out of Amsterdam: Travels in Conceptual Art, 1960-1976*; *Monet's Water Lilies*; *Bauhaus 1919-1933: Workshops for Modernity*; *Tim Burton*; *Gabriel Orozco*; *William Kentridge: Five Themes*; *Marina Abramovic: The Artist is Present*; *Henri Cartier Bresson: The Modern Century*; *Matisse: Radical Invention, 1913-1917*; *The Original Copy: Photography of Sculpture, 1839 to Today*; *Small Scale, Big Change: New Architectures of Social Engagement*; *On Line: Drawing Through the Twentieth Century*; *Abstract Expressionist New York*; *Counter Space: Design and the Modern Kitchen*; *Picasso Guitars: 1912-1914*; *German Expressionism: The Graphic Impulse*; *Francis Alys: A Story of Deception*; *Ryan Trecartin: Any Ever*; *Talk to Me: Design and the Communication between People and Objects*; *Carlito Carvalhosa: Sum of Days*; *de Kooning: a Retrospective*; *Diego Rivera: Murals for The Museum of Modern Art*; *Clifford Owens: Anthology*; *Sanja Ivekovic: Sweet Violence*; *Foreclosed: Rehousing the American Dream*; *Print/Out*; *Cindy Sherman*; *Ecstatic Alphabets/Heaps of Language*; *Alighiero Boetti: Game Plan*; *Century of the Child: Growing by Design, 1900-2000*; *Some sweet day*; *Inventing Abstraction, 1910-1925*; *Le Corbusier: An Atlas of Modern Landscapes*; *Bill Brandt: Shadow and Light*; *Soundings: A Contemporary Score*; *Musée de la danse: Three Collective Gestures*; *Magritte: The Mystery of the Ordinary, 1926-1938*; *Mike Kelley*; *Isaac Julien: Ten Thousand Waves*; *Gauguin: Metamorphoses*; *Robert Heineken: Object Matter*; *Frank Lloyd Wright and the City: Density and Dispersal*; *The Aesthetics of Shadow*; *The Berlin School: Films from the Berliner Schule*; *Alibis: Sigmar Polke 1963-2010*; *Lygia Clark: The Abandonment of Art, 1948-1988*; *Christopher Williams: The Production Line of Happiness*; *Robert Gober: The Heart is Not a Metaphor*; *Henri Matisse: The Cut-Outs*; *Modern Photographs from the Thomas Walther Collection, 1909-1949*; *Sturtevant: Double Trouble*; *The Forever Now: Contemporary Painting in an Atemporal World*; *Latin America in Construction: Architecture 1955-1980*; *One-Way Ticket: Jacob Lawrence's Migration Series and Other Visions of the Great Movement North*; *Yoko Ono: One Woman Show, 1960-1971*; *Picasso Sculpture*; *Walid Raad*; and *Joaquin Torres-Garcia: The Arcadian Modern*.

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

The curatorial departments and their Chief Curators are listed below. Martino Stierli joined the Museum as Chief Curator of Architecture and Design in March 2015.

Architecture and Design	Martino Stierli
Drawings and Prints	Christophe Cherix
Film	Rajendra Roy
Media and Performance Art	Stuart Comer
Painting and Sculpture	Ann Temkin
Photography	Quentin Bajac
Chief Curator at Large / Director of MoMA PS1	Klaus Biesenbach

Each year the Museum is anchored by a vibrant and dynamic program including a rich temporary exhibition schedule at MoMA and MoMA PS1, gallery rotations, a performance art series, the film program, many educational programs, publications, and online content. In FY 2016, the Museum is administering over 20 temporary exhibitions at MoMA and MoMA PS1. In addition, the quality and depth of the Museum's collections enable the Museum to maintain an active loan program, which serves institutions both in the United States and abroad: each year, the Museum lends a number of works beyond those exhibited in its own galleries. In FY 2016, the Museum has planned over 14 temporary exhibition tours and content licensing arrangements in cities, both domestically and internationally, including Boston, Cologne, Gwangju, Istanbul, Los Angeles, Madrid, Rome, Santiago, Seoul, Shanghai, Vienna, Zurich, and others. The Museum's multi-year collaborations and cultural exchanges with the High Museum in Atlanta, Georgia and Perth, Australia culminated in 2013, during which the Museum collaborated on the development of exhibitions and fostered the exchange of expertise, in furtherance of each institution's non-profit, educational mission. While programming at the Museum remains the first priority, multi-year collaborations are instrumental in helping to realize the Museum's objective of developing new audiences in key geographic regions, and the Museum is actively exploring future collaborations with other institutions.

The following exhibitions, among others, are currently on view or are planned at the Museum in the remainder of FY 2016 and first quarter of FY 2017:

- *Picasso Sculpture*
- *Walid Raad*
- *Joaquin Torres-Garcia: The Arcadian Modern*
- *Transmissions: Art in Eastern Europe and Latin America, 1960-1980*
- *This is for Everyone: Design Experiments for the Common Good*
- *Making Music Modern: Design for Ear and Eye*
- *Take an Object*
- *Endless House: Intersections of Art and Architecture*
- *Jackson Pollock: A Collection Survey, 1934-1954*
- *Soldier, Spectre, Shaman: The Figure and the Second World War*
- *Ocean of Images: New Photography 2015*
- *Scenes for a New Heritage: Contemporary Art from the Collection*
- *Ernie Gehr: Carnival of Shadows*
- *Marcel Broodthaers*
- *Edgar Degas: A Strange New Beauty*
- *BRUCE CONNER: IT'S ALL TRUE*
- *A Japanese Constellation: Toyo Ito, SANAA, and Beyond*
- *Dadaglobe Reconstructed*

Acquisitions. In pursuit of its mission, the Museum has collected over 180,000 works of art, including works of painting, sculpture, drawing, prints, illustrated books, photography, film, media, performance art, architecture, and industrial and graphic design. This year, over 1,400 works were added to this collection, both by donation and by purchase. Notable acquisitions completed in FY 2015 included George Braque's significant cubist painting *Homage to J.S. Bach* (1911-12), key photographic acquisitions ranging from Gustave Le Gray's *Tugboat Normandy* (1856-57) to Robert Mapplethorpe's *Self-Portrait* (1980), Glenn Ligon's monumental set of 50 screenprinted self-portraits titled *Figure* (2001), five films from the 1950s-70s by Brazilian filmmaker Nelson Pereira dos Santos including *Como Era Gostoso o Meu Francês (How Tasty Was My Little Frenchman)* (1971), a group of 3-D printed objects by Israeli designer Neri Oxman titled *Imaginary Beings* (2012) featured this year in the exhibition *This is for Everyone: Design Experiments for the Common Good*, over 400 works by Latin American architects coinciding with the exhibition *Latin America in Construction: Architecture 1955-1980*, five sculptures by Chinese artist Chen Zhen from a series titled *Un Village sans frontières* (2000), an 8-channel video by Moroccan-French artist Bouchra Khalili entitled *The Mapping Journey Project* (2011), and British filmmaker and video artist Steve McQueen's *Static* (2009), a major work shown two years ago at MoMA PS1.

Publications. Since its founding, the Museum has published some 1,400 editions appearing in more than 20 languages. Approximately twenty-five new books, including children's books and limited editions, are published

each year. In addition, over thirty titles are now available in various digital formats, which feature high-resolution reproductions of artworks as well as video and audio content, which readers can download and enjoy on their personal computers, tablets, and mobile devices. Among the best known of the Museum's publications are the following:

- *The Family of Man* by Edward Steichen
- *Complexity and Contradiction in Architecture* by Robert Venturi
- *Looking at Photographs* by John Szarkowski
- *Jackson Pollock* by Kirk Varnedoe with Pepe Karmel
- *Henri Cartier-Bresson: The Modern Century* by Peter Galassi
- *Mies in Berlin* by Terence Riley and Barry Bergdoll
- *Machine Art* by Philip Johnson
- *Gerhard Richter: Forty Years of Painting* by Robert Storr
- *Matisse Picasso* by John Elderfield, Kirk Varnedoe, et al.
- *Richard Serra Sculpture: Forty Years* by Kynaston McShine et al.
- *Bauhaus 1919-1933: Workshops in Modernity* by Barry Bergdoll and Leah Dickerman
- *de Kooning: a Retrospective* by John Elderfield
- *Cindy Sherman* by Eva Respini
- *Magritte: The Mystery of the Ordinary, 1926-1938* by Anne Umland
- *Duchamp: A Biography* by Calvin Tomkins
- *Alibis: Sigmar Polke 1963-2010* by Kathy Halbreich
- *Henri Matisse: The Cut-Outs* by Karl Buchberg, Nicholas Cullinan, Jodi Hauptman, and Nicholas Serota
- *Jacob Lawrence: The Migration Series* by Leah Dickerman and Elsa Smithgall
- *Picasso Sculpture* by Ann Temkin and Anne Umland

Education. The Museum was founded in 1929 as an educational institution and maintains a vast breadth of educational programming, which increased in the years after the opening of the renovated and expanded main facility in 2004. In FY 2015, over 4 million children, students, and adults, of all abilities, were served by the Education Department: over 3 million onsite visitors who accessed or participated in interpretative programs to support their learning in the galleries including labels, audio content (offered in nine languages), and/or gallery sessions; over 1.4 million who used on-line educational resources; and over 210,000 who participated in programs. The Museum has made a number of enhancements over the past year to facilitate digital access for visitors using their own devices in the Museum, including improvements to the wifi network, the addition of charging stations within the museum, better signage, and ongoing incorporation of user feedback.

Educational resources include informational labels, family guides, interactive games, public tours, audio tours in nine languages, visual description tours for the blind and partially sighted, and resources for other individuals with special needs. The Education Center provides a central location for a wide array of educational resources including three classrooms, a theater, a publicly accessible library, an archives reading room, three curatorial study centers, and programmed "laboratory" spaces such as the interactive space for families, *MoMA Art Lab: Process* and *MoMA Studio: Design Interactions Studio*. Educational programs take place throughout weekdays from 9 a.m. through 10 p.m. and on weekends as well. The following is a selected sampling of the programming offered by the education department:

- Interpretation and Research (MoMA Audio+ guides for all audiences in nine languages are available onsite; Audio+ content is also available as a downloadable app for iOS and accessible through MoMA.org; labels and other in-gallery support for visitor learning; digital resources on-line; interactive games; visitor research projects; evaluation projects)
- Digital Learning (free online resources such as an informal learning site for teachers, students, and educators; audio, video, and multimedia content creation for online learning experiences including on Coursera and via Khan Academy; instructor-led online courses; self-guided versions of online course content to extend the reach of content and experience; communication and social media outlets for online and onsite visitors)

- Family programs (free gallery conversations; art workshops; film screenings; activity guides; websites; interactive spaces for families)
- School visits for kindergarten through high school seniors (free admission for New York City public Title 1 K-8 schools and for all New York City public high schools; customized school partnerships)
- Teen programs (In the Making Art Programs; Cross Museum Collective; online courses)
- Teacher programs (teacher workshops; Connecting Collections)
- Selected Internships and Fellowships
- Adult and Academic Programs (Gallery Sessions; interactive spaces offering hands-on workshops; a wide range of exhibition-related lectures, symposia, and panel discussions; a variety of art history and studio courses; sign language interpretation and captioning is available for selected programs)
- Access Programs (customized programs for visitors of all ages with disabilities, including families of children with developmental disabilities; programs for individuals who are deaf, hard of hearing, blind or partially sighted; Meet Me At MoMA for persons living with dementia and their caregivers)
- Community Programs (community and school partnerships)

**Personnel and Related Areas**

Staffing. As of December 15, 2015, a staff of approximately 785 employees was responsible for the operation of the Museum.

Labor Relations. As of December 15, 2015, the Museum was party to the following five collective bargaining agreements covering approximately 60% of the Museum’s permanent employees:

<u>Covered Staff</u>	<u>Union</u>	<u>% of Employee</u>	<u>Contract Expiration</u>
Unionized non-management staff	Professional and Administrative Staff Association, Local 2110, U.A.W.	33	May 20, 2018
Unionized security guards	Local 32-BJ, Service and Employees International Union, AFL-CIO	16	December 31, 2016
Unionized engineers, carpenters	Local 30	8	July 31, 2017
Unionized AV technicians, projectionists	Local 306	2	October 31, 2017
Unionized painters	Local 1456	<1	July 31, 2019

Since July 1, 2014, the Museum has reached a new three year collective bargaining agreement with Local 2110 which will expire on May 20, 2018, a new three year collective bargaining agreement with Local 30 which will expire on July 31, 2017, a new five year collective bargaining agreement with Local 1456 which will expire on July 31, 2019, and a new collective bargaining agreement with Local 306 which will expire on October 31, 2017. The current collective bargaining agreements include annual salary increases for the duration of the contracts. In addition, MoMA PS1 entered into its first collective bargaining agreement with Local 30, which will expire on October 31, 2018.

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

As of November 30, 2015, the assets of the Museum’s defined benefit pension plan totaled approximately \$69.8 million. As of June 30, 2015, based on prevailing discount rates, the accumulated benefit obligation was \$91.5 million and the projected benefit obligation, which includes all future service estimates, was \$105.7 million. Plan

contributions of approximately \$276,000 were required for the plan year FY 2015. The Museum makes cash contributions into this soft-closed plan when required under ERISA. In fiscal year 2015, the Society of Actuaries released updated mortality tables which reflect longer actuarial life expectancies. The Museum has incorporated these updated mortality tables in its underlying estimates and financial obligations associated with the Museum's defined pension plans and other postretirement benefits as required as of and for the year ended June 30, 2015.

Health and Welfare Plans. Changes to the Museum's healthcare plan were implemented, effective July 1, 2009, to require that most non-union and certain union employees contribute to the Museum's healthcare plan, based on salary and coverage level. During FY 2013, the Museum bid out its health insurance carrier contract, an initiative that concluded successfully with the decision to switch healthcare insurance carriers based on financial and non-financial factors that benefit Museum staff.

Postretirement health and welfare benefit costs are funded by the Museum on a pay-as-you-go basis. The Museum's postretirement benefit liability was \$30.1 million at June 30, 2015. Employees hired after February 1, 2003 are not eligible for the retiree medical plan. Additionally, based on recent changes, employees who retire after November 1, 2009 share the cost of postretirement health coverage by contributing the same percentage of the cost as they contributed while they were active employees just prior to retirement. These actions have lowered the projected growth in the Museum's postretirement benefit liability.

A financial summary of the Museum's Pension Plan and other Postretirement Benefits is included in Footnote 12 to the Museum's FY 2015 Audited Consolidated Financial Statements attached hereto as Section II.

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

The table on the following page sets forth certain financial data of the Museum's operations as derived from its Consolidated Statements of Unrestricted Revenues, Expenses and Changes in Unrestricted Net Assets for the period from FY 2011 through FY 2015. The financial data only depicts certain operations of the Museum and does not represent the Museum's consolidated results for any period presented. The financial data for this period were derived from the Museum's financial statements, which were prepared in accordance with accounting principles generally accepted in the United States of America, and should be read in accordance with the Museum's Consolidated Financial Statements for the years ended June 30, 2015 and 2014, and notes thereto, attached as Section II. There has been no material adverse change in the Museum's financial condition since June 30, 2015.

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

**The Museum of Modern Art**  
**Financial Data of the Museum Operations of The Museum of Modern Art**  
**for the years ended June 30, 2015, 2014, 2013, 2012, and 2011**

	(000's)				
	<u>FY15</u>	<u>FY14</u>	<u>FY 13</u>	<u>FY 12</u>	<u>FY 11</u>
Revenue and Support:					
Admissions	\$32,989	31,759	28,530	\$27,596	\$22,695
Membership	18,042	16,975	16,796	16,377	14,991
Investment Income Allocated from Endowment and Restricted Funds under the spending policy	29,628	28,296	27,249	26,782	26,005
Annual Fund Contributions	11,308	12,661	11,981	10,831	8,564
Program Grants, Contributions, Other Revenue from Restricted Funds	20,690	19,574	17,658	12,956	7,589
Other Grants and Contributions	20,929	18,608	16,942	17,634	17,406
Government Support				-	-
Circulation Exhibition Fees	1,234	2,627	6,393	6,096	3,508
Other	8,030	7,873	6,857	8,047	6,364
Revenue of Auxiliary Activities	<u>58,813</u>	<u>54,152</u>	<u>51,899</u>	<u>53,090</u>	<u>50,493</u>
<b>Total Revenue and Support</b>	<b><u>201,663</u></b>	<b><u>192,525</u></b>	<b><u>184,305</u></b>	<b><u>179,409</u></b>	<b><u>157,615</u></b>
Operating Expenses:					
Curatorial and Related Support Services	41,990	40,419	38,204	33,737	26,603
Exhibitions	12,955	11,596	11,077	11,081	7,835
Other Programs	5,802	5,321	4,723	4,728	3,771
Membership, Development, and Cultivation	11,646	11,292	10,516	11,258	10,705
Public Information	4,784	4,712	4,965	4,655	4,205
Public Services	4,293	4,725	4,702	5,090	4,530
Facilities/Security/Other Operating	28,525	27,478	25,965	26,420	25,950
Administration and Other	28,154	26,454	27,511	23,700	21,549
Cost of Sales/Other Auxiliary Activities	54,471	50,663	49,060	49,845	47,507
Depreciation (Non-Auxiliary)	<u>4,747</u>	<u>4,064</u>	<u>3,419</u>	<u>2,674</u>	<u>2,295</u>
<b>Total Expenses</b>	<b><u>197,367</u></b>	<b><u>186,724</u></b>	<b><u>180,142</u></b>	<b><u>173,188</u></b>	<b><u>154,950</u></b>
<b>Excess of Revenue and Support over Operating Expenses</b>	<b><u>\$4,296</u></b>	<b><u>\$5,801</u></b>	<b><u>\$4,163</u></b>	<b><u>\$6,221</u></b>	<b><u>\$2,665</u></b>

*Management Discussion and Analysis*

The Museum believes that competition for time, audience trends, and philanthropic trends; its exhibition schedule, admission fees, and audience experience; membership pricing and benefits; and general economic conditions in New York City, the nation, and the world are factors that influence its results. In FY 2015, the eleventh year in the expanded midtown Manhattan facility, the Museum balanced its operating budget for the twentieth consecutive year, continuing to grow revenues while prudently managing expenses.

In FY 2015, the Museum achieved record results across many audience engagement and revenue metrics, limited expense growth to key priority areas, and completed key infrastructure investments in both information technology and building operations. MoMA and MoMA PS1 achieved record onsite visitation of 3.4 million, including an all-time daily attendance high and a 55-hour all day, all night marathon for the closing weekend of

*Henri Matisse: The Cut-Outs*. Additionally, the Museum’s membership program grew to a year-end record of approximately 144,000 members; fundraising remained strong, led by education, exhibition, and multi-year Museum programs; retail achieved near-record net income, with successful merchandising of new exhibition and design products, coupled with high attendance and e-commerce growth, anchoring efforts to reinforce retail ties to the overall Museum mission; and global digital reach achieved a new record, led by MoMA.org content and social media. On the capital investment side, key curatorial projects such as the Digital Repository for Museum Collections and the Celeste Bartos Film Preservation Center were completed. During the current fiscal year, initiatives including new programs designed specifically for artists, members, and New Yorkers; an improved entry experience in the lobby; participation in the IDNYC cultural institution program in New York City; and ongoing expansion of audience-facing technology projects (redesign of MoMA.org, e-commerce initiatives, the Museum’s proprietary mobile POS system, livestreaming, and original video content) are part of a multi-year plan to better serve the Museum’s public, concurrent with growing existing, and identifying new, sources of revenue.

Continuing efforts on the part of the Board of Trustees and Museum management are directed toward achieving balanced budgets in the future, as they have been over the last twenty years. In May 2015, the Board approved the Museum’s balanced operating budget for FY 2016.

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

In FY 2011, \$11.5 million of net cash interest was paid on a cash basis through a combination of operating revenues, receipts of campaign pledges, and other sources of revenue, as planned. In FY 2012, \$10.9 million of net cash interest was paid on a cash basis through a combination of operating revenues, receipts of campaign pledges, and other sources of revenue, as planned. In FY 2013, FY 2014, and FY 2015, \$8.2 million, \$9.2 million, and \$11.7 million of net cash interest, respectively, was paid on a cash basis primarily through operating revenues, as planned. Net cash interest increased in FY 2015 concomitant with the closure of the transaction with Hines; Hines had previously been paying the Museum interest income on the unpaid balance of the purchase price. Going forward, net cash interest is expected to continue to be principally paid from Museum operating revenue and support.

### *Revenue and Support*

**Admissions; Membership.** The Museum charges set fees for admission and sells memberships of various categories. The Museum’s admission ticket prices are: adult \$25, senior \$18, and student \$14. Children under the age of seventeen receive free admission. The Museum’s Individual-level membership price is \$85. Since May 1, 2013, the Museum has been open to the public seven days a week and during FY 2015, the Museum attracted over 370,000 visitors on Tuesdays, the day of the week the Museum was formerly closed; this was an over 15% increase from the prior year. The attendance figures below represent combined onsite attendance at both MoMA and MoMA PS1. As of November 30, 2015, attendance at MoMA and MoMA PS1 is tracking to reach approximately 3.1 million visitors for FY 2016, and the Museum’s membership count stands at over 144,000 members.

<u>Fiscal Year</u> <u>(ending June 30)</u>	<u>Approximate</u> <u>Attendance</u>	<u>Approximate</u> <u>Membership</u>
2011	2,890,000	128,000
2012	3,070,000	141,000
2013	3,030,000	135,000
2014	3,264,000	138,000
2015	3,350,000	144,000

Outside of onsite attendance, the Museum also measures its global reach in order to track and understand the many different channels through which the Museum interacts with its audience beyond its onsite programs and exhibitions. In FY 2015, this reach was estimated to be approximately 46 million people (or 34 million people after normalizing for repeat visits), including people who engaged the museum by visiting exhibitions and programs on tour at collaborating institutions; visiting or shopping in the Museum's three retail stores; visiting virtually via MoMA.org, MoMAPS1.org, and MoMAstore.org; visiting virtually on external platforms via Facebook, Twitter, Instagram, YouTube, Coursera, or Tumblr; downloading a MoMA mobile application; or subscribing to the Museum's email announcements. FY 2015 MoMA.org and MoMAPS1.org visits exceeded 24 million, an increase of 7%, or 1.5 million, year over year. The Museum continued to enhance smart phone capabilities (mobile traffic to MoMA.org has grown to 30% of total) and significantly expanded other digital programs such as livestreams, original video content, online courses, and in-depth exhibition websites. Through December 15, 2015, MoMA and MoMA PS1 had over 6.1 million Facebook fans, Twitter followers, and Instagram followers, an increase of approximately 25% versus the prior year. Also of note, through December 15, 2015, the Museum's e-mail database stood at approximately 866,000 unique addresses, up approximately 15% over a twelve month period.

Investment Income. "Investment income allocated from Endowment and Restricted Funds" appearing in this Statement of Activity of the Operating Fund section reflects transfers of investment income and realized gains from the Museum's endowment to support operations of the Museum. Pursuant to a policy adopted by the Board of Trustees (which may be amended by the Board at any time), the Board has limited the amount of available unrestricted endowment that can be budgeted for use in operations. For FY 2012 and beyond, the Board of Trustees approved a revised spending policy by which the Museum will draw 5% of the trailing twelve-quarter average market value of the endowment. This policy is intended to permit a larger portion of funds to remain in the endowment to build for the future. In addition, certain endowment funds designated for specific operating, program, or acquisition purposes are utilized in an amount equal to 5% of the average market value of endowment assets over a multi-year period

In FY 2012, the Board authorized a transfer of \$23 million in unrestricted monies out of the endowment to fund a portion of the purchase price for the land and building on 45 West 53rd Street. Current investment balances reflect this transfer. In FY 2013, FY 2014, and FY 2015, there were no Board designated transfers.

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

Auxiliary Activities. "Revenue of Auxiliary Activities," appearing in this Statement of Activity of the Operating Fund section, includes gross sales and other revenues derived from the Museum's retail (including stores, e-commerce, mail order, and trade operations), publishing, and restaurant operations. The Museum's retail operations generate the largest portion of the revenue from Auxiliary Activities. In addition to the Museum Design and Bookstore within the main facility, the Museum maintains a Design Store on the south side of 53<sup>rd</sup> Street and visible from the Museum entrance. The Museum also operates a retail store at 81 Spring Street in the Soho neighborhood of Manhattan and an e-commerce site. The Museum currently licenses three restaurant facilities at its 53rd Street facility as a service to Museum visitors, members, and the general public.

International Council of The Museum of Modern Art. The International Council of the Museum of Modern Art (the "Council") provides exhibition and programming support to the Museum. In 2014, the Council amended its Certificate of Incorporation to be organized and operate exclusively for the benefit of, to perform the functions of, and to carry out the purposes of The Museum of Modern Art. As a result of this amendment, the Museum has recorded its interest in 100% of the Council's net assets of \$6.6 million and \$6.4 million on the consolidated statements of financial position as of June 30, 2015 and 2014, respectively.

### *Expenses*

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

### *Management and Financial Controls*

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

### *Outstanding Indebtedness and Related Commitments*

As of December 15, 2015, the following bonds issued by the Trust were outstanding:

<b><u>Outstanding Series of Bonds</u></b>	<b><u>Outstanding Principal Amount</u></b>
Series 2008-One-A Fixed Rate Bonds	\$130,825,000
Series 2010-One-A Fixed Rate Bonds	\$55,285,000
Series 2012-One-D Fixed Rate Bonds	\$52,545,000
Series 2012A TEP Fixed Rate Bonds	<u>\$29,465,000</u>
<b>Total</b>	<b>\$268,120,000</b>

Loans payable by the Museum relate primarily to both the renovation and expansion project of its main facility, which reopened to the public in November 2004, and to the construction project of MoMAQNS, the Museum's storage facility in Long Island City, New York. The Museum received bond proceeds of \$75,750 in March 2000 (Series 2000 One A/B) and bond proceeds of \$235,000 in December 2001 (Series 2001 One A/B/C/D). The bonds were issued by the Trust. The Series 2000 One A/B Bonds and Series 2001 One A/B/C Bonds were then redeemed by the Series 2008-One-A Bonds issued by the Trust for the benefit of the Museum in July 2008. A portion of these bonds was subsequently redeemed by the Series 2010-One-A Bonds issued in July 2010.

The Series 2001-One-D Bonds callable on July 1, 2012 were defeased in May 2012 (and subsequently redeemed on July 2, 2012) through a combination of refinancing proceeds from the Series 2012-One-D Bonds and a \$43,000,000 short term bridge loan, issued on May 1, 2012, and then repaid by the Museum on May 2, 2012. Concurrently with the refunding of the Series 2001-One-D Bonds, the Museum refunded the Series 1996A TEP Bonds and Series 2001A TEP Bonds with the Series 2012A TEP Bonds (the "TEP Bonds"), which are payable in the first instance with tax equivalency payments made by owners of the condominium units in a 44-story, 247 unit tower above the West Wing Facility.

The Museum is obligated pursuant to a Payment Agreement with the Trust to cover any shortfalls in the collection of TEPs necessary to pay interest and principal on the TEP Bonds. With respect to the Series 2008 Bonds, the Series 2010 Bonds, and the Series 2012-One-D Bonds (which are not TEP Bonds) (collectively, the "Non-TEP Bonds"), the Museum is obligated pursuant to a Loan Agreement with the Trust to provide amounts sufficient to pay principal of and interest on such Non-TEP Bonds. For further detail on the Series 2012A TEP Bonds, see Footnote 13 to the Consolidated Financial Statements of the Museum for FY 2015 attached hereto as Section II and the section herein concerning "The 2012A BONDS – THE RESIDENTIAL TOWER AND TAX EQUIVALENCY PAYMENTS".

The Museum also currently maintains a revolving credit facility totaling \$35 million with a financial institution. The proceeds are available for general working capital purposes, capital expenditures, and to bridge finance capital campaign proceeds. As of December 15, 2015, \$0.8 million was outstanding on this facility. In FY 2013, the Museum reconstituted a \$20 million taxable fixed rate term loan into a revolving note agreement with a financial institution. At December 15, 2015, \$17 million was outstanding on this facility. This facility matures in January 2016 and the Museum is in the process of extending this borrowing arrangement. In June 2014, the Museum guaranteed a \$2 million revolving note for MoMA PS1 for working capital purposes. The revolving note is with a commercial bank and expires in January 2016, and MoMA PS1 is in the process of extending this borrowing arrangement. At December 15, 2015, \$1.2 million was outstanding.

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 \$85,000,000) and reversed a swap entered into in August 2005 (notional amount at the time of reversal of \$50,000,000) with an offsetting swap. The counterparty for the two remaining offsetting swap contracts is Goldman Sachs Bank USA (the “Counterparty”); notional amount schedules, payment dates, and final maturity dates are identical under each contract, but the Museum is a fixed rate-payer under one and a floating rate-payer under the other. The Museum has the right to optionally terminate each swap contract for an agreed upon cash settlement amount based on market conditions. Under certain triggering events tied to the Museum’s overall credit ratings, the Museum may be required to post collateral to the Counterparty or the Counterparty may terminate the swap contracts, provided both are terminated simultaneously. Were a triggering event to occur and the Counterparty elect to exercise its termination rights, the estimated net payment from the Museum to Counterparty based on the market value of the swap contracts as of November 30, 2015 would be approximately \$6.8 million.

#### *Investments*

The Museum’s investments as of June 30, 2015 are summarized in the table below. The fair value of investments is defined as the exchange price that would be received for an asset in the principal or most advantageous market for the asset in an orderly transaction between participants on the measurement date. The assets themselves are invested as a fungible pool, and are not segregated except by explicit donor stipulation. The value and earnings of the Museum’s investments are subject to changes in the financial markets, and are subject to various other risks, including, but not limited to, credit, interest rate and liquidity risk, lack of a ready market for certain securities or investments, and reliance upon third party investment advisors. Past investment performance cannot be relied upon as an indicator of future results.

<u>Investments at Fair Value (\$000s)</u>	<u>June 30, 2015</u>
Unrestricted investments <sup>(1)</sup>	\$ 590,877
Temporarily restricted investments <sup>(2)</sup>	102,932
Permanently restricted investments <sup>(3)</sup>	219,891
Total	<u>\$ 913,700</u>
Annual rate of return during FY 2015 <sup>(4)</sup>	5.1%

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

<sup>(2)</sup> Temporarily restricted investments are subject to donor-imposed restrictions that permit the Museum to use up or expend the donated assets as specified. The restriction is satisfied either by the passage of time or by actions of the Museum. Neither principal nor interest is available for payment of any debt of the Museum, including the bonds issued by the Trust for the benefit of the Museum.

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

(4) Total return includes interest and dividends received as well as realized and unrealized gains net of investment fees based upon fair value.

The Museum's investments are supervised by the Investment Committee of the Board of Trustees, which reviews the performance of the Museum's investments and makes recommendations to the Board concerning the Museum's investment policies. All investments are professionally managed. The Museum currently retains 48 professional managers and has invested a portion of its funds with partnerships.

The Museum's portfolio (including the Museum's private equity and real estate investments) gained 5.1% in FY 2015. Over the trailing 5-year period ending June 30, 2015, the portfolio generated a compounded average annual gain of 11.0%. For FY 2016, the estimated unaudited portfolio return through November 30, 2015 was -4.3%.

The approximate fair value and composition of all the Museum's investments as of June 30, 2015 are shown below.

<b><u>At June 30, 2015</u></b>	<b>Fair Value <sup>(1)</sup> (\$000s)</b>	<b>Percent of Portfolio <sup>(1)</sup></b>
Cash equivalents	\$ 23,122	3%
Equity securities	223,972	25%
Government and corporate bonds	43,196	5%
Investment funds		
Registered mutual funds	34,683	4%
Fixed income	31,794	3%
Equity (long only)	239,591	26%
Equity long/short <sup>(2)</sup>	23,122	3%
Credit <sup>(2)</sup>	93,487	10%
Multi-strategy and other <sup>(2)</sup>	67,178	7%
Event-driven <sup>(2)</sup>	41,016	4%
Private equity <sup>(3)</sup>	80,240	9%
Real estate/assets <sup>(3)</sup>	8,534	1%
Total investments	<u>\$ 909,935</u>	<u>100%</u>
Futures contracts	<u>\$ 3,765</u>	
	\$ 913,700	
Less: Investments maintained for the Council	<u>\$ (6,272)</u>	
Investments per the consolidated statements of financial position	<u>\$ 907,428</u>	

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

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

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

For a complete description of the cost and fair value of these funds at June 30, 2015, see Footnote 4 of the Consolidated Financial Statements of the Museum for FY 2015 attached hereto as Section II.

### **Future Financing**

The Museum continues to evaluate the balance between the timing of expected pledge payments through the Capital Campaign, debt financing, and the use of existing cash reserves with respect to construction of the Building Project. At this time, no new debt issuances are planned for the Building Project. In November 2015, Moody's Investors Services and Standard & Poor's each affirmed the Museum's existing credit ratings, pending further evolution of the plan of finance for the Building Project.

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

The Trust has issued several series of its revenue bonds (the "TEP Bonds") for the benefit of the Museum in order to finance, and refinance, the West Wing Project (see "Properties of the Museum"). The West Wing Facility (1980 expansion) was constructed in coordination with a 44-story residential tower of 247 condominium units, which is located over the West Wing Facility (the "Residential Tower"). The West Wing Project and the Residential Tower comprise a combined-use facility which was developed by the Trust in accordance with the New York State Cultural Resources Act (the "Act"). The Residential Tower was constructed by a private developer unrelated to the Museum or the Trust. Under the terms of the Act, the Residential Tower is not subject to real estate taxation; however, the Act requires that tax equivalency payments be made to the Trust by the owners of the condominium units in the Residential Tower. Owners of condominium units in the Residential Tower began to make tax equivalency payments to the Trust in July 1984. There is currently outstanding one series of TEP Bonds, \$29,465,000 of the Trust's Refunding Revenue Bonds, Series 2012A (The Museum of Modern Art) (the "Outstanding TEP Bonds").

The TEP Bonds are payable from the tax equivalency payments made by the owners of the condominium units in the Residential Tower and, to the extent that such tax equivalency payments are insufficient therefore, from payments made by the Museum pursuant to a Payment Agreement with the Trust (the "Payment Agreement"). The obligation of the Museum under the Payment Agreement is a general unsecured obligation of the Museum ranking on a parity with all other senior unsecured indebtedness of the Museum, including the Museum's payment obligation under the Loan Agreement in respect of the Series 2008 Bonds, the Series 2010 Bonds, and the Series 2012-One-D Bonds. As with the Series 2008 Bonds, the Series 2010 Bonds, and the Series 2012-One-D Bonds, none of the Property, the Collections or the Restricted Assets of the Museum will be available to satisfy the obligations of the Museum under the Payment Agreement. In May 2012, the Trust refinanced the Trust's 1996A and 2001A bond issues with Series 2012A Refunding Revenue Bonds of \$38,360,000 with a final maturity of 2023; as noted above, the outstanding balance on the Series 2012A Bonds is \$29,465,000. The Series 2012A Bonds did not extend the maturity of the 1996A and 2001A bond issues. Tax equivalency payments made to the Trust pursuant to the Act will not be available to pay principal of or interest on the Series 2008 Bonds, the Series 2010 Bonds, or the Series 2012-One-D Bonds.