Whitney Museum of American Art

Financial Statements

June 30, 2014 and 2013

Whitney Museum of American Art
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June 30, 2014 and 2013

Independent Auditor's Report

To the Board of Trustees of the
Whitney Museum of American Art

We have audited the accompanying financial statements of Whitney Museum of American Art (the "Museum"), which comprise the statements of financial position as of June 30, 2014 and 2013, and the statements of activities and of cash flows for the years then ended.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of financial statements, whether to fraud or error. In making those risk assessments, we consider internal control relevant to the Museum's preparation and fair presentation of the 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 financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Whitney Museum of American Art at June 30, 2014 and 2013, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers LLP

New York, New York
November 18, 2014

Whitney Museum of American Art
Statements of Financial Position
June 30, 2014 and 2013

	2014	2013
Assets		
Cash and cash equivalents	$ 28,837,000	$ 74,164,000
Accounts receivable	2,221,000	1,091,000
Contributions receivable	128,795,000	56,279,000
Publications and sales inventory	1,554,000	882,000
Prepaid expenses and other assets	5,841,000	4,622,000
Deferred building costs	310,235,000	204,203,000
Investments	338,210,000	309,504,000
Land, building, furniture and equipment, at cost, net	37,751,000	37,186,000
Total assets	$ 853,444,000	$ 687,931,000
Liabilities and Net Assets		
Accounts payable and accrued expenses	$ 28,883,000	$ 22,425,000
Deferred income	1,463,000	351,000
Deferred travelling and accrued exhibition fees	535,000	684,000
Bond interest payable	3,126,000	3,126,000
Bonds payable, net of bond premium	131,049,000	132,174,000
Accrued pension obligation	5,147,000	2,742,000
Total liabilities	170,203,000	161,502,000
Net assets		
Unrestricted		
Operating	90,169,000	90,846,000
Designated by the trustees	23,348,000	16,888,000
Total unrestricted net assets	113,517,000	107,734,000
Temporarily restricted	366,579,000	236,995,000
Permanently restricted	203,145,000	181,700,000
Total net assets	683,241,000	526,429,000
Total liabilities and net assets	$ 853,444,000	$ 687,931,000

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

Whitney Museum of American Art
Statement of Activities
Year Ended June 30, 2014

	Unrestricted			Temporarily	Permanently	Total	
	Operating	Board Designated	Total	Restricted	Restricted	2014	2013
Support and revenue							
Contributions, grants and bequests, net of $33,000 of related expenses	$ 4,705,000	$ -	$ 4,705,000	$ 127,913,000	$ 21,445,000	$ 154,063,000	$ 77,801,000
Membership dues	3,270,000	-	3,270,000	-	-	3,270,000	3,027,000
Benefit and special event income, net of $1,056,000 of related expenses	3,818,000	-	3,818,000	-	-	3,818,000	3,608,000
Admission fees, net of $100,000 of related expenses	2,937,000	-	2,937,000	-	-	2,937,000	2,308,000
Traveling exhibition fees, net of $1,420,000 of related expenses	1,313,000	-	1,313,000	-	-	1,313,000	374,000
Publications and sales income (loss), net of $1,060,000 of cost of goods sold	(38,000)	-	(38,000)	-	-	(38,000)	146,000
Fees and royalties	512,000	-	512,000	-	-	512,000	803,000
Investment return designated for current operations	10,005,000	-	10,005,000	-	-	10,005,000	9,599,000
Net assets released from restrictions							
Exhibition program	2,285,000	-	2,285,000	(2,285,000)	-	-	-
Building and renovation program	2,071,000	-	2,071,000	(2,071,000)	-	-	-
Support of other museum programs	2,879,000	-	2,879,000	(2,879,000)	-	-	-
Total support and revenue	33,757,000	-	33,757,000	120,678,000	21,445,000	175,880,000	97,666,000
Expenses and losses							
Program expenses							
Exhibitions	9,030,000	-	9,030,000	-	-	9,030,000	8,968,000
Curatorial and related support services	10,466,000	-	10,466,000	-	-	10,466,000	10,015,000
Education programs and library	3,063,000	-	3,063,000	-	-	3,063,000	2,875,000
Publications and sales	1,096,000	-	1,096,000	-	-	1,096,000	1,093,000
Total program services	23,655,000	-	23,655,000	-	-	23,655,000	22,951,000
Supporting services							
Management and general	4,909,000	-	4,909,000	-	-	4,909,000	4,491,000
Fund raising	4,654,000	-	4,654,000	-	-	4,654,000	4,249,000
Total supporting services	9,563,000	-	9,563,000	-	-	9,563,000	8,740,000
Total expenses (includes $982,000 and $1,003,000 of depreciation and amortization for 2014 and 2013, respectively)	33,218,000	-	33,218,000	-	-	33,218,000	31,691,000
Excess of support and revenue over expenses and losses	539,000	-	539,000	120,678,000	21,445,000	142,662,000	65,975,000
Investment return in excess of amounts designated for current operations	-	1,204,000	1,204,000	19,975,000	-	21,179,000	19,368,000
Net assets released for operating costs related to new building project	-	6,308,000	6,308,000	(6,308,000)	-	-	-
Operating costs related to new building project	-	(6,308,000)	(6,308,000)	-	-	(6,308,000)	(6,388,000)
Net assets released for purchases of art	-	2,628,000	2,628,000	(2,628,000)	-	-	-
Collection items purchased not capitalized	-	(2,628,000)	(2,628,000)	-	-	(2,628,000)	(1,860,000)
Collection items sold	-	-	-	2,784,000	-	2,784,000	-
Investment return on non-endowment assets	847,000	-	847,000	83,000	-	930,000	476,000
Insurance proceeds related to environmental claims	-	1,489,000	1,489,000	-	-	1,489,000	3,863,000
Costs related to environmental claims	-	(1,772,000)	(1,772,000)	-	-	(1,772,000)	(3,600,000)
Pension related charges other than net periodic costs	(1,524,000)	-	(1,524,000)	-	-	(1,524,000)	1,711,000
Transfer to/(from) Board Designated to fund operating	(539,000)	5,539,000	5,000,000	(5,000,000)	-	-	-
Change in net assets	(677,000)	6,460,000	5,783,000	129,584,000	21,445,000	156,812,000	79,545,000
Net assets							
Beginning of year	90,846,000	16,888,000	107,734,000	236,995,000	181,700,000	526,429,000	446,884,000
End of year	$ 90,169,000	$ 23,348,000	$ 113,517,000	$ 366,579,000	$ 203,145,000	$ 683,241,000	$ 526,429,000

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

Whitney Museum of American Art
Statement of Activities
Year Ended June 30, 2013

	Unrestricted Operating	Unrestricted Board Designated	Unrestricted Total	Temporarily Restricted	Permanently Restricted	Total 2013
Support and revenue						
Contributions, grants and bequests, net of $22,000 of related expenses	$ 4,040,000	$ -	$ 4,040,000	$ 65,868,000	$ 7,893,000	$ 77,801,000
Membership dues	3,027,000	-	3,027,000	-	-	3,027,000
Benefit and special event income, net of $907,000 of related expenses	3,608,000	-	3,608,000	-	-	3,608,000
Admission fees, net of $78,000 of related expenses	2,308,000	-	2,308,000	-	-	2,308,000
Traveling exhibition fees, net of $290,000 of related expenses	374,000	-	374,000	-	-	374,000
Publications and sales income (loss), net of $1,079,000 of cost of goods sold	146,000	-	146,000	-	-	146,000
Fees and royalties	803,000	-	803,000	-	-	803,000
Investment return designated for current operations	9,599,000	-	9,599,000	-	-	9,599,000
Net assets released from restrictions						
Exhibition program	1,932,000	-	1,932,000	(1,932,000)	-	-
Building and renovation program	2,791,000	-	2,791,000	(2,791,000)	-	-
Support of other museum programs	3,170,000	-	3,170,000	(3,170,000)	-	-
Total support and revenue	31,798,000	-	31,798,000	57,975,000	7,893,000	97,666,000
Expenses and losses						
Program expenses						
Exhibitions	8,968,000	-	8,968,000	-	-	8,968,000
Curatorial and related support services	10,015,000	-	10,015,000	-	-	10,015,000
Education programs and library	2,875,000	-	2,875,000	-	-	2,875,000
Publications and sales	1,093,000	-	1,093,000	-	-	1,093,000
Total program services	22,951,000	-	22,951,000	-	-	22,951,000
Supporting services						
Management and general	4,491,000	-	4,491,000	-	-	4,491,000
Fund raising	4,249,000	-	4,249,000	-	-	4,249,000
Total supporting services	8,740,000	-	8,740,000	-	-	8,740,000
Total expenses (includes $1,003,000 of depreciation and amortization for 2013)	31,691,000	-	31,691,000	-	-	31,691,000
Excess of support and revenue over expenses and losses	107,000	-	107,000	57,975,000	7,893,000	65,975,000
Investment return in excess of amounts designated for current operations	-	879,000	879,000	18,489,000	-	19,368,000
Net assets released for operating costs related to new building project	-	6,388,000	6,388,000	(6,388,000)	-	-
Operating costs related to new building project	-	(6,388,000)	(6,388,000)	-	-	(6,388,000)
Net assets released for purchases of art	-	1,860,000	1,860,000	(1,860,000)	-	-
Collection items purchased not capitalized	-	(1,860,000)	(1,860,000)	-	-	(1,860,000)
Investment return on non-endowment assets	417,000	-	417,000	59,000	-	476,000
Insurance proceeds related to hurricane costs	-	3,863,000	3,863,000	-	-	3,863,000
Costs related to hurricane claim	-	(3,600,000)	(3,600,000)	-	-	(3,600,000)
Pension related charges other than net periodic costs	1,711,000	-	1,711,000	-	-	1,711,000
Change in net assets	2,235,000	1,142,000	3,377,000	68,275,000	7,893,000	79,545,000
Net assets						
Beginning of year	88,611,000	15,746,000	104,357,000	168,720,000	173,807,000	446,884,000
End of year	$ 90,846,000	$ 16,888,000	$ 107,734,000	$ 236,995,000	$ 181,700,000	$ 526,429,000

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

Whitney Museum of American Art
Statements of Cash Flows
Years Ended June 30, 2014 and 2013

	2014	2013
Cash flows from operating activities		
Change in net assets	$ 156,812,000	$ 79,545,000
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation expense	1,724,000	1,492,000
Impairment of asset	1,141,000	2,768,000
In kind gift contributions	(238,000)	(1,316,000)
Receipt of contributed securities	(3,687,000)	(4,462,000)
Proceeds from sale of contributed securities	3,687,000	4,462,000
Purchases of art	2,628,000	1,860,000
Net unrealized and realized (gain) loss on investments	(31,286,000)	(27,950,000)
Contributions restricted for endowment	(21,444,000)	(4,073,000)
Contributions restricted for the new building project	(65,328,000)	(73,180,000)
Change in operating assets and liabilities		
Decrease in accounts receivable and prepaid expenses	(2,348,000)	(1,243,000)
(Increase) decrease in contributions receivable	(72,517,000)	9,851,000
Increase in publications and sales inventories	(671,000)	(234,000)
(Decrease) increase in accounts payable and accrued expenses	(631,000)	308,000
Increase in deferred income	1,112,000	25,000
Increase (decrease) in accrued pension obligations	2,404,000	(2,001,000)
(Decrease) increase in deferred traveling exhibition fees	(149,000)	534,000
Net cash used in operating activities	(28,791,000)	(13,614,000)
Cash flows from investing activities		
Purchase of land, building and equipment	(2,289,000)	(2,320,000)
Increase in deferred building costs	(100,971,000)	(98,358,000)
Proceeds from sale of investments	58,496,000	106,429,000
Purchases of investments	(55,916,000)	(36,000,000)
Purchases of art	(2,628,000)	(1,860,000)
Net cash used in investing activities	(103,308,000)	(32,109,000)
Cash flows from financing activities		
Contributions restricted for endowment	21,444,000	4,073,000
Contributions restricted for the new building project	65,328,000	73,180,000
Net cash provided by financing activities	86,772,000	77,253,000
Net (decrease) increase in cash and cash equivalents	(45,327,000)	31,530,000
Cash and cash equivalents		
Beginning of year	74,164,000	42,634,000
End of year	$ 28,837,000	$ 74,164,000
Supplemental data		
Change in deferred project costs in accounts payable	$ 7,088,000	$ 10,837,000
Purchases of property, plant, and equipment in accounts payable	-	362,000
Increase in deferred project costs related to bond interest payable	3,126,000	3,126,000

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

1. Summary of Significant Accounting Policies

Whitney Museum of American Art (the "Museum") was founded in 1930 by Gertrude Vanderbilt Whitney and is dedicated to collecting, preserving, interpreting, and exhibiting American art. The Museum serves a wide variety of audiences from its New York City location.

The financial statements of the Museum have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Net Asset Classifications

The Museum reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted.

- Unrestricted net assets are not restricted by donors, or the donor-imposed restrictions have expired. The Museum's Board of Trustees has designated a portion of the unrestricted net assets for investment in land, building and equipment and long-term investment.

- Temporarily restricted net assets contain donor-imposed restrictions that require the Museum to use or expend the assets as specified. The restrictions are satisfied either by the passage of time or by actions of the Museum.

- Permanently restricted net assets contain donor-imposed restrictions that stipulate the resources be maintained permanently, but permit the Museum to use, or expend, part or all of the income derived from the donated assets for either specified or unspecified purposes.

Cash and Cash Equivalents

Cash equivalents are short-term highly liquid investments with original maturities of three months or less when purchased. The Museum includes money market funds as cash equivalents, with the exception of those money market funds which are included as investments (Note 2).

Inventory

Inventory consists of books, exhibition catalogues, posters, note cards and other merchandise valued at the lower of average cost or market. Inventory consisted of $876,000 and $533,000 of finished goods and $678,000 and $349,000 of work in process at June 30, 2014 and 2013, respectively.

Investments

Equity securities are carried at market value based on the last reported sales price at the end of the fiscal year. Fixed income securities are valued by the investment managers using pricing services from financial institutions.

Alternative investments include investments in limited partnerships, private equity and hedge funds. The Museum values these investments in accordance with valuations provided by the investment managers of the underlying funds. As a general rule, investment managers of funds value investments based upon the best information available for given circumstances and may incorporate assumptions that are the investment manager's best estimates after considerations of a variety of internal and external factors. The funds may make investments in securities that are publicly traded, which are generally valued based on observable market prices, unless a restriction exists. Investments for which observable market prices do not exist are reported at fair value as determined by the fund's investment manager. The Museum's management may consider other factors in assessing the fair value of these investments. Some of these funds may not have readily ascertainable market values and may be subject to withdrawal restrictions. The fair value of the funds represents the amount the Museum expects to receive at June 30, 2014 and 2013, if it had liquidated its investments in the funds on these dates. Because alternative investments may not be readily marketable, the estimated value is 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. Certain of the partnerships enter into contractual commitments including futures and option contracts and other derivative financial instruments. These contracts are valued by the partnerships at the last reported sales price and involve elements of market risk in excess of the amounts recognized on the partnership statement of financial condition. Risks arise from the potential changes in securities values and interest rates. The Museum records its share of the net income or loss for the accounting period in proportion to its participating percentage in each partnership.

Purchases and sales of securities are reflected on a trade-date basis. Realized gains and losses on sales of securities are determined on an average-cost basis. Dividend income is recorded on the ex-dividend date and interest income is recorded as earned on an accrual basis.

Unrealized gains and losses are determined by comparison of specific costs of acquisition to market values at the last day of the fiscal year.

A portion of the Museum's investments are pooled to facilitate their management. Investment income is allocated among the individual components of unrestricted, temporarily restricted and permanently restricted net assets based on donor restrictions or the absence thereof, using percentage of participation based on their carrying value or market value.

The Museum manages its investment portfolio on a total return basis. To preserve the investments' long-term value, the Museum makes available to be spent each year 5% of the investment portfolio's average market value for the preceding three years ending December 31, excluding investment and custodial fees (the "spending rate").

Art Collection

The Museum has an extensive collection of art, including paintings, sculpture, photographs, drawings, prints, and films and videos. The collection is maintained under the care of the Registration Department staff and is held for research, education and public exhibition in furtherance of public service, rather than for financial gain. As a matter of policy, proceeds from the sale of collection items are used to acquire other items for the collection. The Museum does not include either the cost or the value of its collection in the statement of financial position, nor does it recognize gifts of collection items as revenues in the statement of activities. Since items acquired for the collection by purchase are not capitalized, the cost of those acquisitions is reported as decreases in net assets in the statement of activities.

Measure of Operations

The Museum includes in its measure of operations all revenues and expenses that are an integral part of its programs and supporting activities. The measure of operations includes investment income equal to a defined spending rate, and interest earned from short-term investments on cash held for working capital. It excludes net assets released for new building project, purchases and sales of collection items, investment return in excess of the spending rate, investment return on nonendowment assets, pension related charges other than net periodic benefit cost, and board designated contributions and activities.

Contributions
The Museum records as revenue, cash and unconditional promises to give in the period received. Unconditional contributions are recorded at the net present value of the amounts expected to be collected. Conditional contributions are recognized as revenue when the conditions on which they depend have been substantially met.

The Museum records unconditional contributions as temporarily restricted revenue if they are received with donor stipulations that limit their use either through purpose or time restrictions. When donor restrictions expire, that is, when a purpose restriction is fulfilled or a time restriction ends, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

The Museum has volunteers who provide administrative support to various Museum programs. Such contributed services do not meet the criteria for recognition of contributed services contained in accounting principles generally accepted in the United States of America and, accordingly, are not reflected in the accompanying financial statements.

Membership Dues
Membership dues for individual and corporate membership categories are recognized in the applicable year that the subscription commences.

Benefits and Special Events
Benefits and special events revenue results from the Museum's efforts to produce a wide variety of events around exhibition openings, membership programs and large annual fundraisers. The revenue is recognized in the period that the benefits and events are held.

Admission Fees
Admission fees are from daily attendance and group visits to the Museum.

Functional Allocation of Expenses
The costs of providing Museum programs and other activities have been presented in the accompanying statement of activities. Management and general expenses include executive and financial administration, human resources and information services. Fundraising activities of the Museum include salaries and employee benefits of program staff who develop proposals for fundraising; solicit contributions for those needs and for endowment purposes from individuals, corporations, government agencies and foundations; and conduct special fundraising events. Depreciation, utilities, building maintenance and other operating costs are allocated to program areas and supporting services based on head count. Fundraising costs are expensed as incurred.

Advertising and public relations costs are generally expensed when incurred, except when related to the Museum's exhibition program, for which the costs are recognized on a pro-rated basis over the scheduled exhibition period. In fiscal 2014 and 2013, the Museum incurred advertising and public relations expenses of $850,000 and $710,000, respectively, excluding Museum labor and overhead.

Deferred Building Costs
Deferred building costs are stated at cost and include capitalizable expenditures related to the acquisition and construction of the new Downtown Museum as well as other Museum projects. These costs include hard costs, soft costs and capitalizable expenditures for special projects. In 2014 and 2013, capitalized interest totaling $5,127,000 and $5,113,000, respectively, were recorded in deferred building costs.

On October 29, 2012, Superstorm Sandy struck New York City causing widespread damage to properties throughout the region, including lower Manhattan. The Downtown Museum was impacted by flood waters and sustained impairment to certain equipment on site and incurred clean up costs related to the storm. As of June 30, 2014, the Museum has incurred total impairment and clean-up costs of $4,231,000 related to the Museum site and has received $4,211,000 in insurance proceeds to cover the impairment and clean-up costs.

In addition, on May 1, 2014, a rain event caused water runoff to inundate electrical vaults that service the new Museum. Total impairment costs of $1,141,000 were recorded along with a receivable for the same amount for insurance proceeds. It is anticipated that total replacement costs related to the event will be $3,386,000.

Land, Building and Equipment

Land, building and equipment are stated at cost and expenditures in excess of $2,500 are capitalized. The Museum's building and capital improvements, office furniture and equipment are depreciated on a straight-line basis over their estimated useful lives (building–fifty years; capital improvements, office furniture and equipment - three to fifteen years or the remaining useful life of the building). Leasehold improvements are amortized on a straight-line basis over the shorter of the lives of the assets or the terms of the leases. Depreciation and amortization costs are allocated among the programs and supporting services benefited. The Museum has adopted a policy of implying a time restriction that expires over the useful life of long-lived assets acquired or constructed with contributions restricted for that purpose and therefore releases amounts from temporarily restricted net assets equal to the depreciation expense of fixed assets built or acquired with such temporarily restricted contributions. Net asset releases of $271,000 and $291,000 in 2014 and 2013, respectively, were performed to offset depreciation and amortization expense of $1,724,000 and $1,492,000 in fiscal 2014 and 2013, respectively.

Deferred Traveling and Accrued Exhibition Fees

Deferred Traveling and Accrued Exhibition Fees of $525,000 and $684,000 at June 30, 2014 and 2013, respectively, relate to in-house and traveling exhibitions for which the cash is received but the exhibition has not yet begun.

Deferred Financing Costs

Included in Prepaid Expenses and Other Assets at June 30, 2014 and 2013, is $1,326,000 and $1,501,000, respectively, of deferred financing costs related to the 2011 Revenue Bonds issuance. These costs are amortized over a straight line basis over the life of the bonds. Amortization expense in 2014 and 2013 was $176,000.

Bond Premiums

Included in Bonds Payable at June 30, 2014 and 2013, respectively, is $6,049,000 and $7,174,000 of bond premiums related to the 2011 Revenue Bonds issuance. These premiums are amortized over a straight line basis over the life of the bonds. Amortization was $1,125,000 for the years ended June 30, 2014 and 2013.

Estimates

The preparation of 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 disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. The more significant estimates made relate to the valuation of contributions receivable, valuation of alternative investments, and actuarial assumptions used in the calculation of pension obligation. Actual results could differ from those estimates.

Concentrations of Credit Risk

Financial instruments which potentially subject the Museum to concentrations of credit risk, consist principally of cash and cash equivalents and investments in fixed income funds, equity funds and limited partnerships. The Museum maintains its cash and cash equivalents in various bank deposit accounts which, at times, may exceed federally insured limits. The Museum's cash investments are placed with high credit quality financial institutions. The Museum has not experienced any losses in such accounts.

Three donors represented 38% of the total Contributions Receivable at June 30, 2014, while one donor accounted for approximately 16% at June 30, 2013. Four donors represented approximately 45% of total contributions, grants and bequests for the year ended June 30, 2014, with two donors representing approximately 34% of the total for the year ended June 30, 2013.

Tax Status

The Museum is exempt from federal income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code and has been classified as an organization which is not a private foundation under Section 509(a).

New Accounting Pronouncements

The Museum adopted new accounting guidance from the Financial Accounting Standards Board for the year ended June 30, 2014 which requires that proceeds from donated securities that are immediately converted to cash be classified in the Statement of Cash Flows as if they were cash contributions received. Such donated securities with no donor-imposed long-term restrictions are to be included in the cash flows from operating activities, while donated securities with donor-imposed long-term restrictions should be included in the cash flows from financing activities. The guidance became effective for the year ending June 30, 2014, with retrospective adoption being permissible. The Museum retrospectively applied the guidance to the June 30, 2013 statement of Cash Flows. As a result of the retrospective adoption, the Museum's 2013 Statement of Cash Flows is reflective of an increase to operating activities and a decrease to investing activities of $4,462,000. There is no impact to the Statement of Financial Position or the Statement of Activities as a result of the adoption of this new guidance.

2. Investments

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.

The guidance 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 following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used by the Museum for financial instruments measured at fair value on a recurring basis. The three levels of inputs 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 and fixed income 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 valuation 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 equity funds, hedge funds, multi-strategy funds, private equity funds and inflation hedging instruments for which observable inputs exist and trade in markets not considered to be active.

Level 3 Unobservable inputs, as they trade infrequently or not at all, that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Investments included in Level 3 primarily consist of the Museum's ownership in hedge funds, multi-strategy funds, private equity funds and real asset funds. The values of these investments represent the ownership interest in the net asset value of the respective partnerships. These investments are primarily made under agreements to participate in investment vehicles and are generally subject to certain withdrawal restrictions. The fair value of the securities held by limited partnerships that do not have readily determinable fair values are determined by the general partner and are based on appraisals or other estimates that require varying degrees of judgment.

Investments included in Level 2 and 3 primarily consist of the Museum's ownership in alternative investments. The value represents the ownership interest in the hedge fund or respective partnership. The net asset value (NAV) of the investments held by limited partnerships and hedge funds that do not have readily determinable fair values are determined by the general partner or hedge fund manager and are based on appraisals, or other estimates that require varying degrees of judgment. The Museum has performed due diligence around these investments to ensure NAV is an appropriate measure of fair value as of June 30. Because of the inherent uncertainty of valuing these investments and certain underlying investments held by them, the Museum's estimate of fair value may differ significantly from the values that would have been used had a ready market for the investments existed. These investments may be illiquid and thus there can be no assurance that the Museum will be able to realize the value of such investments in a timely manner. For partnership interests, gains and losses are dependent upon the general partners' distributions during the life of each partnership.

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

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

Included in investments are assets whose use is limited to the construction of the new museum as of June 30, 2014 and 2013:

	2014	2013
Capitalized interest fund	$ 9,164,000	$ 15,416,000

The Museum's investment portfolio consisted of the following at June 30,

	2014		2013	
	Market	**Cost**	**Market**	**Cost**
Cash and cash equivalents	$ 22,787,000	22,787,000	$ 17,922,000	$ 17,922,000
Fixed income investments				
Registered mutual funds	77,875,000	78,447,000	76,850,000	77,834,000
Equity investments				
Securities	25,693,000	13,816,000	25,065,000	15,059,000
Equity investment funds	77,228,000	40,431,000	59,321,000	36,431,000
Registered mutual funds	362,000	558,000	316,000	280,000
Alternative investments				
Multi-strategy and other	63,973,000	49,876,000	53,074,000	43,385,000
Equity long/short	54,424,000	41,873,000	61,983,000	50,729,000
Real assets	12,527,000	12,097,000	11,883,000	12,081,000
Private equity	3,341,000	3,000,000	3,090,000	3,000,000
	$ 338,210,000	$ 262,885,000	$ 309,504,000	$ 256,721,000

Investment return and its classification in the statement of activities for the year ended June 30, 2014 (with summarized and comparative totals for the year ended June 30, 2013) were as follows:

	Unrestricted				Total	
	Operations	**Board Designated**	**Temporarily Restricted**	**Permanently Restricted**	**2014**	**2013**
Dividends and interest	$ -	$ 34,000	$ 532,000	$ -	$ 566,000	$ 1,040,000
Realized gains (losses)	-	519,000	8,216,000	-	8,735,000	1,425,000
Unrealized gains (losses)	-	1,352,000	21,081,000	-	22,433,000	26,991,000
Spending rate allocation designated for current operations	10,005,000	(668,000)	(9,337,000)	-	-	-
Less: Advisory and custody fees	-	(33,000)	(517,000)	-	(550,000)	(489,000)
Total return on investments	10,005,000	1,204,000	19,975,000	-	31,184,000	28,967,000
Investment return designated for current operations - spending rate	(10,005,000)	-	-	-	(10,005,000)	(9,599,000)
Investment return in excess of (less than) amounts designated for current operations	-	1,204,000	19,975,000	-	21,179,000	19,368,000
Interest on short term investments	847,000	-	83,000	-	930,000	476,000
Total return on investments	$ 847,000	$ 1,204,000	$ 20,058,000	$ -	$ 22,109,000	$ 19,844,000

Investment return designated for current operations of $10,005,000 represents funds which have been made available for spending pursuant to the authorized spending rate. The $1,204,000 increase in board designated net assets represents unrestricted gains in excess of dividends and interest, realized gains, and amounts made available for spending. The $19,975,000 increase in the temporarily restricted investment category represents the temporarily restricted investment gain on permanently restricted net assets.

Investment return and its classification in the statement of activities for the year ended June 30, 2013 were as follows:

	Unrestricted				
	Operations	Board Designated	Temporarily Restricted	Permanently Restricted	2013 Total
Dividends and interest	$ -	$ 62,000	$ 978,000	$ -	$ 1,040,000
Realized gains (losses)	-	(1,297,000)	2,722,000	-	1,425,000
Unrealized gains (losses)	-	3,059,000	23,932,000	-	26,991,000
Spending rate allocation designated for current operations	9,599,000	(917,000)	(8,682,000)	-	-
Less: Advisory and custody fees	-	(28,000)	(461,000)	-	(489,000)
Total return on investments	9,599,000	879,000	18,489,000	-	28,967,000
Investment return designated for current operations - spending rate	(9,599,000)	-	-	-	(9,599,000)
Investment return in excess of (less than) amounts designated for current operations	-	879,000	18,489,000	-	19,368,000
Interest on short term investments	417,000	-	59,000	-	476,000
Total return on investments	$ 417,000	$ 879,000	$ 18,548,000	$ -	$ 19,844,000

Investment return designated for current operations of $9,599,000 represents funds which have been made available for spending pursuant to the authorized spending rate. The $879,000 increase in board designated net assets represents unrestricted gains in excess of dividends and interest, realized gains, and amounts made available for spending. The $18,489,000 increase in the temporarily restricted investment category represents the temporarily restricted investment gain on permanently restricted net assets.

The fair value of the Museum's financial assets that are measured on a recurring basis at June 30, 2014 are as follows:

	Based on			
	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Fair Value at June 30, 2014
Cash and cash equivalents	$ 22,787,000	$ -	$ -	$ 22,787,000
Fixed income investments				
Registered mutual funds	77,598,000	-	-	77,598,000
Other investment funds	277,000	-	-	277,000
Equity investments				
Securities	25,693,000	-	-	25,693,000
Equity investment funds	-	77,228,000	-	77,228,000
Registered mutual funds	362,000	-	-	362,000
Alternative investments				
Multi-strategy and other	-	26,957,000	37,016,000	63,973,000
Equity long/short	-	27,739,000	26,685,000	54,424,000
Real assets	-	5,844,000	6,683,000	12,527,000
Private equity	-	-	3,341,000	3,341,000
	$ 126,717,000	$ 137,768,000	$ 73,725,000	$ 338,210,000

The fair value of the Museum's financial assets that are measured on a recurring basis at June 30, 2013 are as follows:

	Quoted Prices in Active Markets (Level 1)	Based on Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Fair Value at June 30, 2013
Cash and cash equivalents	$ 17,922,000	$ -	$ -	$ 17,922,000
Fixed income investments				
Registered mutual funds	76,583,000	-	-	76,583,000
Other investment funds	267,000	-	-	267,000
Equity investments				
Securities	25,065,000	-	-	25,065,000
Equity investment funds	-	49,466,000	9,855,000	59,321,000
Registered mutual funds	316,000	-	-	316,000
Alternative investments				
Multi-strategy and other	-	25,857,000	27,217,000	53,074,000
Equity long/short	-	18,452,000	43,531,000	61,983,000
Real assets	-	4,854,000	7,029,000	11,883,000
Private equity	-	-	3,090,000	3,090,000
	$ 120,153,000	$ 98,629,000	$ 90,722,000	$ 309,504,000

Equity and fixed income investments consist of investments in publicly traded 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, 2014 and 2013, if it had liquidated its investments in the funds on these dates.

Alternative investments include hedged equity and absolute return strategies. Alternative investments also include investments in private equity and real assets, such as commodities, and other inflation hedging instruments. The Museum values these investments based upon NAV provided by the investment managers of the underlying funds. Alternative investment managers may invest in securities that are publicly traded, which are generally valued based on observable market prices. Investments for which observable market prices do not exist are reported at fair value as determined by the 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, 2014 and 2013, if it had liquidated its investments in the funds on these dates.

The table below presents the change in fair value measurements that used Level 3 inputs during the year ended June 30, 2014:

	Fair Value at June 30, 2013	Transfers Out	Realized & Unrealized Gains (Losses), Net	Purchases	Sales	Fair Value at June 30, 2014
Equity investment funds	$ 9,855,000	$ (11,284,000)	$ 1,429,000	$ -	$ -	$ -
Multi-strategy and other	27,217,000	-	2,799,000	7,000,000	-	37,016,000
Equity long/short	43,531,000	(6,535,000)	4,588,000	5,000,000	(19,899,000)	26,685,000
Real assets	7,029,000	-	(346,000)	-	-	6,683,000
Private equity	3,090,000	-	251,000	-	-	3,341,000
	$ 90,722,000	$ (17,819,000)	$ 8,721,000	$ 12,000,000	$ (19,899,000)	$ 73,725,000

The table below presents the change in fair value measurements that used Level 3 inputs during the year ended June 30, 2013:

	Fair Value at June 30, 2012	Transfers Out	Realized & Unrealized Gains (Losses), Net	Purchases	Sales	Fair Value at June 30, 2013
Equity investment funds	$ 7,719,000	$ -	$ 2,136,000	$ -	$ -	$ 9,855,000
Multi-strategy and other	28,802,000	-	3,382,000	-	(4,967,000)	27,217,000
Equity long/short	45,302,000	-	5,912,000	-	(7,683,000)	43,531,000
Real assets	7,134,000	-	(105,000)	-	-	7,029,000
Private equity	-	-	90,000	3,000,000	-	3,090,000
	$ 88,957,000	$ -	$ 11,415,000	$ 3,000,000	$ (12,650,000)	$ 90,722,000

The transfers out of Level 3 are primarily due to expiration of lock up provisions.

All net realized and unrealized gains in the table above are reflected in the accompanying statement of activities. Net unrealized gains relate to those financial instruments held by the Museum at June 30, 2014 and 2013.

The Museum uses Net Asset Value (NAV) to determine the fair value of all underlying investments which (a) do not have a readily determinable fair value and (b) prepare their financial statements consistent with the measurement policies of an investment company or have the attributes of an investment company. Per the applicable guidance, disclosures are presented by major category by the nature and risks of the Museum's investments. All percentages are based on NAV as of June 30, 2014 and 2013.

Category of investment	# of Funds	Fair Value Determined Using NAV at June 30, 2014	Unfunded Commitments	Remaining Life **	Redemption Terms **	Redemption Restrictions and Terms	Redemption Restrictions and Terms in Place at Year End
Equity investment funds	6	$ 77,228,000	N/A	N/A	Monthly: 39.17% (6-30 days) Quarterly: 60.83% (30-60 days)	100%* have no lock up provisions or have expired. Gate triggers range from 10%* to 25%* of total fund-level NAV.	None
Equity long/short	13	54,424,000	N/A	N/A	Monthly: 3.94% (60 days) Quarterly: 56.10% (45-90 days) Semi-Annually: 1.47% (45-95 days) Annually: 37.95%	90.52* have no lock up provisions, .41%* have lock up provisions for 1 year, 9.07%* have lock up provisions for provisions for 3 years. Gate triggers range from 20%* to 50%* of total fund-level NAV.	None
Multi-strategy and other	11	63,973,000	N/A	N/A	Monthly: 5.31% (15 -90 days notice) Quarterly: 45.78% (60-65 days notice) Semi-Annually: 3.86% (60 days notice) Annually: 45.04% (45-120 days notice)	88.68%* have no lock up provisions, 11.32%* have lock provisions up to one year. Gate triggers range from 10%* to 25%* of total fund-level NAV.	None
Real assets	3	12,527,000	N/A	N/A	Monthly: 25.72% (30 days) Quarterly: 74.28% (60 days)	100%* have no lock up provisions. 20.93%* have Gate triggers at 25%*.	None
Private equity	1	3,341,000	N/A	N/A	N/A	100%* have lock provisions up to 3 years.	None
	34	$ 211,493,000					

* Reflects fair value of the investments.

** Information reflects a range of various terms from multiple investments.

Category of investment	# of Funds	Fair Value Determined Using NAV at June 30, 2013	Unfunded Commitments	Remaining Life **	Redemption Terms **	Redemption Restrictions and Terms	Redemption Restrictions and Terms in Place at Year End
Equity investment funds	5	$ 59,321,000	N/A	N/A	Monthly: 41.81% (6-30 days) Quarterly: 58.19% (30-60 days)	83.39%* have no lock up provisions, 16.61%* have lock up provisions for up to 5 years. Gate triggers range from 10%* to 25%* of total fund-level NAV.	None
Equity long/short	13	61,983,000	N/A	N/A	Monthly: 3.23% (60 days) Quarterly: 36.59% (45-90 days) Semi-Annually: 28.72% (45-95 days) Annually: 30.64% (45-92 days) Every 3 years: .34% (45 days)	82.46%* have no lock up provisions, .50%* have lock up provisions for 1 year, 10.06%* have lock up provisions for 18 months, 6.98%* have lock up provisions for 2 years. Gate triggers range from 20%* to 50%* of total fund-level NAV.	None
Multi-strategy and other	11	53,074,000	N/A	N/A	Monthly: 8.45% (15 -90 days notice) Quarterly: 49.40% (60-65 days notice) Semi-Annually: 4.73% (60 days notice) Annually: 37.42% (45-120 days notice)	88.04%* have no lock up provisions, 11.96%* have lock provisions up to 3 years. Gate triggers range from 10%* to 25%* of total fund-level NAV.	None
Real assets	3	11,883,000	N/A	N/A	Monthly: 23.25% (30 days) Quarterly: 76.75% (60 days)	100%* have no lock up provisions. 17.60%* have Gate triggers at 25%*.	None
Private equity	1	3,090,000	N/A	N/A	N/A	100%* have lock provisions up to 3 years.	None
	33	$ 189,351,000					

* Reflects fair value of the investments.

** Information reflects a range of various terms from multiple investments.

3. Contributions Receivable

Contributions receivable, discounted to present value at June 30, 2014 and 2013, consisted of unconditional promises to give and are due from the following:

	2014	2013
Individuals	$ 48,833,000	$ 28,786,000
Corporations	2,992,000	3,195,000
Foundations	80,131,000	25,890,000
Government, State and City	130,000	58,000
Gross contributions receivable	132,086,000	57,929,000
Less: Discount to present value (at rates between 1.22% and 4.75%)	(3,291,000)	(1,650,000)
	$ 128,795,000	$ 56,279,000

The gross contributions receivable are due to be collected as follows:

Fiscal year June 30,	
2015	$ 35,507,000
2016–2020	96,579,000
2021–and thereafter	-
	$ 132,086,000

The City of New York contributed $1,208,000 for the year ended June 30, 2013, of capital expenses related to the Museum's Gansevoort Site Project. This amount has been recognized as an in-kind contribution in the Museum's financial statements.

For the years ended June 30, 2014 and June 30, 2013, the City of New York spent $20,884,000 and $19,220,000, respectively, for capital appropriations relating to the Museum's new building project (the "Project"). The City's investment of capital funding obligated the Museum to operate the Project for the benefit of the people of the City of New York as a not-for-profit world-class art museum or for such other cultural, educational or artistic uses and/or related purposes approved by the City for a period of thirty (30) years from the completion of the Project. These amounts have been recognized in contributions, grants and bequests in the Museum's financial statements.

Conditional Pledges
In May 2010, the Museum signed a grant and pledge agreement that is designed to provide funds to the Museum through matching contributions. The maximum amount of the contributions can be up to $25,000,000 and are paid when the Museum achieves certain conditions related to the downtown building project. The donor of this conditional pledge has agreed to match, on a one-to-one basis, the amount of matching contributions received by the Museum in connection with the downtown building project. The contributions eligible for the match are gifts made for either the acquisition of the land for the downtown building project, the construction of a new museum building at that location (the "New Building"), or for certain contributions received for the endowment of the New Building. For the years ended June 30, 2014 and 2013 certain conditions of the pledge were met, triggering the recognition of $6,250,000 in each year. Total revenue recognized related to this agreement is $18,750,000 as of June 30, 2014.

4. Land, Building and Equipment

Land, building and equipment comprised the following at June 30, 2014 and 2013:

	2014	**2013**
Land	$ 26,654,000	$ 26,654,000
Building and capital improvements	22,314,000	20,491,000
Leasehold improvements	1,934,000	1,934,000
Office furniture and equipment	6,177,000	6,109,000
	57,079,000	55,188,000
Less: Accumulated depreciation	(19,328,000)	(18,002,000)
Land, building and equipment, net	$ 37,751,000	$ 37,186,000

Depreciation expense totaled $1,724,000 and $1,492,000 for the years ended June 30, 2014 and 2013, respectively. In conjunction with the ongoing new building project, the Museum expects to incur additional construction-related capital costs of approximately $63,000,000 in future periods.

5. Lease Commitments

The Museum leases office, storage and studio space under noncancelable lease agreements, which expire on various dates through fiscal 2021 and which are subject to escalation for real estate tax increases and other building operating expenses. Minimum base rental payments are as follows:

Fiscal year June 30,	
2015	$ 3,282,000
2016	2,462,000
2017	1,582,000
2018	1,630,000
2019	1,679,000
Thereafter	2,607,000
	$ 13,242,000

Rent expense (including escalation costs) amounted to $3,297,000 and $3,411,000 for the years ended June 30, 2014 and 2013.

Subsequent to June 30, 2014, the Museum entered into Lease Surrender agreements, related to certain temporary office spaces, which decrease future lease commitments by $587,000 and $661,000 in the fiscal years ending June 30, 2015 and 2016 respectively.

On August 10, 2012, the Museum entered into a Collaboration Agreement with the Metropolitan Museum of Art, pursuant to which the Metropolitan Museum of Art will use and occupy portions of the building located at 945 Madison Avenue, New York, New York (the "Building") for a multi-year term. The Museum will continue to occupy portions of the Building and both parties will work together to develop joint programming initiatives for the Building as well as other locations.

6. Bonds Payable, Net of Premium

Bonds payable at June 30, 2014 and 2013 is as follows:

	2014	**2013**
Series 2011 Bonds	$ 125,000,000	$ 125,000,000
Bond premium, net of accumulated amortization of $3,281,000	6,049,000	7,174,000
Total bond payable	$ 131,049,000	$ 132,174,000

In August, 2011, The Trust for Cultural Resources of the City of New York (the “Trust”) issued $125,000,000 Whitney Museum of American Art Revenue Bonds, Series 2011 for the purpose of providing funds for construction of a new museum. The bonds have varying interest rates from 4.0% to 5.25% and are due in varying amounts with final maturity in 2031.

The carrying amount and fair value of the Museums long-term debt at June 30, 2014 and 2013 based on market information for underlying debt securities are as follows:

	2014		2013	
	Carrying Amount	**Fair Value**	**Carrying Amount**	**Fair Value**
Long term debt	$ 125,000,000	$ 140,035,000	$ 125,000,000	$ 138,192,000

The fair value of bonds payable is estimated based on the quoted market prices for the same or similar issues or based on the Museum's current incremental borrowing rates for similar types of borrowing arrangements. The fair value of debt is considered Level 2 in accordance with the fair value hierarchy.

The Series 2011 bonds consisted of the following amounts and maturities at June 30, 2014:

	Principal	Rate	Maturity
Bonds, Series 2011			
Serial bonds	$ 25,000,000	5.0%	July 1, 2017
Serial bonds (callable in 2021)	50,000,000	5.0%	July 1, 2021
Serial bonds (callable in 2021)	8,230,000	4–5.25%	July 1, 2022–2026
Term bonds (callable in 2021)	41,770,000	5.0%	July 1, 2027–2031
	$ 125,000,000		

Minimum principal bond payments are as follows:

Fiscal year June 30,	
2015	$ -
2016	-
2017	-
2018	25,000,000
2019	-
Thereafter	100,000,000
	$ 125,000,000

7. Pension Plan

The Museum has a defined benefit pension plan (the "Plan") covering substantially all of its employees. The benefits are computed on the basis of years of credited service and the average compensation, as defined, in the Plan. The normal monthly retirement benefit is the greater of (1) 1% of average monthly earnings plus .65% of average monthly earnings in excess of "covered compensation" multiplied by years of credited service (up to a maximum of 30 years) and (2) the annuity value of the following account: the lump-sum value of a participant's accrued benefit as of June 30, 1991, plus 3% of yearly earnings for each year of credited service after June 30, 1991, and before July 1, 2008 plus monthly interest earned on a participant's account beginning July 31, 1991. The Museum's funding policy is to contribute annually the minimum amount based upon the related actuarial determinations. Contributions are intended to provide not only for benefits attributed to service to date but also for those expected to be earned in the future. Pension costs are accounted for on the basis of the projected unit credit method. Effective January 1, 2014 the Plan was frozen to new entrants.

Beginning in the year June 30, 2014, the Museum updated its assumption for estimating the lump sum conversion rate under the Plan. The assumption is intended to reflect the long term expectations of interest rates to convert life annuities to lump sum benefit payments. The assumption is reviewed periodically for reasonableness against long-term interest rate trends. The effect of the assumption change is an increase to the benefit obligation of approximately $1,631,000 as of June 30, 2014.

The following table provides information with respect to the defined benefit plan as of and for the years ended June 30, 2014 and 2013:

	2014	2013
Change in benefit obligation		
Benefit obligation at beginning of year	$ 11,740,000	$ 11,595,000
Service cost	791,000	831,000
Interest cost	487,000	414,000
Settlements	(266,000)	(159,000)
Benefits Paid	(5,000)	-
Actuarial gain (loss)	2,590,000	(941,000)
Benefit obligation at end of year	15,337,000	11,740,000
Change in fair value of plan assets		
Fair value of plan assets at beginning of year	8,998,000	6,852,000
Actual return on plan assets	1,590,000	1,029,000
Company contribution	-	1,389,000
Benefits Paid	(5,000)	-
Settlements	(266,000)	(159,000)
Administrative expenses paid	(127,000)	(113,000)
Fair value of plan assets at end of year	10,190,000	8,998,000
Funded status at end of year	$ (5,147,000)	$ (2,742,000)
Amounts recognized in the statement of financial position consist of		
Accrued pension obligation	$ 5,147,000	$ 2,742,000
Total liabilities	$ 5,147,000	$ 2,742,000
Amounts recognized in unrestricted net assets consist of		
Net prior service cost (credit)	$ 343,000	$ 406,000
Net gain (loss)	4,301,000	2,714,000
	$ 4,644,000	$ 3,120,000
Accumulated benefit obligation at end of year	$ 11,396,000	$ 8,772,000

	2014	2013
Components of net periodic benefit cost and other amounts recognized in unrestricted net assets		
Service cost	$ 791,000	$ 832,000
Interest cost	487,000	414,000
Expected return on plan assets	(595,000)	(496,000)
Amortization of prior service cost	63,000	63,000
Recognized actuarial gain (loss)	134,000	265,000
Net periodic benefit cost	880,000	1,078,000
Other changes in plan assets and benefit obligation recognized in unrestricted net assets		
Net gain (loss)	1,721,000	(1,361,000)
Amortization of net gain (loss)	(134,000)	(265,000)
Amortization of prior service cost (credit)	(63,000)	(63,000)
Other Adjustment to obligation	-	(22,000)
Total recognized in unrestricted net assets	1,524,000	(1,711,000)
Total recognized in net period benefit cost and unrestricted net assets	$ 2,404,000	$ (633,000)

	2014	2013
Weighted-average assumptions as of June 30 used for obligations		
Discount rate	3.90 %	4.45 %
Expected return on plan assets	7.25 %	7.25 %
Weighted-average assumptions as of June 30 used for net periodic benefit cost for years ending June 30		
Discount rate	4.45 %	3.75 %
Expected return on plan assets	7.25 %	7.25 %
Measurement date	June 30, 2014	June 30, 2013

The Museum determines its expected return on plan assets assumption by evaluating both historical returns of major asset classes and estimates of future returns over the next 20 years. Current market factors, such as inflation and interest rates, as well as asset diversification are evaluated when long-term capital market assumptions are determined. Historical returns are reviewed to verify reasonability and appropriateness.

Amounts in unrestricted net assets expected to be recognized in net periodic benefit cost in fiscal 2015	
Amortization of unrecognized net gain (loss)	$ 235,000
Amortization of prior service cost	63,000
	$ 298,000

Estimated contributions expected to be paid by the Museum during the fiscal year ending June 30, 2015 total $0.

The Museum's pension plan invests primarily in equity and debt securities that are within prudent levels of risk and provide for necessary liquidity requirements. The long-term objective is to limit the variability of its pension funding requirements while maintaining funding at levels that will ensure the payment of obligations as they come due. The Museum's plan assets are measured against benchmarks established by the Museum's advisors and the Investment Committee, who has the authority to recommend changes as deemed appropriate.

At June 30, 2014, the Museum's target allocation percentages for plan assets were 75% equity securities, 25% debt securities and 0% real estate securities. The targets may be adjusted periodically to reflect current market conditions and trends as well as inflation levels, interest rates and the trend thereof.

The Museum's pension plan weighted average asset allocation at June 30, 2014 and 2013 by asset category is as follows:

	Allocation Percentage	
	2014	2013
Equity securities	68.5 %	64.7 %
Debt securities	26.7	30.3
Real estate	4.8	5.0
	100.0 %	100.0 %

The following presents the plan assets, by level category, at June 30, 2014:

	Based on			
	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Fair Value at June 30, 2014
Equity	$ -	$ 6,980,000	$ -	$ 6,980,000
Fixed income		2,721,000		2,721,000
Real estate		489,000		489,000
	$ -	$ 10,190,000	$ -	$ 10,190,000

The following presents the plan assets, by level category, at June 30, 2013:

	Based on			
	Quoted Prices in Active Markets (Level 1)	**Other Observable Inputs (Level 2)**	**Unobservable Inputs (Level 3)**	**Fair Value at June 30, 2013**
Equity	$ -	$ 5,823,000	$ -	$ 5,823,000
Fixed income	-	2,723,000	-	2,723,000
Real estate	-	452,000	-	452,000
	$ -	$ 8,998,000	$ -	$ 8,998,000

Benefits expected to be paid in cash in the next five fiscal years ending June 30 are as follows:

Future expected benefits	
2015	$ 1,796,000
2016	1,073,000
2017	2,045,000
2018	834,000
2019	1,166,000
Thereafter	6,240,000

8. Line of Credit

At June 30, 2014, the Museum had available a $10,000,000 unsecured line of credit ("facility"). The term of the facility is one year, which may be extended subject to Bank approval. The line of credit expires on January 31, 2015. The Museum intends to maintain the line of credit. At June 30, 2014, there were no funds borrowed under the facility. Under the terms of the line of credit agreement, the Museum may borrow funds as needed, with repayment due in full on the last day of the term of the facility, subject to a 30-day clean up provision. The interest rate charged on any outstanding principal amount is LIBOR plus .50%.

9. Restricted Net Assets

Temporarily restricted net assets were available for the following purposes at June 30:

	2014	**2013**
Exhibition programs	$ 5,715,000	$ 6,587,000
Purchase of art	5,881,000	3,380,000
Building and renovation program, includes expenditures not yet depreciated	296,385,000	189,909,000
Support of other Museum programs	58,598,000	37,119,000
Total temporarily restricted net assets	$ 366,579,000	$ 236,995,000

Permanently restricted net assets consisted of the following at June 30:

	2014	2013
Endowment funds, income unrestricted	$ 139,479,000	$ 138,241,000
Endowment funds, income temporarily restricted for		
Support of the Biennial exhibition program	15,821,000	12,173,000
Purchases of works of art	1,732,000	1,732,000
Curatorial support for photography acquisitions and exhibition programs	14,220,000	5,318,000
Other Programs	31,893,000	24,236,000
Total permanently restricted net assets	$ 203,145,000	$ 181,700,000

10. Endowment

The Museum's endowment consists of approximately 102 individual funds established for a variety of purposes. The Endowment includes both donor restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by generally accepted accounting principles net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

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

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

- The duration and preservation of the endowment fund;
- The purposes of the Museum and the endowment fund;
- General economic conditions;

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

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

The Museum's spending policy rate is designed to stabilize annual spending levels and to present the real value of the investment portfolio over time. To preserve the portfolio's long-term value, the museum makes available to be spent each fiscal year 5% of each fund's allocable portions of the portfolio's average market value, net of fees and taxes (if any), as of December 31st of each of the preceding three years. This spending policy is consistent with the Museum's objectives to utilize income to support programs while preserving capital and ensuring future endowment growth.

Endowment funds are invested with Investment Managers charged with meeting or exceeding the representative index, universe or blended market index and universe that most closely corresponds to the Investment Manager's style of investment management. The investment strategy emphasizes long-term appreciation of the assets and consistency of total portfolio returns to support general operations while ensuring the preservation of capital.

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

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

The Museum's endowments consisted of the following at June 30, 2014 and 2013:

Endowment Net Asset Composition by Type of Fund at June 30, 2014

	Unrestricted Operating/ Board Designated	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 57,778,000	$ 203,145,000	$ 260,923,000
Board-designated endowment funds	20,432,000	-	-	20,432,000
Total funds	$ 20,432,000	$ 57,778,000	$ 203,145,000	$ 281,355,000

Endowment Net Asset Composition by Type of Fund at June 30, 2013

	Unrestricted Operating/ Board Designated	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 37,977,000	$ 181,700,000	$ 219,677,000
Board-designated endowment funds	13,689,000	-	-	13,689,000
Total funds	$ 13,689,000	$ 37,977,000	$ 181,700,000	$ 233,366,000

The Museum's endowment funds had the following changes for the years ended June 30, 2014 and 2013.

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2014

	Unrestricted Operating/ Board Designated	Temporarily Restricted	Permanently Restricted	Total
Endowment funds, June 30, 2013	$ 13,689,000	$ 37,977,000	$ 181,700,000	$ 233,366,000
Investment return				
Investment income	34,000	532,000	-	566,000
Net appreciation/depreciation (realized and unrealized)	1,838,000	28,780,000	-	30,618,000
Total investment return	1,872,000	29,312,000	-	31,184,000
Contributions	-	-	21,445,000	21,445,000
Transfer	5,539,000	-	-	5,539,000
Endowment funds used for purchase of ai	-	(174,000)	-	(174,000)
Appropriation of endowment assets for expenditure	(668,000)	(9,337,000)	-	(10,005,000)
Endowment funds, June 30, 2014	$ 20,432,000	$ 57,778,000	$ 203,145,000	$ 281,355,000

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2013

	Unrestricted Operating/ Board Designated	Temporarily Restricted	Permanently Restricted	Total
Endowment funds, June 30, 2012	$ 12,809,000	$ 19,488,000	$ 173,807,000	$ 206,104,000
Investment return				
Investment income	65,000	978,000	-	1,043,000
Net appreciation/depreciation (realized and unrealized)	1,732,000	26,193,000	-	27,925,000
Total investment return	1,797,000	27,171,000	-	28,968,000
Contributions	-	-	7,893,000	7,893,000
Appropriation of endowment assets for expenditure	(917,000)	(8,682,000)	-	(9,599,000)
Endowment funds, June 30, 2013	$ 13,689,000	$ 37,977,000	$ 181,700,000	$ 233,366,000

The endowment funds classified as permanently restricted, temporarily restricted and unrestricted net assets consist of the following at June 30:

	2014	2013
Permanently restricted net assets		
Museum operations	$ 139,479,000	$ 138,241,000
Conservation	11,756,000	5,167,000
Director	2,000,000	2,000,000
Education	11,428,000	10,420,000
Independent Study Program (ISP)	4,552,000	4,492,000
Library/publications	2,056,000	2,056,000
Acquisitions	1,732,000	1,732,000
Exhibitions	15,921,000	12,273,000
Curatorial	13,039,000	4,137,000
Film & Video	1,182,000	1,182,000
Total endowment funds classified as permanently restricted net assets	203,145,000	181,700,000
Temporarily restricted net assets		
General operating support	44,544,000	29,389,000
Conservation	1,450,000	909,000
Director	818,000	586,000
Education	2,869,000	1,769,000
Independent Study Program	1,746,000	1,173,000
Library/publications	888,000	645,000
Acquisitions	1,373,000	1,149,000
Exhibitions	2,831,000	1,662,000
Curatorial	1,259,000	695,000
Total endowment funds classified as temporarily restricted net assets	57,778,000	37,977,000
Unrestricted net assets		
Unrestricted purposes	20,432,000	13,689,000
Total endowment funds	$ 281,355,000	$ 233,366,000

11. Subsequent Events

The Museum performed an evaluation of subsequent events through November 18, 2014, which is the date the financial statements were issued. The Museum has determined that all events or transactions, including open item estimates, required to be recognized in accordance with generally accepted accounting principles, are included in the financial statements.

In preparation for opening of the Museum's new building in Spring 2015, the Museum closed to the public on October 19, 2014. Revenues expected to be primarily impacted by the closure include admission fees, publications and retail sales income. To provide liquidity and compensate for loss of visitor-driven revenues during the temporary closure, the Board of Trustees approved $5,300,000 of cash funding to be drawn from the ongoing capital campaign during the fiscal year ending June 30, 2015. In addition, the Museum expects to continue to generate other revenues during the transition period from traveling museum exhibitions, membership dues, benefit events, facility rentals and unrestricted contributions to meet its obligations through fiscal year 2015.