INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of The Metropolitan Museum of Art:

We have audited the accompanying financial statements of The Metropolitan Museum of Art (the "Museum"), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities and cash flows for the year 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 audit. We conducted our audit 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 the 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 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.

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

Other Matter
We have previously audited The Metropolitan Museum of Art's 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 13, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

PricewaterhouseCoopers LLP

New York, New York
November 10, 2015

Statement of Financial Position   June 30, 2015, with comparative totals as of June 30, 2014 (in thousands)

	2015	2014
Assets:		
Cash (Note A)	$ 2,750	$ 9,808
Receivable for investments sold	3,533	4,632
Retail inventories, net (Note A)	10,791	13,320
Accounts receivable and other assets (Note B)	22,810	24,054
Contributions receivable (Notes C)	136,866	132,674
Split interest arrangements (Notes G and H)	75,607	75,962
Investments (Notes A and G)	3,320,361	3,018,585
Fixed assets, net (Notes A, E, and F)	429,712	451,827
TOTAL ASSETS	$4,002,430	$3,730,862
Liabilities:		
Payable for investments purchased	$ 4,942	$ 2,413
Accounts payable and accrued expenses	39,437	39,783
Accrued salaries and benefits	24,915	27,158
Deferred income (Note A)	6,005	6,716
Notes payable (Note J)	24,525	27,620
Annuity and other split-interest obligations (Notes G and H)	19,357	19,831
Asset retirement obligations (Note N)	9,901	9,059
Pension and other accrued retirement obligations (Note I)	169,157	147,484
Loans payable and other long-term liabilities (Notes G and K)	420,841	172,076
TOTAL LIABILITIES	719,080	452,140
Net assets:		
Unrestricted (Notes A and O)	870,496	910,450
Temporarily restricted (Notes A and O)	1,469,878	1,473,750
Permanently restricted (Notes A and O)	942,976	894,522
TOTAL NET ASSETS	3,283,350	3,278,722
TOTAL LIABILITIES AND NET ASSETS	$4,002,430	$3,730,862

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

Statement of Activities

for the year ended June 30, 2015, with summarized financial information for the year ended 2014 (in thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2015	Total 2014
OPERATING					
REVENUE AND SUPPORT:					
Admissions and membership	$ 67,786	$	$	$ 67,786	$ 66,619
Gifts and grants	24,091	52,035		76,126	46,389
Operating appropriations from the City of New York (Note A)	27,886			27,886	26,362
Endowment support for current activities (Note G)	85,542	21,555		107,097	101,494
Retail and other auxiliary activities (Note P)	86,543			86,543	97,347
Other income	5,503			5,503	6,134
Net assets released from donor restrictions to fund operating expenses	42,546	(42,546)			
TOTAL REVENUE AND SUPPORT	339,897	31,044		370,941	344,345
EXPENSES:					
Curatorial	110,444			110,444	98,591
Education and libraries	14,723			14,723	13,730
Development and membership	19,493			19,493	19,886
Operations	99,803			99,803	97,448
General administration	39,987			39,987	36,393
Retail and other auxiliary activities (Note P)	84,470			84,470	95,504
TOTAL EXPENSES	368,920			368,920	361,552
Transfer of non-operating funds	21,329	(1,820)		19,509	12,951
CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES	(7,694)	29,224		21,530	(4,256)
NON-OPERATING					
Museum-designated and donor-restricted gifts	16,556	29,716		46,272	133,332
Endowment gifts (includes quasi-endowment)	5,135	2,881	47,878	55,894	38,132
Endowment support for current activities (Note G)	8,461	20,755		29,216	26,807
Investment return in excess of current support (Note G)	3,652	(8,390)	58	(4,680)	255,917
Change in value of split-interest agreements (Note H)	(284)	(53)	288	(49)	5,002
Depreciation and non-capitalized expenditures (Notes E and F)	(49,025)			(49,025)	(45,617)
Interest expense on Series 2015 bonds and the effect of interest rate swaps (Notes A and K)	(7,407)			(7,407)	(4,014)
Realized and unrealized gains on 2015 bond proceeds	1,814			1,814	
Transfer of designated non-operating funds to operating and other	(18,138)	(1,662)	230	(19,570)	(15,167)
Net assets released from donor restrictions	32,208	(32,208)			
Change in net assets before collection items not capitalized and other adjustments	(14,722)	40,263	48,454	73,995	390,136
Purchases of art (Note D)	(52,390)			(52,390)	(121,193)
Proceeds from sales of art		3,856		3,856	12,939
Net assets released from donor restrictions to fund acquisitions of art	47,991	(47,991)			
Pension-related changes other than NPPC (Note I)	(17,258)			(17,258)	(5,878)
Change in fair value of interest rate exchange agreements (Notes G and K)	(3,575)			(3,575)	(730)
CHANGE IN NET ASSETS	$ (39,954)	$ (3,872)	$ 48,454	$ 4,628	$ 275,274
NET ASSETS AT THE BEGINNING OF THE YEAR	$ 910,450	$ 1,473,750	$ 894,522	$ 3,278,722	$ 3,003,448
NET ASSETS AT THE END OF THE YEAR	$ 870,496	$ 1,469,878	$ 942,976	$ 3,283,350	$ 3,278,722

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

Statement of Cash Flows for the year ended June 30, 2015, with comparative totals for 2014 (in thousands)

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 4,628	$ 275,274
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	54,037	47,411
Loss on disposal of fixed assets	291	
Receipt of contributed securities and other assets	(22,662)	(63,109)
Proceeds from the sale of contributed securities	22,583	60,818
Contributions for capital expenditures	(16,905)	(2,729)
Contributions for long-term investment	(57,568)	(28,142)
Net realized and unrealized (gains)	(108,856)	(351,314)
Acquisitions and sales of art, net	48,534	108,254
Interest rate exchange agreements	3,575	730
Asset retirement obligations	842	391
Pension and other accrued retirement obligations	17,258	5,878
Changes in assets and liabilities:		
Retail inventories, net	2,529	1,441
Accounts receivable and other assets	2,343	(1,834)
Contributions receivable	(4,192)	(21,752)
Split interest arrangements	355	(4,205)
Accounts payable and accrued expenses	844	(3,991)
Accrued salaries and benefits	(2,243)	3,108
Deferred income	(711)	896
Annuity and other split-interest obligations	(474)	(647)
Pension and other accrued retirement obligations	4,415	2,849
Net cash (used in) provided by operating activities	(51,377)	29,327
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment in fixed assets	(34,591)	(56,262)
Proceeds from sales of investments	715,445	910,956
Purchases of investments	(904,658)	(784,227)
Acquisitions of art	(51,105)	(122,656)
Proceeds from sales of art	3,856	12,939
Net cash used in investing activities	(271,053)	(39,250)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the sale of contributed securities		2,241
Contributions for capital expenditures	16,905	2,729
Contributions for long-term investment	57,568	28,142
Payment of notes payable	(28,445)	(44,452)
Proceeds from notes payable	25,350	32,042
Payment of loans payable	(3,380)	(2,965)
Proceeds on Series 2015 Bonds	248,550	
Payment of bond issuance costs	(1,176)	
Net cash provided by financing activities	315,372	17,737
Net (decrease) increase in cash	(7,058)	7,814
Cash, beginning of the year	9,808	1,994
CASH, END OF THE YEAR	$ 2,750	$ 9,808
Supplemental Information:		
Cash paid in the year for interest	$ 6,881	$ 4,940
Non-cash investing activity:		
Fixed asset additions included in accounts payable and accrued expenses	(2,474)	(3,975)
Acquisition of art included in accounts payable and accrued expenses	1,285	(1,464)

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

A. Summary of Significant Accounting Policies

Nature of Business - The Metropolitan Museum of Art (the "Museum") is a not-for-profit cultural institution founded in 1870 and is dedicated to collect, preserve, study, and exhibit art. The Museum serves a local and international audience from its New York City location. The Museum's collections comprise nearly two million works of art from ancient, medieval, and modern times, and from all areas of the world. They offer a survey of considerable breadth of art from the ancient civilizations of Asia, Africa, South America, the Pacific Islands, Egypt, the Near East, and Greece and Rome to the present time. The Museum's collections include European paintings, medieval art and architecture, arms and armor, prints, photographs, drawings, costumes, musical instruments, sculpture, textiles, and decorative arts from the Renaissance to the present time as well as one of the foremost collections of American art in the world. The Museum also maintains some of the most comprehensive art and architecture libraries in the United States. The collections are maintained for public exhibition, education, and research in furtherance of public service, rather than for financial gain.

Basis of Presentation - The Museum classifies all financial transactions into three net asset categories in accordance with applicable donor-imposed restrictions: permanently restricted, temporarily restricted, and unrestricted.

Permanently restricted net assets have donor-imposed restrictions that stipulate that the corpus of the gifts be maintained in perpetuity, but permit the Museum to expend net income and gains earned on contributed assets for either specified or unspecified purposes (also, see Note O).

Temporarily restricted net assets carry donor-imposed restrictions on the expenditure of the contributed assets. Temporary restrictions may expire with the passage of time, as a result of actions taken by the Museum that fulfill donors' restrictions, or as a result of expenditures incurred that could have been charged to temporarily restricted assets. When temporarily restricted net assets are released from restrictions, they are transferred to unrestricted net assets and shown as "Net assets released from donor restrictions" and "Net assets released from donor restrictions to fund operating expenses" in the Statement of Activities. Transfers from temporarily restricted to unrestricted net assets occur even if the contributions are received and spent within the same year. In addition, earnings on certain donor-restricted endowment funds are classified as temporarily restricted, pursuant to the New York Prudent Management of Institutional Funds Act (NYPMIFA), until appropriated for expenditure by the Board of Trustees (also, see Note O).

Unrestricted net assets are not restricted by donors. A portion of the unrestricted net assets is designated by the Museum for specific purposes, including long-term investment, leasehold improvements, and various curatorial activities.

Measure of Operations - The Museum includes in its measure of operations all revenue and expenses that are integral to its programs and supporting activities, net assets released from donor restrictions to support operating expenditures, and transfers from Board-designated and other non-operating funds to support current operating activities. The measure of operations includes support for operating activities from both restricted net assets and unrestricted net assets designated for long-term investment (the donor-restricted and quasi-endowment) according to the Museum's spending policy, which is detailed in Note O. The measure of operations excludes endowment support for non-operating and restricted operating activities; investment return in excess of (less than) amounts made available for current support; additions to restricted and designated net assets; pension-related changes other than net periodic pension cost ("NPPC"); changes in net assets of split-interest agreements, after providing for any operating revenue or support; changes in net assets pertaining to acquisition and deaccession of collection items, and related insurance settlements; fees received for art-lending activities; depreciation of capital expenditures, except for those related to auxiliary activities and acquired computer systems and equipment; gains/losses on disposal or sale of fixed assets; non-capitalized expenditures; liability recognition for legal obligations to perform asset retirement activity; the entire effect of interest rate swaps; interest expense related to taxable borrowings and certain miscellaneous charges and revenue unrelated to operating activities.

Collections - In conformity with accounting policies generally followed by art museums, the value of the Museum's collections has been excluded from the Statement of Financial Position, and gifts of art objects are excluded from revenue in the Statement of Activities. Purchases of art objects by the Museum are recorded as decreases in net assets in the Statement of Activities. Pursuant to state law and Museum policy, proceeds from the sale of art and related insurance settlements are recorded as temporarily restricted net assets for the acquisition of art.

Cash and Cash Equivalents - This represents operating cash balances. The Museum considers all highly liquid investments with a maturity of three months or less from the time of purchase to be cash or cash equivalents. Cash equivalents are recorded at cost plus accrued interest which approximates fair value. Such amounts are included in the short-term investments category. Additional information on cash receipts and payments is presented on the Statement of Cash Flows.

Retail Inventories, net - Retail inventories are valued at the lower of cost or market value. Cost is determined using the average unit cost method of accounting. The Museum annually reviews the value of the items in its inventory for obsolescence. In fiscal years 2015 and 2014 the amount of inventory written down due to obsolescence was $0.01 million and $0.09 million, respectively.

Investments - Investments in short-term instruments, fixed income securities, and equity securities are valued at the last sale price on the principal exchange, and in the absence thereof, such securities are valued at the closing bid quotation for long positions and at the closing ask quotation for short positions.

The fair value of investments in equity funds, fixed income funds, hedge funds, private equity and real asset funds are determined based on the net asset values provided by the external investment managers of the underlying funds. Certain of these investments, particularly those investing in private equity and real assets, hold investments in non-marketable securities for which there are no readily obtainable values. Values for these investments are provided by the investment manager and may be based on appraisals, obtainable prices for similar assets, or other estimates. The assumptions and methods used to arrive at these valuations are reviewed by the Museum's Investment Office. Due to the inherent uncertainty of valuations, the estimated fair values may differ significantly from the values that would have been used had a ready market for such investments existed or had such investments been liquidated, and those differences could be material.

Purchase and sale of short-term instruments, fixed income, and equity securities are reflected on a trade date basis. Gains and losses on the sale of securities are based on the difference between the sale price and average historical cost basis, where such basis represents the cost of securities purchased or the fair value at the date of receipt for securities received by donation. Interest income is recorded on an accrual basis and dividend income is recorded on the ex-dividend date. Investments denominated in foreign currency are translated at the year-end spot rate.

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.

Fixed Assets - The building occupied by the Museum on Fifth Avenue is owned by the City of New York (the "City") and is leased free of charge to the Museum pursuant to a capital lease. The value of the original building is not included on the Statement of Financial Position since it is fully depreciated.

Certain building and gallery improvements are paid for by the City and are included in fixed assets. Contributions from the City for assets that are not fully depreciated are reflected in temporarily restricted net assets. 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.

Building and leasehold improvements are capitalized and reported as fixed assets. The Cloisters in Fort Tryon Park and other buildings that are the property of the Museum are included as fixed assets and are stated at cost. Amortization of leasehold improvements of the Fifth Avenue building and depreciation of buildings, improvements, and equipment are computed on a straight-line basis over the estimated useful lives of the assets. Amortization of leasehold improvements related to auxiliary activities is computed on a straight-line basis over the shorter of the remaining term of the lease or estimated useful lives of the assets.

Long-lived assets such as fixed assets are reviewed for impairment when events or circumstances indicate that their carrying value may not be recoverable.

Deferred Income - Membership dues received from individuals and corporations pertaining to all membership categories are recognized as revenue upon receipt for the portion of the dues that are considered a contribution to the Museum, while the portion of the dues that relates to the service the Museum will provide the member is recognized as revenue ratably over the term of the membership period, up to 24 months. Amounts not yet earned by the end of the fiscal year are reported as deferred income.

Contributions, Contributed Utilities, and Support - Contributions, including cash, in-kind contributions, and unconditional promises to give (pledges), are recorded as revenue in the period in which they are received. Conditional contributions are recognized as revenue when the conditions on which they depend have been substantially met. Contributions are recorded at fair value, and in the case of pledges, net of estimated uncollectible amounts, and discounted if due in over one year.

Several utility costs of the Museum are paid for by the City. The value of such costs is reported as revenue and a corresponding amount is included as an expense in the Statement of Activities. The City also provides funds for guardianship and maintenance, including reimbursement for salaries, social security, and pension contributions.

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

Bond Issuance Costs - Bond issuance costs, which represent costs to obtain financing for infrastructure projects for the Museum, are currently included in accounts receivable and other assets on the Statement of Financial Position; amortization of these costs extends over the life of the applicable loan.

Functional Allocation of Expenses - The costs of providing Museum programs and supporting services are shown in Note L. Programs include curatorial activities, conservation and exhibition, education, libraries, public services, and auxiliary activities. Curatorial costs include gallery maintenance and renovation, collections care and maintenance, scholarly research and publications, and special exhibitions. Supporting services include fundraising and management and general administrative costs. Fundraising costs include expenses associated with individual and corporate memberships, annual appeals, benefit events, capital campaign, and other fundraising efforts. Management and general administrative costs include expenses for executive management, financial administration, information systems, human resources, legal services, and investment management fees. Depreciation, interest, utilities, building maintenance, security, and other operating costs are allocated to the above program areas and supporting services. Such expenses are allocated based upon various methodologies including square footage and security guard posts.

Advertising - Advertising expenses pertaining to retail activities, mostly attributable to the production and distribution of catalogues, amounted to $3.4 million and $6.3 million in fiscal years 2015 and 2014, respectively. Other advertising expenses incurred primarily in support of special exhibitions, the permanent collection, and concerts and lectures totaled $4.1 million and $3.4 million in fiscal years 2015 and 2014, respectively. All advertising is expensed as incurred.

Interest Expense - Interest on tax-exempt debt is capitalized and depreciated when related to in progress construction projects and un-capitalized interest expense, including commitment fees, is charged to operating expenses. Interest expense related to interest rate swap agreements and the Series 2015 Bond interest is charged to non-operating activities. Interest on taxable borrowings is capitalized by applying a financing rate to in progress construction projects (see Note K).

Income Tax Status - The Museum is a nonprofit organization exempt from income tax under Section 501(c)(3) of the Internal Revenue Code.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles accepted within the United States (“US GAAP”) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Prior Year Comparisons - The Museum has included both current and prior year financial data in its financial statements. To facilitate the comparison on the Statement of Activities, the Museum has chosen to present the prior year information in summary form, in total, without segregation of the data by net asset class. As a result, that particular historical information is not presented in sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. It should therefore be read in conjunction with the audited financial statements for fiscal year 2014, the source from which the summary information was derived.

Reclassifications - Certain amounts in the 2014 statements have been reclassified to conform to the current year presentation.

New Accounting Pronouncements - In August 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2015-15 to address the absence of authoritative guidance for debt issuance costs related to line-of-credit arrangements. Per this guidance, an entity may defer and present debt issuance costs as an asset and subsequently amortize the deferred debt issuance costs ratably over the term of the line-of-credit arrangement, regardless of whether there are any outstanding borrowings on the line-of-credit arrangement. This ASU is effective for financial statements issued for fiscal years beginning after December 15, 2015. While early adoption is permitted, the Museum has elected not to early adopt this guidance for the fiscal 2015 financial statements. The Museum is evaluating the impact that this will have on the financial statements.

In May 2015, the FASB issued ASU No. 2015-07, Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or its Equivalent) which amends disclosure requirements of Accounting Standards Codification Topic 820, Fair Value Measurement, for reporting entities that measure the fair value of an investment using the net asset value per share (or its equivalent) as a practical expedient. The amendments remove the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient, and also remove the requirements to make certain disclosures for all investments that are eligible to be measured at fair value using the net asset value per share practical expedient. The ASU is effective for the fiscal years beginning after December 15, 2016 and interim periods within those fiscal years, with early application permitted. The Museum has determined to adopt ASU 2015-07 early for the financial statements as of June 30, 2015. Where appropriate, disclosures related to the fiscal year 2014 have been adjusted following the early adoption of the ASU 2015-07.

In April 2015, the FASB issued ASU 2015-03, Simplifying the Presentation of Debt Issuance Costs. To simplify the presentation, upon adoption, debt issuance costs will be presented in the Statement of Financial Position as a direct deduction from the carrying amount of debt liability, consistent with debt discounts or premiums rather than included in other assets as currently permitted. The recognition and measurement guidance for debt issuance costs is not affected. The ASU will be effective for the Museum for fiscal years beginning after December 15, 2015. The new guidance will be applied on a retrospective basis, whereby the Statement of Financial Position of each period presented will be adjusted to reflect the respective period specific effects. While early adoption is permitted, the Museum has elected not to early adopt within the 2015 financial statements. Currently deferred issuance costs are $2.8 million and the Museum is evaluating the impact this will have on the financial statements.

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 financial statements beginning in fiscal year 2019.

B. Accounts Receivable and Other Assets

Accounts receivable and other assets consist of (in thousands):

	June 30, 2015	*June 30, 2014*
Accounts receivable, net of allowance of $613 and $437 for FY15 and FY14, respectively	$ 5,528	$ 5,896
Prepaid expenses and other	10,565	9,948
Taxes receivable	5,728	7,217
Dividends and interest receivable	989	993
Total	$ 22,810	$ 24,054

C. Contributions Receivable

Unconditional promises to contribute to the Museum are recorded as contributions receivable at the present value of future cash flows, net of an allowance for uncollectibility. The present value discount rate used was 3.25% for both fiscal years 2015 and 2014. Pledges are expected to be realized as follows (in thousands):

	June 30, 2015	*June 30, 2014*
Less than one year	$ 62,764	$ 63,868
Between one and five years	79,948	70,706
Over five years	7,250	11,050
Total	149,962	145,624
Less:		
Adjustments and allowance for uncollectibility	(3,666)	(3,524)
Discount for present value	(9,430)	(9,426)
Net	$136,866	$132,674

D. Acquisitions of Art

Acquisitions of art were funded from the following sources (in thousands):

	2015	*2014*
Gifts of cash and securities	$ 23,306	$ 92,115
Gains and income from long-term investment:		
For designated curatorial departments	12,379	9,496
Undesignated as to curatorial department	12,704	13,228
Proceeds from fine arts insurance and the sale of art	4,001	6,354
Total	$ 52,390	$121,193

E. Fixed Assets

Fixed assets consist of (in thousands):

	June 30, 2015	*June 30, 2014*	*Estimated Useful Lives in Years*
Land	$ 1,015	$ 1,015	N/A
Buildings and improvements	36,453	36,380	20–40
Leasehold improvements, auxiliary activities	30,280	28,156	4–40
Leasehold improvements, Fifth Avenue building	934,896	910,248	5–30
Machinery and equipment	75,631	71,829	3–20
Total	1,078,275	1,047,628	
Less accumulated depreciation	(648,563)	(595,801)	
Net	$ 429,712	$ 451,827	

The above amounts include construction in progress of $20.6 million and $52.5 million at June 30, 2015 and 2014, respectively. Depreciation expense was $54.0 million and $47.4 million for fiscal years 2015 and 2014, respectively. Pursuant with the Museum's policy regarding its measure of operations, $7.9 million and $6.2 million were charged to operating activities in fiscal years 2015 and 2014, respectively, while $46.1 million and $41.2 million were charged to non-operating activities in fiscal years 2015 and 2014, respectively. In fiscal year 2015, $1.5 million of fixed assets with a net book value of $0.3 million were written off. No assets were written off in fiscal year 2014. Interest expense of $0.1 million in fiscal years 2015 and 2014 was capitalized and included in fixed assets on the Statement of Financial Position.

Fixed assets and construction in progress include $129.9 million of property contributed and funded by the City since 1990, of which $4.7 million and $11.7 million were received during the fiscal years ended June 30, 2015 and 2014, respectively.

F. Capital Expenditures

The principal capital projects during fiscal year 2015 were as follows (in thousands):

	Prior Years' Expenditures	*2015 Expenditures*	*Total Expenditures*
David H. Koch Plaza	$ 40,050	$ 10,407	$ 50,457
Fire Detection and Alarm Installation Upgrade - Phase III	2,369	3,898	6,267
Breuer Building Preoccupancy Upgrade		2,517	2,517
Sackler Wing HVAC and Curtain	186	2,004	2,190
Southwest Wing design		1,454	1,454
American Wing Phase III B	57	1,287	1,344
Venetian Gallery Construction	169	1,130	1,299
Workday Implementation	3,379	1,113	4,492
Other capital projects		11,206	
Total capital expenditures		$ 35,016	
Capitalized projects		$ 32,117	
Non-capitalized expenditures		2,899	
Total capital expenditures		$ 35,016	

The Museum had outstanding purchase commitments of approximately $21 million related to construction projects at June 30, 2015.

G. Fair value measurements

The Museum's investments include assets held as part of the Museum's long-term portfolio, assets to be used for capital projects, and assets held for other miscellaneous purposes.

The total cost of the investment portfolio was $2,874 million and $2,539 million as of June 30, 2015 and 2014, respectively. The Museum had approximately $421.4 million and $400.8 million in unfunded capital commitments primarily related to private equity and real asset funds as of the years ended June 30, 2015 and 2014, respectively.

For investments within the long-term portfolio, the Museum aims to maintain a diversified portfolio that is designed to provide a stream of earnings for current use, while maintaining the purchasing power of assets in perpetuity. Investment objectives and policies are established by the Museum's Trustee Investment Committee and are undertaken in partnership with external investment managers.

The Museum's investments held within the long-term portfolio consist of cash, cash equivalents, bonds, domestic equity, international equity (including emerging markets), long/short equity, absolute return, private equity, and real asset investments.

The Museum also invests in short-term and fixed income investments to finance various capital projects. During the year ended June 30, 2015, the Museum completed a bond issuance totaling $250 million ("Series 2015 Bonds") in order to finance various infrastructure projects over a ten-year period. Until they are used to fund these capital projects, the Museum has invested the proceeds from such bond issuance in U.S. Treasuries and a fund of hedge funds. Please refer to Note K for details related to the Series 2015 Bonds.

The following table presents the Museum's investments listed by its intended use for the years ended June 30 (in thousands):

	2015 Fair Value	*2014 Fair Value*
Held within the long-term portfolio		
Short term investments	$ 262,482	$ 184,940
Fixed income	101,184	93,812
Equities	556,637	521,678
Fixed income funds		39,527
Equity funds	574,838	569,819
Hedge funds	670,817	631,420
Private equity funds	505,488	498,758
Real assets funds	360,282	403,284
Subtotal	3,031,728	2,943,238
Held for capital projects		
Short term investments	38,343	74,714
Fixed income	78,061	
Fund of hedge funds	171,478	
Subtotal	287,882	74,714
Other miscellaneous purposes		
Subtotal	751	633
Total investments	$3,320,361	$3,018,585

In general, the Investments Office of the Museum relies on its external investment managers to provide valuations for the Museum's portfolio on a monthly basis, and in the case of private investments, on a quarterly basis. The Investments Office verifies these valuations in a number of ways, including but not limited to, assessing the valuation methodologies employed by each manager, reviewing the footnotes related to valuation in audited financial statements, and evaluating the performance of each investment relative to comparable benchmarks.

Fair values assigned to these investments may differ significantly from the fair values that would have been used had a ready market for the investments existed, and such differences could be material to the Museum's financial statements.

In accordance with the authoritative guidance on fair value measurements and disclosures under US GAAP, the Museum discloses the fair value of its investments in a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value.

The hierarchy gives the highest priority to valuations based on unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to valuations based on unobservable inputs that are significant to the valuation (Level 3 measurements). The three levels of the fair value hierarchy under the guidance are as follows:

Level 1—Quoted market prices for identical instruments in active markets. Level 1 assets include cash, cash equivalents, bonds, and equity securities actively traded on recognized exchanges both domestic and foreign. These investments are freely tradable and are valued based on quoted prices from active markets.

Level 2—Quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets in markets that are not active, observable inputs other than quoted prices, inputs derived principally from or corroborated by observable market data by correlation or other means.

Level 2 assets primarily consist of funds that invest in exchange traded equity, fixed income securities, and derivatives. The receipt of information regarding underlying holdings generally is less frequent than assets classified as Level 1. Valuations are based on quoted prices or other significant observable inputs. The Investments Office performs a number of procedures to support the reasonableness of the valuation of these investments.

Level 3—Valuation models in which significant inputs are unobservable or where there is little, if any, market activity.

An investment's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes "observable" requires significant judgment by Management. Management considers observable data to be that market data which is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, provided by multiple, independent sources that are actively involved in the relevant market. The categorization of an investment within the hierarchy is based upon the pricing transparency of the investment and does not necessarily correspond to Management's perceived risk of that investment.

The Museum uses the Net Asset Value ("NAV"), provided by external investment managers, as a practical expedient to determine the fair value of all the underlying investments which (a) do not have a readily determinable fair value and (b) either have the attributes of an investment company or prepare their financial statements consistent with the measurement principles of an investment company.

For such investments, the Museum has adopted the guidance outlined in ASU 2015-07 which does not require these investments to be categorized within the fair value hierarchy. For investments in funds which are not valued based on the practical expedient, the Museum considers several factors in appropriately classifying these 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 from the investment fund at the measurement date. An investment is generally classified as Level 3 if the Museum does not have the ability to withdraw its investment from the investment fund, such as investments in private investment funds, "side-pockets," or funds with suspended withdrawals imposed (i.e., "gates").

Fair Value Measurements

The following table presents the financial instruments as stated on the Statement of Financial Position, by caption and by level within the valuation hierarchy as of June 30, 2015 (in thousands):

	Assets and Liabilities at Fair Value as of June 30, 2015			
	Level 1	*Level 2*	*Level 3*	*Total*
Split Interest Arrangements	$ 15,341	$ 13,295	$ 46,971	$ 75,607
INVESTMENTS:				
Equities	507,907	48,729	1	556,637
Fixed Income				
Government bonds	97,582	6,428		104,010
Corporate debt		33,146	9	33,155
Mortgage-backed		38,597		38,597
Other		3,483		3,483
Short-term Investments	300,825			300,825
Private Equity funds			2,017	2,017
Real Asset funds			114,938	114,938
Other fund investments*				2,166,699
Total Investments	906,314	130,383	116,965	3,320,361
TOTAL ASSETS	$921,655	$143,678	$163,936	$3,395,968
LIABILITIES:				
Annuity and Other Split Interest Obligations			$ 19,357	$ 19,357
Bonds and Interest Rate Exchange Agreements		$420,841		420,841
TOTAL LIABILITIES		$420,841	$ 19,357	$440,198

* Includes investments valued via the practical expedient and are therefore not required to be included within Level 1, 2, or 3 of the fair value hierarchy.

The following table presents the financial instruments as stated on the Statement of Financial Position, by caption and by level within the valuation hierarchy as of June 30, 2014 (in thousands):

	Assets and Liabilities at Fair Value as of June 30, 2014			
	Level 1	*Level 2*	*Level 3*	*Total*
Split Interest Arrangements	$ 12,751	$ 18,195	$ 45,016	$ 75,962
INVESTMENTS:				
Equities	477,974	43,702	2	521,678
Fixed Income				
Government bonds	17,188	1,059		18,247
Corporate debt		33,442	10	33,452
Mortgage-backed		39,127		39,127
Other		2,736	250	2,986
Short-term Investments	259,785			259,785
Private Equity funds			1,507	1,507
Real Asset funds			121,920	121,920
Other fund investments*				2,019,883
Total Investments	754,947	120,066	123,689	3,018,585
TOTAL ASSETS	$767,698	$138,261	$168,705	$3,094,547
LIABILITIES:				
Annuity and Other Split Interest Obligations			$ 19,831	$ 19,831
Bonds and Interest Rate Exchange Agreements		$171,811		171,811
TOTAL LIABILITIES		$171,811	$ 19,831	$191,642

* Includes investments valued via the practical expedient and are therefore not required to be included within Level 1, 2, or 3 of the fair value hierarchy.

Included in the fair value are investment subscriptions paid in advance totaling $20 million for which the Museum has paid prior to June 30, 2014.

For the years ended June 30, the Museum had the following investments which represented more than 5% of net assets:

	2015		2014	
	Fair Value (in thousands)	*% of NAV*	*Fair Value (in thousands)*	*% of NAV*
JP Morgan US Government Money Market Agency Share Fund	$276,121	8.41%	$189,354	5.78%
Fund of hedge funds held for capital projects	171,478	5.22%		

The following table includes a roll forward of the amounts for the year ended June 30, 2015, for Investments classified within Level 3. The classification of a financial instrument within Level 3 is based upon the significance of the unobservable inputs to the overall fair value measurement:

	Beginning Balance as of June 30, 2014	*Net Realized and Unrealized Gains/(Losses)*	*Transfers Into Level 3*	*Transfers (Out) of Level 3*	*Purchases*	*Sales and Settlements*	*Ending Balance as of June 30, 2015*	*Changes in Unrealized Gains/(Losses) Relating to Investments held as of June 30, 2015*
INVESTMENTS:								
Equities	$ 2	$ (1)					$ 1	$ (1)
Fixed Income								
Corporate debt	10	(1)					9	(1)
Other	250			$ (250)				
Private Equity funds	1,507	510					2,017	510
Real Asset funds	121,920	(1,805)			$ 8,498	$ (13,675)	114,938	(6,078)
TOTAL INVESTMENTS	$ 123,689	$ (1,297)		$ (250)	$ 8,498	$ (13,675)	$ 116,965	$ (5,570)

The following table includes a rollforward of the amounts for the year ended June 30, 2014 for Investments classified within Level 3. The classification of a financial instrument within Level 3 is based upon the significance of the unobservable inputs to the overall fair value measurement:

	Beginning Balance as of June 30, 2013	*Net Realized and Unrealized Gains/(Losses)*	*Transfers Into Level 3*	*Transfers (Out) of Level 3*	*Purchases*	*Sales and Settlements*	*Ending Balance as of June 30, 2014*	*Changes in Unrealized Gains/(Losses) Relating to Investments held as of June 30, 2014*
INVESTMENTS:								
Equities	$ 65	$ (63)					$ 2	$ (63)
Fixed Income								
Corporate debt	32	(520)			$ 520	$ (22)	10	(517)
Other	291	1				(42)	250	
Private Equity funds	4,666	1,631				(4,790)	1,507	(520)
Real Asset funds	106,267	11,817			12,777	(8,941)	121,920	10,004
TOTAL INVESTMENTS	$111,321	$ 12,866			$ 13,297	$ (13,795)	$ 123,689	$ 8,904

All net realized and unrealized gains (losses) in the tables above are reflected in the Statement of Activities. Net unrealized gains (losses) relate to those Investments held by the Museum for the years ended June 30, 2015 and 2014, respectively.

The Museum's policy is to recognize transfers at the beginning of the year. There were no significant transfers in or out of Level 1 and Level 2 of the fair value hierarchy for the years ended June 30, 2015 and 2014. During the year ended June 30, 2015, the Museum transferred one investment with a value of $250 thousand from Level 3 to Level 2 primarily due to changes in inputs used by the Museum to value this investment. There were no significant transfers in or out of Level 3 and Level 2 of the fair value hierarchy for the year ended June 30, 2014.

The following table lists investments carried at NAV by major investment category for the year ended June 30, 2015 (in thousands):

Investment Strategy	*Fair Value Determined Using NAV*	*Remaining Life*	*Unfunded Commitments*	*Redemption Terms*	*Redemption Restrictions and Terms in Place at Year End*
Equity Funds	$574,838	N/A	$23,450	Weekly (10 days) Monthly (5-10 days) Quarterly (30–90 days) Annually (90 days)	1 fund with lock-up restrictions expiring July 1, 2015; 1 fund with lock-up restrictions expiring January 1, 2017 and a side-pocket; 1 fund undergoing liquidation with a side-pocket.
Hedge Funds	670,817	N/A	9,751	Monthly (30–90 days) Quarterly (30–90 days) Semi-Annually (60 days) Annually (60–90 days)	8 funds with lock-up restrictions expiring between February 3, 2016, and May 31, 2018, including 2 funds with side-pockets; 4 funds undergoing liquidation with side-pockets; 1 fund with a side pocket.
Private Equity	505,488	1 to 11 years	199,336	N/A	N/A
Real Assets	360,282	1 to 12 years	188,838	N/A	N/A
Fund of Hedge Funds.	171,478	N/A	N/A	Monthly (30 days), subject to the terms of the underlying hedge funds.	N/A

The following table lists investments carried at NAV by major investment category for the year ended June 30, 2014 (in thousands):

Investment Strategy	*Fair Value Determined Using NAV*	*Remaining Life*	*Unfunded Commitments*	*Redemption Terms*	*Redemption Restrictions and Terms in Place at Year End*
Fixed Income Funds	$39,527	N/A	N/A	Daily Monthly (10 days)	N/A
Equity Funds	570,321	N/A	N/A	Daily Weekly (3 days); Monthly (30–90 days); Quarterly (30–90 days)	1 fund undergoing liquidation with a side-pocket; 2 funds with lock-up restrictions expiring between December 31, 2014, and July 1, 2015.
Hedge Funds	631,420	N/A	$25,333	Monthly (30–90 days) Quarterly (30–90 days) Annually (60–90 days)	10 funds with lock-up restrictions expiring between August 31, 2014, and May 31, 2018. including 2 funds with side-pockets; 4 funds undergoing liquidation, including 4 funds with side-pockets; 1 fund with a side-pocket.
Private Equity	498,758	1 to 10 years	200,694	N/A	N/A
Real Assets	403,284	1 to 12 years	174,731	N/A	N/A

Certain of the Museum's investment managers incorporate the use of financial instruments with off-balance sheet risk as part of their investment strategies primarily to hedge against equity, currency, or interest rate risk. The Museum, at times, transacts in futures contracts and forward foreign currency contracts primarily for managing foreign exchange risk and fluctuations in interest rates.

Market risk represents the potential loss in value of financial instruments caused by movements in market factors including, but not limited to, market liquidity, investor sentiment, and foreign exchange rates. The Museum's investment portfolio consists of a number of relatively illiquid or thinly traded investments having a greater amount of both market and credit risk. These investments may trade in limited markets or have restrictions on resale or transfer and may not be able to be liquidated on demand if needed.

The following table summarizes the unrealized gains and losses reported on derivative financial instruments for the years ended June 30 (in thousands):

	2015		*2014*	
	Contractual Amount	*Unrealized Gain/(Loss)*	*Contractual Amount*	*Unrealized Gain/(Loss)*
Interest Rate Exchange Agreements	$ (32,226)	$ (3,575)	$ (28,651)	$ (730)

Investment return is net of unrelated business income taxes of $1.1 million and $0.3 million for the years ended June 30, 2015 and 2014, respectively.

The following schedule summarizes investment return by net asset classification (in thousands):

	2015				2014
	Unrestricted	*Temporarily Restricted*	*Permanently Restricted*	*Total*	*Total*
Investment income, net of certain management and custodian fees, taxes, and other expenses	$ 8,557	$ 16,207	$ (175)	$ 24,589	$ 32,904
Net realized gains	47,783	92,912	312	141,007	215,077
Changes in unrealized appreciation	(11,903)	(21,981)	(79)	(33,963)	136,237
Total return on investments	44,437	87,138	58	131,633	384,218
Transfers	53,218	(53,218)			
Investment return allocated for current activities	(94,003)	(42,310)		(136,313)	(128,301)
Investment return in excess of current support	$ 3,652	$ (8,390)	$ 58	$ (4,680)	$ 255,917

Realized and unrealized gains on the proceeds from the $250 million Series 2015 Bonds, which totaled $1.8 million for the year ended June 30, 2015, are excluded from the above table and are shown as a separate line on the Statement of Activities. Please refer to Note K for details related to the Series 2015 bond proceeds and Note O for details related to Endowment Funds.

H. Split Interest Arrangements

Split interest arrangements consist of charitable remainder trusts, gift annuities, pooled income funds, and other trust assets. These funds are held in trust for one or more beneficiaries and generally pay lifetime income to those beneficiaries, after which the principal is made available to the Museum in accordance with donor intentions. The value of the charitable remainder trusts and other trust agreements, excluding new gifts and distributions, increased by $0.4 million and $3.4 million in the years ended June 30, 2015 and 2014, respectively. The discount rate applied to these funds was 1.2% to 3.2% over the past five years.

Trust invested on behalf of others:

- In 1997, a perpetual trust of $3.6 million was transferred to the Museum to manage in its pooled investments. The Museum receives annual endowment support from the trust and pays expenses on behalf of the trust.

The following displays the value of the assets and liabilities recognized on all these agreements (in thousands):

	June 30, 2015	*June 30, 2014*
Assets:		
Charitable remainder and other trust assets	$54,173	$53,740
Gift annuities, pooled income funds, and trust invested on behalf of others	16,727	18,015
Other	4,707	4,207
Total	$75,607	$75,962
Liabilities:		
Trust invested on behalf of others*	$ 6,584	$ 6,744
Gift annuities and pooled income funds	12,773	13,087
Total	$19,357	$19,831

**This liability relates to a trust invested on behalf of others. The assets of the trust of $6.6 million and $6.7 million as of June 30, 2015 and 2014, respectively, are included in investments on the Statement of Financial Position.*

Charitable Gift Annuities

The Museum records its remainder interest in assets received as unrestricted and temporarily restricted contributions as per donor designations. The contribution is measured at fair value and discounted for the estimated time period until the donor's death. The difference between the fair value of the assets and the revenue recognized (the remainder value) is recorded as a liability and represents the amount of the discount for future interest.

Pooled Income Funds

The Museum records its remainder interest in assets received as a temporarily restricted contribution. The contribution is measured at fair value and discounted for the estimated time period until the donor's death. The difference between the fair value of the assets and the revenue recognized (the remainder value) is recorded as a liability and represents the amount of the discount for future interest.

Charitable Remainder Trusts

The Museum is not the trustee for any of the agreements recorded as Charitable Remainder Trusts ("CRT"). Each individual trust is considered a unit of account that must be measured.

When the trust is established the Museum recognizes the contribution and the asset at the present value of estimated future benefits to be received when the trust assets are distributed. Remainder values are calculated and adjusted annually.

A fair value adjustment of 27 basis points was applied to those CRTs for which the Museum does not receive an accounting of the underlying assets and has no ability to assign a level other than Level 3. The adjustments are recorded in Split Interest Arrangements expense.

Perpetual Trusts

The Museum recognizes the contribution and the asset at market value and records periodic adjustments as statements are received from the trustee.

Lead Trusts

The Museum records the expected payment stream over the term of the trust and applies a discount rate that ranges from 3.9% to 5.1%.

The following table summarizes the changes in the fair value of the assets related to charitable remainder and other trusts for the year ended June 30, 2015 (in thousands):

	Beginning Balance as of June 30, 2014	*Changes in Discounts and Allowances*	*Ending Balance as of June 30, 2015*
Charitable remainder and other trust assets	$53,740	$433	$54,173

The following table summarizes the changes in the fair value of the liabilities related to annuity and other split interest agreements and funds held on behalf of others for the year ended June 30, 2015 (in thousands):

	Beginning Balance as of June 30, 2014	*Changes in Remainder Value*	*Realized and Unrealized Gains/(Losses)*	*Ending Balance as of June 30, 2015*
Annuity and other split interest obligations	$19,831	$(314)	$(160)	$19,357

I. Pension Plans and Postretirement Benefits and Payments

The following section describes the Museum's various pension and postretirement plans, with supporting data in the schedules below.

Defined benefit pension plan for union staff - The Museum has a qualified defined benefit pension plan for all union employees covered by a collective bargaining agreement. Benefits under this plan are based on years of service and the employees' final four years of compensation. Employees contribute 3% of their base earnings to this plan, which amounted to $0.9 million for both fiscal years 2015 and 2014.

Supplemental defined benefit pension plans for certain non-union staff - The Museum has a supplemental qualified and a supplemental non-qualified defined benefit pension plan for certain non-union employees to provide future benefits at least equal to the benefits provided under a defined benefit pension plan that was terminated. The projected benefit obligation and accumulated benefit obligation of the supplemental non-qualified defined benefit plan, which is unfunded, were $1 million and $0.9 million, respectively, as of June 30, 2015, and $0.9 million and $0.8 million, respectively, as of June 30, 2014.

Defined contribution plan for non-union staff (Basic Plan) - The Museum has a mandatory defined contribution pension plan for all non-union employees other than temporary employees. Under this plan, participants are required to contribute 3% of their annual compensation as a condition of employment and the Museum contributes 8% of a participant's base pay during the year. The Museum also contributes 5.7% of base pay earnings that exceed the Social Security wage base during a calendar year. The cost of the defined contribution pension plan recognized in fiscal years 2015 and 2014 was $8.5 million and $8.3 million, respectively.

Defined contribution matching plan for non-union staff (Matching Plan) - The Museum has a voluntary defined contribution matching pension plan for all non-union employees other than temporary employees. Under the plan, non-union employees may voluntarily defer a portion of their annual compensation on a pre-tax basis. The Museum will match contributions in an amount not to exceed 3% of compensation for eligible employees. There is no minimum contribution under this plan. The cost of the defined contribution matching plan recognized in fiscal years 2015 and 2014 was $2.6 million and $2.5 million, respectively.

Defined contribution plan for union staff (Union Match Plan) - The Museum has a voluntary defined contribution plan for all union employees covered by a collective bargaining agreement. The Museum contributes up to 3% of the participant's salary based on a schedule. The cost of this plan for the years ended June 30, 2015 and 2014 was $0.3 million.

Postretirement benefits - The Museum provides postretirement medical care benefit coverage to retired employees as outlined below.

- Non-union staff: Substantially all of the Museum's non-union employees become eligible for certain benefits (prescription drugs and health insurance subject to annual limits) when they reach age 55 and have 15 years of service to the Museum. The Museum made contributions to the non-union's postretirement medical care benefit plan of $1.3 million and $1.2 million in fiscal years 2015 and 2014, respectively.
- Union staff: The Museum's union employees are eligible to participate in a New York City–sponsored postretirement benefit plan (EIN 13-1624086) pursuant to a collective bargaining agreement between the Museum and Local 1503 of District Council 37 (member of AFSCME and AFL-CIO) which expires December 31, 2015. The benefits provided to these employees include medical and surgical coverage as well as certain supplemental benefits (dental, prescription drug, vision, and health insurance). The postretirement benefit obligation related to supplemental benefits is part of a multiemployer plan and, as such, the Museum is not required to record a liability for these benefits. The postretirement benefit obligation for medical and surgical coverage is not considered a part of a multiemployer plan and is, therefore, included as an obligation of the Museum. The Museum's union employees become eligible for postretirement benefits when they reach age 52 and have 10 years of service or age 62 with 5 years of service to the Museum. The Museum made contributions to the postretirement medical care benefit plan in fiscal years 2015 and 2014 of $1.8 million and $1.6 million, respectively, which represent more than 5% of the plan expenses. The plan is not subject to a funding improvement plan.
- Pay for unused sick leave benefit: The Museum reimburses eligible employees for a portion of unused sick days if they meet certain age and service requirements at termination. The Museum made payments in fiscal years 2015 and 2014 of $0.6 million and $0.2 million, respectively.

Funding policy - The Museum's funding policy is to contribute annually an amount that meets or exceeds the minimum requirements of the Employee Retirement Income Security Act of 1974 (ERISA), using assumptions different from those used for financial reporting.

The table below sets forth the net liability recognized in the Statement of Financial Position as of June 30, including the change in the benefit obligation and the change in plan assets (in thousands):

	Pension Benefits		*Postretirement Benefits*	
	2015	*2014*	*2015*	*2014*
CHANGE IN BENEFIT OBLIGATION:				
Benefit obligation at beginning of year	$ 179,872	$162,710	$ 97,198	$ 87,153
Service cost	5,756	4,985	4,174	3,796
Interest cost	7,530	7,731	3,843	4,046
Employee contributions	908	885		
Actuarial loss	9,288	11,766	2,918	5,227
Benefits paid	(5,628)	(4,870)	(3,829)	(3,129)
Medicare Part D subsidy			102	105
Settlements	(1,170)	(3,335)		
Benefit obligation at end of year	196,556	179,872	104,406	97,198
CHANGE IN PLAN ASSETS:				
Fair value of plan assets at beginning of year	129,586	111,107		
Actual gain on plan assets	2,683	16,879		
Employer contributions	5,426	8,919	3,727	3,024
Employee contributions	908	886		
Benefits paid	(5,628)	(4,870)	(3,829)	(3,129)
Medicare Part D subsidy			102	105
Settlements	(1,170)	(3,335)		
Fair value of plan assets at end of year	131,805	129,586		
UNFUNDED STATUS (LIABILITY)	$ (64,751)	$(50,286)	$ (104,406)	$(97,198)

The amounts recognized in the Statement of Financial Position as of June 30 are (in thousands):

	Pension Benefits		*Postretirement Benefits*	
	2015	*2014*	*2015*	*2014*
Actuarial losses	$(62,312)	$(48,426)	$ (25,811)	$(23,706)
Prior service costs			3,096	4,363
Cumulative employer contributions (less than) net periodic benefit cost	(2,439)	(1,860)	(81,691)	(77,855)
UNFUNDED STATUS (LIABILITY)	$(64,751)	$(50,286)	$ (104,406)	$(97,198)

Components of net periodic benefit cost/(income) ("NPPC") recognized in operating activities and other amounts recognized in non-operating activities in unrestricted net assets in the Statement of Activities are presented in the table below for the years ended June 30 (in thousands):

	Pension Benefits		*Postretirement Benefits*	
Components of Net Periodic Benefit Cost:	*2015*	*2014*	*2015*	*2014*
Service cost	$ 5,756	$ 4,985	$ 4,174	$ 3,796
Interest cost	7,530	7,731	3,843	4,046
Expected return on plan assets	(9,499)	(8,318)		
Amortization of prior service credit			(1,267)	(1,276)
Amortization of accumulated loss	1,994	2,440	814	776
Settlement loss	223	641		
Total net periodic benefit cost recognized in operating activities	$ 6,004	$ 7,479	$ 7,564	$ 7,342
Other Amounts Recognized in Non-Operating Activity In Unrestricted Net Assets:				
Current year actuarial (gain)/loss	16,104	$ 3,204	$ 2,918	$ 5,227
Amortization or curtailment recognition of prior service credit			1,267	1,276
Amortization of settlement recognition of net loss	(2,217)	(3,082)	(814)	(776)
Total other amounts recognized in non-operating activities	13,887	122	3,371	5,727
Total recognized in the Statement of Actvities in Net Assets	$ 19,891	$ 7,601	$ 10,935	$ 13,069

The table below presents the weighted average assumptions and additional information related to the pension plans and post-retirement plans.

	Pension Benefits		*Postretirement Benefits*	
	2015	*2014*	*2015*	*2014*
weighted-average assumptions used to determine benefit obligations as of june 30:				
Discount rate	4.60%	4.40%	4.50%	4.31%
Rate of compensation increase	3.97%	3.97%		
weighted-average assumptions used to determine net cost as of june 30:				
Discount rate	4.40%	4.88%	4.30%	4.78%
Expected return on plan assets	7.43%	7.39%		
Rate of compensation increase	3.97%	3.95%		
Additional information (in thousands):				
Actual return on plan assets	$ 2,683	$ 16,879		
Accumulated benefit obligation for all defined benefit pension plans	$ 165,652	$ 151,247		

The actuarial losses herein primarily represent the cumulative difference between the actuarial assumptions and actual return on plan assets, changes in discount rates, and plan experience. Actuarial losses not yet recognized are included in unrestricted net assets and are amortized over the minimal acceptable time period under ASC 715.

The following table presents the amount of unrestricted net assets not yet recognized, which are expected to be amortized into net periodic benefit costs for the year ending June 30, 2016 (in thousands):

	Pension Benefits	*Postretirement Benefits*
Actuarial losses	$3,282	$1,085
Prior service costs (credits)		(1,132)
Total	$3,282	$ (47)

Additional information related to the defined benefit pension plans as of June 30 follows (in thousands):

	2015	*2014*
Number of pension plans with accumulated benefit obligations in excess of plan assets	3	3
Aggregate accumulated benefit obligation	$ 165,652	$ 151,247
Aggregate fair value of plan assets	$ 131,805	$ 129,586
Number of pension plans with projected benefit obligations in excess of plan assets	3	3
Aggregate projected benefit obligation	$ 196,556	$ 179,872
Aggregate fair value of plan assets	$ 131,805	$ 129,586

Additional information related to the postretirement benefit plans for the years ended June 30:

	2015		*2014*	
	Union	*Non-Union*	*Union*	*Non-Union*
Assumed medical cost trend rates:				
Health care cost trend rate assumed for next year	6.3%	6.3%	6.5%	6.5%
Rate that the cost trend gradually declines to	4.5%	4.5%	4.5%	4.5%
Year that the final trend rate is reached	2028	2028	2028	2028

	Percentage Point Increase	*Percentage Point (Decrease)*
The following data show the effect of a one percentage point health care cost trend rate increase (decrease) for fiscal year 2015 (in thousands):		
Effect on total of service and interest cost	$ 1,485	$ (1,146)
Effect on postretirement benefit obligation	13,998	(11,132)

Selection of Assumptions - The selection of the discount rate assumption reflects a bond matching analysis to a portfolio of high-quality corporate bonds. The methodology for selecting the discount rate is to match each plan's cash flow to that of a yield curve that provides the equivalent yields on zero-coupon corporate bonds for each maturity. The discount rate for each plan is the single rate that produces the same present value of cash flows. The expected return on the plans' assets has been developed in consultation with external advisers, taking into account such factors as long-term historical returns for equity and fixed income assets and long-term forecasts for inflation, and correlation of returns between asset classes.

Investment strategies - Assets of the Museum's defined benefit plans are invested in diversified portfolios that are designed to generate returns sufficient to meet obligations to beneficiaries at acceptable levels of risk. Investment objectives and policies are established by the Museum's Trustee Investment Committee and are undertaken in partnership with external investment managers. The target allocation of the defined benefit plan for union staff is 60% to equity securities and 40% to fixed income securities, and the target allocation of the defined benefit plan for non-union staff is 40% to equity securities and 60% to fixed income securities. As of June 30, 2015, the assets of the defined benefit plan for union staff were invested 59.9% and 40.1% in equity and fixed income securities, respectively, and the assets of the defined benefit plan for nonunion staff were invested 40.0% and 60.0% in equity and fixed income securities, respectively. As of June 30, 2014, the assets of the defined benefit plan for union staff were invested 58.9% and 41.1% in equity and fixed income securities, respectively, and the assets of the defined benefit plan for non-union staff were invested 41.7% and 58.3% in equity and fixed income securities, respectively.

Medicare - In December 2003, the Medicare Prescription Drug, Improvement and Modernization Act of 2003 ("the Act") was signed into law. 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 has applied for the federal subsidy under the non-union staff postretirement plan. The present value of federal subsidy payments reduced the accumulated postretirement benefit obligations at June 30, 2015 and 2014, by approximately $0.2 million and $0.3 million, respectively. The reduction in obligation attributable to the anticipated subsidy payments is being treated as a gain.

cash flows for the fiscal year ending june 30 (in thousands):	*Pension Benefits*	*Postretirement Benefits*	*Expected Net Postretirement Benefit Payments*	*Expected Medicare Subsidy*
Employer Contributions:				
2014 (actual)	$ 8,919	$ 3,024	N/A	N/A
2015 (actual)	5,426	3,727	N/A	N/A
2016 (expected)	6,000	4,112	N/A	N/A
projected benefit payments for the fiscal year ending june 30 (in thousands):				
2016	$ 6,177	$ 4,112	$ 4,050	$ 62
2017	7,689	4,379	4,309	70
2018	7,098	4,561	4,480	81
2019	7,557	4,774	4,774	
2020	8,022	4,980	4,980	
2021–2025	48,498	30,434	30,434	

The fair value of the pension plan assets was $131,805 and $129,586 as of June 30, 2015 and 2014, respectively. The pension plan assets are primarily comprised of mutual funds and fall within Level 1 of the fair value hierarchy.

J. Notes Payable

At June 2015, the Museum had three credit facilities outstanding with three commercial banks and, at June 2014, had two credit facilities outstanding with two commercial banks. Interest expense on these credit facilities is charged to operating expenses.

The largest credit facility is a revolving line of $150 million as of June 30, 2015 and 2014. The Museum had borrowed $24.5 million and $27.6 million as of June 30, 2015 and 2014, on this line, respectively. Any amount borrowed under the revolving line of credit is payable in full on or before September 30, 2017. The borrowing bears interest at variable rates, and accrued interest is paid at loan maturity. The total interest expense on bank borrowings amounted to $0.2 million in both fiscal years 2015 and 2014. As of June 30, 2015, the interest rate on the outstanding debt was .58%. Under the loan agreement, the Museum has covenanted to maintain a ratio of Available Assets to General Liabilities, as defined, of not less than 2:1. The Museum was in compliance with this requirement at June 30, 2015 and 2014.

In addition to the revolving line of credit, the Museum has two additional lines of credit totaling $65 million as of June 30, 2015, and one line of credit totaling $15 million as of June 30, 2014. No borrowings were outstanding at June 30, 2015 and 2014, under these facilities. Borrowings under the lines of credit are payable on demand and bear interest at variable rates that are paid monthly. The Museum had letters of credit aggregating $4.2 million as of both June 30, 2015 and 2014, respectively, under a sublimit for one of the lines of credit.

K. Loans Payable and Other Long-Term Liabilities

Series 1993 Bonds:

In 1993, the Museum entered into two loan agreements with the Dormitory Authority of the State of New York (the "Authority") to finance the construction and equipping of certain of the Museum's facilities and to defease existing indebtedness. Pursuant to these loan agreements, the Authority issued Series 1993 Revenue Bonds consisting of $41.7 million Series 1993A Variable Interest Rate Bonds ("Series 1993A Bonds"), due serially to July 1, 2015, and $22.1 million Series 1993B Variable Interest Rate Bonds ("Series 1993B Bonds"), due by July 1, 2020. The Series 1993B Bonds are secured by the Museum's annual membership dues. The loan agreements require the Museum to maintain investments in certain defined securities having a market value of at least 120% of the aggregate principal amount of the Museum's outstanding short-term debt as defined in the agreements. Additionally, the Museum must maintain a ratio of Available Assets to General Liabilities, as defined, of not less than 2:1. The Museum was in compliance with these covenants at June 30, 2015 and 2014.

While the revenue bonds are not direct indebtedness of the Museum, the loan agreements with the Authority obligate the Museum to make payments equal to the interest and mandatory redemption requirements of such bonds and are general obligations of the Museum. A liability equivalent to the principal amount of the Authority's outstanding revenue bonds, adjusted for fair value of future interest payments, is reflected in the Statement of Financial Position. In 1993, the Museum entered into a 22-year interest rate exchange agreement with Morgan Stanley Capital Services, Inc. ("Morgan Stanley"), that effectively changes the Museum's interest rate exposure on the Series 1993A Bonds to a fixed rate. The notional amount of the swap was set at $41.7 million and amortizes according to a schedule that is similar to the mandatory redemption schedule of the Series 1993A Bonds. Under the terms of the interest rate exchange agreement, Morgan Stanley pays to the Museum a variable rate consistent with the rate on the Series 1993A Bonds, and the Museum pays to Morgan Stanley a fixed rate of 4.77% per annum. The Museum made its final payment on the Series 1993A Bonds and closed out the related interest rate exchange agreement in July 2015.

At June 30, 2015 and 2014, $3.3 million and $3.1 million respectively, of investments were in the custody of a trustee in connection with the Series 1993A and B Bonds as a reserve for the payment of debt service each year.

Series 2006 Bonds:

On December 1, 2006, the Museum entered into a $130 million loan agreement with the Trust for Cultural Resources ("the Trust"), a public benefit organization created by the State of New York. Pursuant to this loan agreement, the Trust issued bonds consisting of a $65 million series 2006 A-1 bond issue and a $65 million series 2006 A-2 bond issue (collectively, "the Series 2006A Bonds"). The proceeds have and will be used for the financing of a portion of the expansion, reconstruction, renovation, improvement, furnishing, and equipping of facilities operated, or to be operated, by the Museum, portions of which have already been completed at the Museum's principal location. In addition, certain administrative, legal, accounting, financing, and other expenses incidental to the issuance of the bonds and related purposes were financed by these bonds.

Pursuant to the loan agreement, the Museum is required to pay, when due, the principal and interest on the Series 2006A Bonds. While the bonds are not direct indebtedness of the Museum, the loan agreement and the obligation to make payments under the loan agreement are general obligations of the Museum. No security interest in any revenues or assets of the Museum has been granted by the Museum to the Trust or any other party in connection with the Series 2006A Bonds. The Series 2006A Bonds will mature on October 1, 2036. The variable rate demand bonds of $130 million are subject to a weekly interest rate reset. In the event the Museum receives notice of any optional tender on its variable rate demand bonds, or if the bonds become subject to mandatory tender, the purchase price will be paid from the remarketing of the bonds.

In June 2006, the Museum entered into a forward-starting interest rate exchange agreement with Morgan Stanley, related to the Series 2006A Bonds. Under the terms of the swap agreement, the Museum pays interest at a rate of 3.826% calculated on a notional amount of $100 million in exchange for floating rate payments calculated on the same notional amount at 67% of one-month LIBOR until October 1, 2036, unless such agreement is terminated earlier in accordance with its terms.

Series 2015 Bonds:

On January 26, 2015, the Museum issued a $250 million taxable bond with a coupon payment of 3.40% and a 30-year bullet payment due on July 1, 2045. Interest is payable on January 1st and July 1st annually and the bond has an optional redemption prior to maturity. The face value of the bond was reduced by an original issue discount of $1.45 million, which will be accreted to interest expense over the 30-year bond life. The bond proceeds will be used to finance the Museum's infrastructure spending and will be invested in a portfolio that meets the Museum's spending requirements and timeline. The Museum elected to classify the interest expense on the Series 2015 Bonds as non-operating. This election is based on the Museum's intention to utilize the bond proceeds to finance capital activities and to fund the interest expense in fiscal years 2015 and 2016 using quasi-endowment funds. For the year ended June 30, 2015, the Museum recognized $3.5 million of interest expense associated with this borrowing in non-operating activities. In addition, the Museum incurred $1.2 million of bond issuance costs related to certain administrative, legal, accounting, financing and other expenses incurred for purposes of this bond financing.

In summary, the bonds underlying the Museum's indebtedness consisted of the following (in thousands):

	June 30, 2015	*June 30, 2014*
Series 1993A Bonds due serially to July 1, 2015	$ 3,265	$ 6,380
Series 1993B Bonds due by July 1, 2020	6,780	6,780
Series 2006A Bonds due by October 1, 2036	130,000	130,000
Series 2015 Bonds due by July 1, 2045	250,000	
Discount on Series 2015 Bonds, net amortization	(1,430)	
Total loans payable	388,615	143,160
Fair value of interest rate exchange agreement on Series 1993A Bonds	4	171
Fair value of forward starting interest rate exchange agreement on Series 2006A Bonds	32,222	28,480
Total interest rate exchange agreements	32,226	28,651
Total program related investment loan		265
Total	$420,841	$172,076

Interest rates and interest expense related to the loans and swaps are as follows:

	2015	*2014*
Interest rates on loans payable:		
Series 1993A and B Bonds	.07%	.08%
Series 2006A-1 and A-2 Bonds	.06%	.07%
Series 2015 Bonds	3.40%	
Interest expense on loans payable (in thousands):		
Series 1993A Bonds	$ 156	$ 304
Series 1993B Bonds	3	4
Series 2006A Bonds	3,766	3,786
Series 2015 Bonds	3,538	
Interest expense related to the swaps (in thousands):		
Series 1993A Bonds	$ 155	$ 300
Series 2006A Bonds	3,714	3,714

Debt service under the loan agreements, including effect of interest rate swaps, is payable as follows (in thousands):

Year Ending June 30	*Principal Amount*	*Interest Payments**	*Total Estimated Debt Services*
2016	$ 3,265	$ 13,824	$ 17,089
2017		13,811	13,811
2018		13,811	13,811
2019	3,195	13,747	16,942
2020	3,375	13,639	17,014
Thereafter	380,210	294,788	674,998
Total	$390,045	$363,620	$753,665

*For the Series 1993B Bonds, which are callable at par, there are no mandatory redemption requirements until 2018 and an interest rate of 4% is assumed for all fiscal years. In addition, an interest rate of 4% is also assumed for the $30 million of the Series 2006A Bonds that are not covered by the interest rate exchange agreement.

The Museum has a $140.1 million confirmed credit facility through April 2017 to provide liquidity in the event of a tender of the Museum's variable rate demand bonds (Series 1993 and 2006 Bonds). This facility cannot be used for any purpose other than in connection with an exercise of the tender right by the bondholders. A commitment fee, of .35% or $0.5 million, was associated with this credit facility for the years ended June 30, 2015 and 2014. To date there have been no drawdowns of this facility. The above table assumes that the Museum will be able to obtain a new credit facility when the existing credit facility expires in 2017. Should the Museum not successfully renew this credit facility in 2017, the $130 million and $6.6 million for the Series 2006 and Series 1993 Bonds principal amounts respectively, would be reflected as payable in 2017 within the above debt service maturity schedule. Please refer to Note G for details related to *Fair Value Measurement.*

L. Functional Classification of Expenses

Expenses by functional classification for fiscal years 2015 and 2014, which are described in Note A, are shown below (in thousands). Operating expenses are allocated on a direct basis. Interest, depreciation and maintenance expenses are allocated based on square footage.

	2015	*2014*
Total operating expenses from the Statements of Activities	$ 368,920	$ 361,552
Depreciation of capital improvements and expensing of non-capitalized expenditures from the non-operating section of the Statements of Activities	49,025	45,617
Management and custodian fees, taxes, and other expenses included in net investment income	18,559	16,585
Interest on Series 2015 Bonds and effect of interest rate swaps	7,407	4,014
Special events included in the revenue section of the Statements of Activities	636	903
Total	$ 444,547	$ 428,671
Program expenses:		
Curatorial activities, conservation, and exhibition	$ 229,111	$ 211,876
Education	14,530	14,115
Libraries	7,343	5,533
Public services and other	37,174	32,995
Cost of sales and expenses of auxiliary activities:		
Retail operations	56,872	67,799
Restaurant, parking garage, auditorium, and other	27,598	27,705
Total program expenses	372,628	360,023
Supporting services:		
Management and general	55,884	53,664
Fundraising	16,035	14,984
Total supporting services	71,919	68,648
Total	$ 444,547	$ 428,671

M. Leases and other Commitments

At June 30, 2015, the Museum is committed to minimum future rentals under noncancellable operating leases for the retail distribution center and retail sales shops, which expire at various dates through January 2021. The rental payments will be charged against future revenues from the sales of books, reproductions and adaptations of works of art, and related products sold through the Museum's shops and mail-order system. Rent expense included in retail activities relating to these operating leases amounted to $4.5 million and $4.3 million in fiscal years 2015 and 2014, respectively and includes contingent rent based on sales. In addition, there are operating leases for storage, building space, equipment, and other operating activities, which expire at various dates through July 2020. Expenses related to these operating leases amounted to $1.1 million and $0.9 million in 2015 and 2014, respectively.

Minimum rental commitments consist of the following at June 30, 2015 (in thousands):

Year Ending June 30,	*Total*
2016	$ 4,589
2017	3,426
2018	1,903
2019	1,795
2020	1,577
Thereafter	214
Total	$ 13,504

At June 30, 2015, the Museum had approximately $421.4 million in unfunded capital commitments primarily to private equity and real asset funds.

On August 10, 2012, the Museum entered into an operating agreement with the Whitney Museum of American Art (the "Whitney"), pursuant to which the Museum will use and occupy portions of the Whitney's building located at 945 Madison Avenue, New York, New York (the "Building"), for a term of 8 years with an option at the Museum's discretion to extend the term for an additional 5.5 years. The Whitney 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.

N. Asset Retirement Obligations

The Museum recognizes a liability on the Statement of Financial Position for Asset Retirement Obligations pertaining to future remediation work necessary to restore certain properties. The liability equals the present value of the expected cost of remediation.

During the years ended June 30, 2015 and 2014, the Museum made payments of $0.12 million and $0.05 million, respectively, for these obligations and reduced the liability accordingly. In addition, the Museum adjusted certain asset retirement data and provided for the years' reductions, charges and accretion. For the years ended June 30, 2015 and 2014, the non-cash charges amounted to an increase of $0.96 million and $0.4 million respectively, and are included in the non-operating section of the Statements of Activities. As of June 30, 2015 and 2014, $9.9 million and $9.1 million, respectively, of asset retirement obligations are included in the liability section of the Statement of Financial Position.

O. Disclosure for Endowment Funds and Net Asset Classifications

The Museum's endowment consists of over 650 individual funds established for a variety of purposes. Its endowment includes funds with donor-imposed spending restrictions (donor-restricted endowment funds) and funds with board-imposed spending restrictions that are treated as endowments (quasi-endowments). While quasi-endowments are treated as endowments in terms of earning investment returns and spending policy, their principal does not need to be held in perpetuity. Additionally, some quasi-endowments also have donor-imposed purpose restrictions. As required by Generally Accepted Accounting Principles, endowment funds are classified based on the existence or absence of donor-imposed restrictions. Donor-restricted endowment funds and quasi-endowment funds are also governed by the Endowment Spending Policy adopted by the Board of Trustees (which is discussed in more detail below).

The New York Prudent Management of Institutional Funds Act (NYPMIFA) governs the standards of management, investing, and spending of donor-restricted endowment funds by requiring the prudent consideration of the following eight factors when appropriating spending from endowment funds: (i) the duration and preservation of the endowment fund; (ii) the purposes of the Museum and the endowment fund; (iii) general economic conditions; (iv) the possible effect of inflation or deflation; (v) the expected total return from income and the appreciation of investments; (vi) other resources of the Museum; (vii) where appropriate and circumstances would otherwise warrant, alternatives to the expenditure of the endowment fund, giving due consideration to the effect that such alternatives may have on the Museum; and (viii) the investment policy of the Museum. NYPMIFA eliminates the legal requirement to preserve the historic dollar value of donor-restricted endowment funds and makes it legally possible to spend from the endowment funds when they drop below the historic dollar value of the gift. The term historic dollar value is defined as the aggregate fair value in dollars of (i) an endowment fund at the time it became an endowment fund; (ii) each subsequent donation to the fund at the time it is made; and (iii) each accumulation made pursuant to a direction in the applicable gift instrument at the time the accumulation is added to the fund. As a result of this interpretation, the Museum classifies as permanently restricted net assets (i) the original dollar value of endowment gifts not expendable under the specific terms of the applicable gift instrument; (ii) the original dollar value of subsequent endowment gifts; (iii) the net realizable value of future payments (i.e., outstanding endowment pledges net of applicable discount); and (iv) appreciation (depreciation), gains (losses) and income earned on the fund when the donor states that such increases or decreases are to be treated as changes in permanently restricted net assets less spending per the Endowment Spending Policy. With respect to endowment funds governed by gift instruments executed before September 17, 2010, the legislation required the Museum to send a notice to all available donors asking them to elect whether (i) the Museum could spend as much of the gift as is prudent; or (ii) the Museum could not spend below historic dollar value. The legislation provides that if the donor did not respond within 90 days of receiving the notice, expenditures from the endowment fund will be governed by the prudence standard in the legislation. The Museum has complied with this, and all other requirements of NYPMIFA, and has determined that for administrative ease and to ensure prudence with respect to its endowment funds, it will continue to maintain historic dollar value spending restrictions in place for all funds.

In relation to NYPMIFA, Generally Accepted Accounting Principles require that for each donor-restricted endowment fund, the Museum is to classify the portion of the fund that is not classified as Permanently Restricted Net Assets as Temporarily Restricted Net Assets until such funds have been appropriated. Therefore, upon the expiration of any time restriction and/or the meeting of any purpose restriction and appropriation by the Board for expenditure, a reclassification of that amount to Unrestricted Net Assets occurs.

During fiscal year 2012, the Board adopted a new Endowment Spending Policy which was effective for fiscal years 2015 and 2014. The new hybrid spending policy used in fiscal years 2015 and 2014 combines the predictable spending element of constant growth whereby 80% of the spending is based on the prior fiscal year total spending, adjusted for inflation with an asset preservation principle whereby the remaining 20% is based on the market value of the endowment at the prior calendar year end. The spending also has a defined range in absolute dollars of 90% to 110% of the prior fiscal year's spending. Spending Rates applied to the market value of the endowment are limited to a range of 4.5% to 5.75%. Specific rates are recommended periodically by the Finance Committee of the Board of Trustees, and final rates are approved each fiscal year by the Board of Trustees. The Museum applied a stated spending rate of 5.75% in fiscal year 2015.

The primary objective of the Museum's investment strategy is to provide a stable stream of funds to support the operations of the Museum in perpetuity. The long-term management goal is to maintain the purchasing power of the portfolio so that support for the operating budget remains consistent in real (i.e., inflation-adjusted) terms over time. The portfolio is subject to various risks, including volatility of asset prices, liquidity risk, and the risk of failing to meet return thresholds.

In order to achieve the portfolio objectives without assuming undue risk, the portfolio is biased toward investments that are expected to produce equity-like returns and is diversified both by asset class and within asset classes.

The portfolio is primarily invested by external investment managers. Investments are made through separate accounts or commingled vehicles, including funds, trusts, and limited partnerships.

Endowment Net Asset Composition by Type of Fund as of June 30, 2015 (in thousands):

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds		$924,753	$942,976	$1,867,729
Quasi-endowment funds	$ 832,737			832,737
Total funds	$832,737	$924,753	$942,976	$2,700,466

Endowment Net Asset Composition by Type of Fund as of June 30, 2014 (in thousands):

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds		$929,795	$894,522	$1,824,317
Quasi-endowment funds	$ 831,974			831,974
Total funds	$ 831,974	$929,795	$894,522	$2,656,291

Endowment and Non-Endowment Net Assets for the Fiscal Year Ended June 30, 2015 (in thousands):

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment and quasi-endowment net assets, beginning of year	$ 831,974	$ 929,795	$ 894,522	$ 2,656,291
Investment return:				
Investment income, net of certain management and custodian fees, taxes, and other expenses	8,554	16,202	(175)	24,581
Net realized gains	47,786	92,907	312	141,005
Changes in unrealized appreciation	(11,903)	(21,981)	(79)	(33,963)
Total return on investments	44,437	87,128	58	131,623
Transfers	53,218	(53,218)		
Investment return allocated for current activities	(94,003)	(42,310)		(136,313)
Contributions	5,135	2,881	47,878	55,894
Other changes and reclasses	(8,024)	477	518	(7,029)
Total endowment and quasi-endowment net assets, end of year	832,737	924,753	942,976	2,700,466
Total non-endowment net assets, end of year	37,759	545,125		582,884
NET ASSETS AT THE END OF THE YEAR	$ 870,496	$ 1,469,878	$ 942,976	$ 3,283,350

Endowment and Non-Endowment Net Assets for the Fiscal Year Ended June 30, 2014 (in thousands):

	Unrestricted	*Temporarily Restricted*	*Permanently Restricted*	*Total*
Endowment and quasi-endowment net assets, beginning of year	$ 735,462	$ 780,153	$ 855,876	$ 2,371,491
Investment return:				
Investment income, net of certain management and custodian fees, taxes, and other expenses	13,371	19,507		32,878
Net realized gains	87,149	127,839		214,988
Changes in unrealized appreciation	54,657	81,580		136,237
Total return on investments	155,177	228,926		384,103
Transfers	48,916	(48,916)		
Investment return allocated for current activities	(92,849)	(35,452)		(128,301)
Contributions	1,931	2,076	34,125	38,132
Other changes and reclasses	(16,663)	3,008	4,521	(9,134)
Total endowment and quasi-endowment net assets, end of year	831,974	929,795	894,522	2,656,291
Total non-endowment net assets, end of year	78,476	543,955		622,431
NET ASSETS AT THE END OF THE YEAR	$ 910,450	$ 1,473,750	$ 894,522	$ 3,278,722

Description of Amounts Classified as Permanently Restricted and Temporarily Restricted Net Assets (Endowment and Quasi-endowment only) (in thousands):

	June 30, 2015	*June 30, 2014*
PERMANENTLY RESTRICTED NET ASSETS:		
Art Acquisitions	$ 225,371	$ 217,184
Operating	520,455	499,852
Other (including Exhibitions and Public Programming)	197,150	177,486
Total	$ 942,976	$ 894,522
TEMPORARILY RESTRICTED NET ASSETS:		
Art Acquisitions	$ 226,831	$ 219,272
Operating	522,543	547,843
Other (including Exhibitions and Public Programming)	175,379	162,680
Total	$ 924,753	$ 929,795

As a result of market fluctuations and the continued prudent use of income generated by donor-restricted endowment funds in support of mission-critical programs, the fair market value of assets associated with individual donor-restricted endowment funds may fall below historic dollar value. The aggregate amounts by which fair value was below historic value was $0.04 million in both years ending June 30, 2015 and 2014.

P. Retail and Other Auxiliary Activities

Auxiliary operating revenue and expense are summarized as follows (in thousands):

	2015	*2014*
Operating revenue:		
Retail operations	$ 58,326	$ 70,081
Restaurant	23,424	23,045
Other	4,793	4,221
Total revenue	86,543	97,347
Operating costs and expenses:		
Retail operations	56,872	67,799
Restaurant	22,775	22,617
Other	4,823	5,088
Total costs and expenses	84,470	95,504
Net income from auxiliary activities	$ 2,073	$ 1,843

Q. Contingencies and Subsequent Events

Contingencies

In the normal course of business, the Museum enters into undertakings containing a variety of warranties and indemnifications that may expose the Museum to some risk of loss. The amount of future loss, if any, arising from such undertakings, while not quantifiable, is not expected to be significant. The Museum expects the risk of loss to be remote. The Museum's involvement with fund investments may also expose the Museum to legal matters which result in contingencies. The Museum is not aware however, of any material contingencies at this time.

On November 8, 2012, two individuals filed a lawsuit in New York State Supreme Court, New York County, against the Museum and certain of its officers. The Museum was served with this lawsuit on February 8, 2013. It alleges that the Museum's policy of asking visitors to pay a voluntary admissions charge is in violation of state law and of the Museum's lease with the City of New York, and that the manner in which the Museum advises the public of this policy is deceptive. The complaint also alleged that the Museum has an obligation to maintain an entrance on the Central Park side of the Museum. The complaint seeks various forms of equitable relief and also attorney's fees and costs, but it does not otherwise seek monetary damages.

On March 5, 2013, a lawsuit was filed by three individuals in New York State Supreme Court, New York County, against the Museum and certain of its officers. This lawsuit is very similar to the litigation described above, except that it is framed as a class action suit, and it does not include any claims about a Central Park entrance. The complaint in this litigation seeks various forms of equitable relief and also a judgment "awarding Plaintiffs and other members of the Class actual damages in an amount to be determined at trial" plus attorney's fees and costs. Plaintiffs have not subsequently presented a quantified demand for damages.

On October 30, 2013, the New York State Supreme Court dismissed the claims in each lawsuit which alleged that the Museum's admissions policy constituted a breach of its lease with the City and was a violation of an 1893 appropriations act.This decision was unanimously upheld on appeal by the Appellate Division, First Judicial Department, on February 5, 2015.

The Museum intends to vigorously defend the remaining claims in both litigations and believes it has substantial defenses. However, due to the inherent difficulty of predicting the outcome of litigation, the Museum cannot predict what the eventual outcome or timing of these matters may be. An adverse outcome in one or both of these matters could be material to the Museum.

Subsequent Events

The Museum performed an evaluation of subsequent events through November 10, 2015, 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 US GAAP, are included in the financial statements.