The Solomon R. Guggenheim Foundation

Financial Statements
December 31, 2018 and 2017

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Report of Independent Auditors

To the Board of Trustees of
The Solomon R. Guggenheim Foundation

We have audited the accompanying financial statements of The Solomon R. Guggenheim Foundation (the "Foundation"), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities and changes in net assets, and of cash flows for the years then ended.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Foundation'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 Foundation'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 Solomon R. Guggenheim Foundation as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, the Foundation changed the manner in which it presents net assets and reports certain aspects of its financial statements as a not-for-profit entity, and the manner in which it accounts for revenues from contracts with customers in 2018. Our opinion is not modified with respect to this matter.

PricewaterhouseCoopers LLP

New York, New York
June 21, 2019

The Solomon R. Guggenheim Foundation
Statements of Financial Position
December 31, 2018 and 2017

	2018	2017
Assets		
Cash and cash equivalents	$ 15,560,861	$ 12,046,844
Contributions and grants receivable, net	10,677,403	8,191,252
Accounts receivable	37,744	739,910
Other receivables	837,885	793,059
Inventories	1,276,010	1,348,084
Prepaid expenses	2,164,797	1,209,105
Deferred costs	163,659	163,659
Investments	78,604,097	84,849,130
Property, equipment and leasehold improvements, net	57,541,092	62,055,174
Art collection	1	1
Total assets	$ 166,863,549	$ 171,396,218
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	$ 15,897,577	$ 15,298,201
Deferred income and other liabilities	37,182,428	38,453,705
Demand and other loans payable	2,500,000	3,000,000
Bonds payable, net of premium and cost	19,559,960	19,518,577
Total liabilities	75,139,965	76,270,483
Net assets		
Without donor restrictions	330,840	8,738,756
With donor restrictions	91,392,744	86,386,979
Total net assets	91,723,584	95,125,735
Total liabilities and net assets	$ 166,863,549	$ 171,396,218

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

The Solomon R. Guggenheim Foundation
Statement of Activities and Changes in Net Assets
Year Ended December 31, 2018

	2018 Without Donor Restrictions	2018 With Donor Restrictions	2018 Total
Operating support and revenue			
Contributions, grants and bequests	$ 12,690,963	$ 4,204,420	$ 16,895,383
Membership income	4,439,500	-	4,439,500
In-kind contributions	345,194	-	345,194
Benefit and special event income, net of direct expenses of $2,179,822	921,760	-	921,760
Admissions	18,959,051	-	18,959,051
Traveling exhibition, royalties and other	10,302,697	-	10,302,697
Investment income from spending rate	821,694	2,082,170	2,903,864
Auxiliary revenues	9,649,125	-	9,649,125
Net assets released from restrictions	7,277,758	(7,277,758)	-
Total operating support and revenue	65,407,742	(991,168)	64,416,574
Operating expenses			
Museum programs			
Exhibitions and projects	13,626,213	-	13,626,213
Traveling exhibitions and other	2,736,542	-	2,736,542
Curatorial and collection maintenance	14,128,372	-	14,128,372
Visitor services	5,741,887	-	5,741,887
Education	4,747,190	-	4,747,190
Auxiliary expenses, including cost of sales	8,468,946	-	8,468,946
Total program expense	49,449,150	-	49,449,150
Supporting services			
Management and general	14,393,497	-	14,393,497
Fundraising	4,949,208	-	4,949,208
Total supporting services	19,342,705	-	19,342,705
Total operating expenses	68,791,855	-	68,791,855
Operating support and revenue less than operating expenses	(3,384,113)	(991,168)	(4,375,281)
Nonoperating activity			
Contributions	570,803	15,289,937	15,860,740
Investment return greater (less) than spending amount	(1,528,551)	(5,448,778)	(6,977,329)
Depreciation and amortization	(5,308,165)	-	(5,308,165)
Interest and fees relating to debt	(955,727)	-	(955,727)
Foreign currency translation	(236,305)	(1,063)	(237,368)
Bad debt expense and other expenses	(62,634)	-	(62,634)
Other transfers	2,454,337	(2,454,337)	-
Change in net assets before changes related to collection items purchased and sold	(8,450,355)	6,394,591	(2,055,764)
Change in net assets related to collection items purchased and sold			
Contributions	42,439	1,993,656	2,036,095
Proceeds from the sale of art	-	11,650	11,650
Net assets released from restrictions for collection items purchased	3,394,132	(3,394,132)	-
Collection items purchased	(3,394,132)	-	(3,394,132)
Change in net assets	(8,407,916)	5,005,765	(3,402,151)
Net assets			
Beginning of year	8,738,756	86,386,979	95,125,735
End of year	$ 330,840	$ 91,392,744	$ 91,723,584

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

The Solomon R. Guggenheim Foundation
Statement of Activities and Changes in Net Assets
Year Ended December 31, 2017

	2017		
	Without Donor Restrictions	With Donor Restrictions	Total
Operating support and revenue			
Contributions, grants and bequests	$ 8,928,568	$ 2,015,358	$ 10,943,926
Membership income	4,245,249	-	4,245,249
In-kind contributions	518,650	-	518,650
Benefit and special event income, net of direct expenses of $2,228,667	1,366,790	-	1,366,790
Admissions	19,709,721	-	19,709,721
Traveling exhibition, royalties and other	12,137,635	-	12,137,635
Investment income from spending rate	754,364	1,572,574	2,326,938
Auxiliary revenues	9,259,263	-	9,259,263
Net assets released from restrictions	8,210,427	(8,210,427)	-
Total operating support and revenue	65,130,667	(4,622,495)	60,508,172
Operating expenses			
Museum programs			
Exhibitions and projects	13,710,681	-	13,710,681
Traveling exhibitions and other	2,978,974	-	2,978,974
Curatorial and collection maintenance	12,950,663	-	12,950,663
Visitor services	5,876,479	-	5,876,479
Education	4,482,579	-	4,482,579
Auxiliary expenses, including cost of sales	8,437,708	-	8,437,708
Total program expense	48,437,084	-	48,437,084
Supporting services			
Management and general	16,056,570		16,056,570
Fundraising	4,580,540		4,580,540
Total supporting services	20,637,110	-	20,637,110
Total operating expenses	69,074,194	-	69,074,194
Operating support and revenue less than operating expenses	(3,943,527)	(4,622,495)	(8,566,022)
Nonoperating activity			
Contributions	-	4,523,200	4,523,200
Investment return greater (less) than spending amount	1,732,245	5,230,964	6,963,209
Depreciation and amortization	(5,138,933)	-	(5,138,933)
Interest and fees relating to debt	(909,627)	-	(909,627)
Foreign currency translation	642,102	2,212	644,314
Bad debt expense and other expenses	(502,423)	-	(502,423)
Other transfers	(115,442)	115,442	-
Change in net assets before changes related to collection items purchased and sold	(8,235,605)	5,249,323	(2,986,282)
Change in net assets related to collection items purchased and sold			
Contributions	-	1,727,618	1,727,618
Proceeds from the sale of art	-	35,200	35,200
Net assets released from restrictions for collection items purchased	2,716,259	(2,716,259)	-
Collection items purchased	(2,716,259)	-	(2,716,259)
Change in net assets	(8,235,605)	4,295,882	(3,939,723)
Net assets			
Beginning of year	16,974,361	82,091,097	99,065,458
End of year	$ 8,738,756	$ 86,386,979	$ 95,125,735

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

The Solomon R. Guggenheim Foundation
Statements of Cash Flows
Years Ended December 31, 2018 and 2017

	2018	2017
Cash flows from operating activities		
Change in net assets	$ (3,402,151)	$ (3,939,723)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation and amortization	5,308,165	5,138,933
Amortization of deferred financing costs and bond discount	41,383	41,380
Bad debt expense	62,634	381,692
Investment in acquisitions of art	3,394,132	2,716,259
Proceeds from sale of art	(11,650)	(35,200)
Contributions for endowments	(10,487,053)	(4,549,873)
Net realized and unrealized losses (gains) on investments	3,874,786	(9,351,983)
Changes in operating assets and liabilities		
Contributions receivable	(2,548,785)	4,747,994
Accounts receivable and other receivables	657,340	736,504
Inventories	72,074	78,085
Prepaid expenses and deferred costs	(955,692)	(330,316)
Accounts payable and accrued expenses	583,553	(467,906)
Deferred income and other liabilities	(1,271,277)	2,326,491
Net cash used in operating activities	(4,682,541)	(2,507,663)
Cash flows from investing activities		
Investments in property, equipment and leasehold improvements	(778,259)	(9,453,955)
Acquisitions of art	(3,394,132)	(2,716,259)
Proceeds from sale of art	11,650	35,200
Purchases of investments	(71,506,753)	(64,801,667)
Proceeds from dispositions of investments	73,876,999	57,869,088
Net cash used in investing activities	(1,790,495)	(19,067,593)
Cash flows from financing activities		
Payments on line of credit	(7,500,000)	(5,000,000)
Proceeds from line of credit	7,000,000	8,000,000
Contributions for endowments	10,487,053	4,549,873
Net cash provided by financing activities	9,987,053	7,549,873
Net increase (decrease) in cash and cash equivalents	3,514,017	(14,025,383)
Cash and cash equivalents		
Beginning of year	12,046,844	26,072,227
End of year	$ 15,560,861	$ 12,046,844
Supplemental information		
Interest paid	$ 905,226	$ 666,499
Income taxes paid	260,954	251,971
Non cash transactions		
Accounts payable for property, plant and equipment	21,792	5,969

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

1. The Foundation

The Solomon R. Guggenheim Foundation (the “Foundation”) was established in 1937. Committed to innovation, the Foundation collects, preserves, and interprets modern and contemporary art, and explores ideas across cultures through dynamic curatorial and educational initiatives and collaborations. With its constellation of architecturally and culturally distinct museums, exhibitions, publications, and digital platforms, the Foundation engages both local and global audiences.

Over the course of more than eight decades, the Foundation has developed one of the world’s most important collections of art from the 20th and 21st centuries. The Foundation has implemented a strategic plan which identifies the institution’s priorities and direction and includes building the Foundation’s global role and identity, ensuring the proper stewardship and growth of the Museum’s collection, developing and presenting outstanding art and education programming and experiences for expanding global audiences, and developing an institutional communication strategy positioning and promoting the Foundation’s global perspective and programs. The centerpiece of the Foundation is the Solomon R. Guggenheim Museum on Fifth Avenue in New York. Designed by Frank Lloyd Wright, the iconic museum building is among the world’s most recognized architectural monuments. The Foundation directly owns and operates the Solomon R. Guggenheim Museum.

In Venice, Italy, the Peggy Guggenheim Collection primarily displays European and American art of the 20th century in the former home of Peggy Guggenheim, the 18th century Palazzo Venier dei Leoni on the Grand Canal. Peggy Guggenheim’s collection is comprised of masterworks of Cubism, Futurism, Surrealism, European abstraction, and American Abstract Expressionism. The Peggy Guggenheim Collection also organizes temporary exhibitions of modern and contemporary art. The Foundation directly owns and operates the Peggy Guggenheim Collection.

The Guggenheim Museum Bilbao, located in Bilbao, Spain, was founded in cooperation with the Basque government. This museum is located along the Nervion River in a building designed by Frank Gehry that has received international acclaim for its architecture. It exhibits modern and contemporary art, and is building a collection through acquisitions and commissions.
The Guggenheim Museum Bilbao is owned and funded by the Fundacion del Museo Guggenheim Bilbao.

Plans are underway to open a new Guggenheim Museum in the Cultural District of Saadiyat Island in Abu Dhabi, also designed by Frank Gehry. The museum’s collection will encompass art in all mediums produced around the world from the 1960s to the present day, and will be a catalyst for scholarship in a variety of fields, chief among them the history of art in the Middle East in the 20th and 21st centuries. The Foundation will not own or fund the Guggenheim Abu Dhabi or its collection, but provides guidance with respect to the development of the permanent collection, the formation and operation of the museum, and art and exhibition programming.

Through the Guggenheim UBS MAP Global Art Initiative, the Foundation creates curatorial residencies and international touring exhibitions, audience-driven educational programming and acquisitions for the Foundation’s permanent collection. The project, with its far-reaching, international scope and significant contributions to the Foundation’s collections and programming, is one of the most significant in the Foundation’s history.

The Foundation and the Robert H.N. Ho Family Foundation formed a collaboration conceived to advance the achievements of contemporary Chinese artists and expand the discourse of contemporary Chinese art. The initiative supported and built upon the Guggenheim's existing Asian Art Program. Over the course of the program, the Guggenheim commissioned three major works or groups of works from artists who were born in mainland China, Taiwan, Hong Kong or Macao. Central to this initiative was the creation of a curatorial position at the Foundation for a Ho Family Foundation Curator of Chinese Art.

The Guggenheim Museum Bilbao and Guggenheim Abu Dhabi Museum are not owned by the Foundation. Accordingly, their assets, liabilities and activities are not consolidated into these financial statements.

2. Summary of Significant Accounting Policies

Basis of Presentation

The financial statements of the Foundation have been prepared on the accrual basis and include the Foundation's accounts in New York related to the Solomon R. Guggenheim Museum in New York City and the accounts maintained in Venice for the Peggy Guggenheim Collection. All significant intra-company transactions have been eliminated.

Adoption of Not-for-profit Financial Statement Presentation ASU 2016-14

In August 2016, the FASB issued ASU 2016-14, Presentation of Financial Statement of Not-for-Profit Entities, which revises the not-for-profit financial reporting model. ASU 2016-14 provides for additional disclosure requirements and modifies net asset reporting. The standard required the Foundation to reclassify its net assets (i.e., unrestricted, temporarily restricted, and permanently restricted) into two categories: net assets without donor restrictions and net assets with donor restrictions, among other requirements. The guidance also enhances disclosures about the composition of net assets, liquidity, and expenses by both natural and functional classification and requires endowments that have a current fair value less than the original gift amount (or amount required to be retained by donor or by law), to now be classified within net assets with donor restrictions .

The Foundation adopted ASU 2016-14 in 2018 and applied the changes retrospectively. As a result of the adoption of ASU 2016-14, net assets as of the beginning of 2017 were reclassified as follows:

Net Assets Classifications	**Without Donor Restrictions**	**With Donor Restrictions**	**Total**
As previously presented beginning of 2017			
Unrestricted	$ 6,025,350		$ 6,025,350
Temporarily Restricted		30,599,874	30,599,874
Permanently Restricted		62,440,234	62,440,234
Endowments below historic dollar value	10,949,011	(10,949,011)	-
Adjusted Net Assets Balance as of beginning of 2017	**16,974,361**	**82,091,097**	**99,065,458**
Change in Net Assets	(8,235,605)	4,295,882	(3,939,723)
Adjusted Net Assets Balance as of December 31, 2017	**$ 8,738,756**	**$ 86,386,979**	**$ 95,125,735**

Adoption of Revenue Recognition ASU 2014-09

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers, which was developed to provide a single revenue standard containing comprehensive principles for recognizing revenue. This ASU implements a single framework for revenue recognition ensuring that revenue is recognized in a manner which reflects the consideration to which the entity expects to be entitled in exchange for goods and services. This standard specifically excludes contribution revenue and income that arises from investment returns. 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 Foundation adopted ASU 2014-09 in 2018 and applied the changes in a modified retrospective manner, electing to apply the new guidance to contracts that were not completed as of the date of initial application. The Foundation generally has payment terms with its customers of one year or less and has elected the practical expedient applicable to such contracts not to consider the time value of money. There was no material impact to the financial position, statement of activities or net assets to the Foundation as a result of implementation.

Net Assets

The Foundation reports information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions.

- Net assets without donor restrictions are assets that are either not restricted by donors, or assets in which the donor-imposed restrictions have been satisfied.

- Net assets with donor restrictions represent those resources with donor-imposed restrictions that require the Foundation to use or expend the related assets as specified or are subject to the requirements of the New York Prudent Management of Institutional Funds Act ("NYPMIFA"). The Foundation records contributions as with donor restrictions if they are received with donor stipulations that either limit their use through either purpose or time restrictions or when a donor stipulates that the resources must be maintained permanently. If donor restrictions expire, that is, when a time restriction ends, a purpose restriction is fulfilled, or the board acts to appropriate funds, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statements of activities as net assets released from restrictions. It is the Foundation's policy to record donor restricted contributions received and expended in the same accounting period in the net asset category without donor restrictions.

  Net assets with endowment restrictions generally permit the Foundation to use all or part of the income earned on these assets for either specified or unspecified purposes. Those earnings are also classified as net assets with donor restrictions in the accompanying financial statements, pending a decision by the Board of Trustees that it would be prudent for the Foundation to appropriate such funds applying the standards of NYPMIFA at which point they will be reclassified to net assets without donor restrictions.

Measure of Operations
The Foundation includes in its measure of operations all revenues and expenses that are an integral part of its programs and supporting activities. The measure of operations excludes contributions with endowment restrictions, capital contributions, changes in net assets related to collection items purchased and sold, bad debt expense, investment return greater or less than the spending amount for operations, depreciation and amortization of fixed assets, interest and fees relating to debt, net change in postretirement benefit obligation, foreign currency translation adjustments, and any nonrecurring items.

Cash and Cash Equivalents
Except for cash and cash equivalents held for reinvestment, which are included within investments, cash and cash equivalents include cash on hand, demand deposits and short term investments which are highly liquid in nature and have original maturities at the time of purchase of three months or less. At December 31, 2018 and 2017, the Foundation's cash and cash equivalents were maintained at financial institutions in excess of federally insured amounts.

Foreign Currency
Assets and liabilities of the accounts maintained in Venice, Italy, for the Peggy Guggenheim Collection, where the Euro is the functional currency, have been translated at year end exchange rates and profit and loss accounts have been translated using average yearly exchange rates. The average exchange rate to purchase one Euro expressed in U.S. dollars was $1.1810 and $1.1297 for the years ended December 31, 2018 and 2017, respectively. The exchange rate to purchase one Euro expressed in U.S. dollars at December 31, 2018 and 2017 was $1.1450 and $1.1993, respectively. Adjustments resulting from translation have been recorded as a change in net assets in the statement of activities. A foreign currency translation loss of $237,368 was recorded for the year ended December 31, 2018 and a foreign currency translation gain of $644,314 was recorded for the year ended December 31, 2017.

Investments
All debt and equity securities, as well as the short term government bond fund are recorded at fair value determined on the basis of quoted market values or other observable inputs. Realized gains and losses arising from the sale or other disposition of investments are determined on an historical cost basis.

Alternative investments include investments in fixed income funds, private equity and hedge funds. The Foundation values these investments in accordance with valuations provided by the investment managers of the underlying funds. As a general rule, investment managers of funds value investments based upon the best information available for a given circumstance and may incorporate assumptions that are the investment manager's best estimates after consideration of a variety of internal and external factors. Investments for which observable market prices do not exist are reported at fair value as determined by the fund's investment manager. The Foundation's management may consider other factors in assessing the fair value of these investments. Some of these funds may not have readily ascertainable market values and may be subject to withdrawal restrictions. Management performs due diligence reviews of all balances received from the investment manager.

The fair value of the funds represents the amount the Foundation would have expected to receive at December 31, 2018 and 2017, had it liquidated its investments in the funds on these dates. Because alternative investments may not be readily marketable, the estimated value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for the investment existed. Such differences could be material.

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

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

Property, Equipment and Leasehold Improvements
Land, building, building improvements and renovations, leasehold improvements, construction in progress and equipment purchases by the Foundation are recorded at cost. Normal repairs and maintenance are expensed as incurred. A portion of the land for the museum in New York and the land and building related to the Palazzo Venier dei Leoni in Venice were donated to the Foundation, and are recorded at estimated fair value as of the dates of donation. Depreciation and amortization of assets under capital leases is calculated using the straight line method over the estimated useful lives. The estimated useful lives for buildings and improvements are 10-40 years and 3-10 years for furniture, fixtures and equipment. When property or equipment is sold or otherwise disposed of, the related cost and accumulated depreciation are removed from the respective accounts and the gain or loss realized on disposition is reflected in the statement of activities. Leasehold improvements are amortized over the shorter of the term of the lease or the estimated life of the improvement. Occasionally there are major capital projects that cross financial statement years, and, when this occurs, costs that have been incurred to date are reflected in construction in progress. Once the project is complete and the asset is put into service, the costs are reclassified to the respective depreciable asset class.

Art Collection
In accordance with industry practice, art objects purchased, donated and bequeathed are included in net assets with donor restrictions at a value of $1. Contributions for the purchase of collection items, net assets released from restrictions to purchase collection items, the cost of all collection items purchased, the proceeds from deaccessioned art, and the proceeds from the sale of art that was not part of the collection but will be used for the purchase of collection items, are reported as changes in net assets related to collection items purchased and sold in the statement of activities.

The Foundation's policy is to maintain and continue to acquire significant works of 20th and 21st century art in all mediums. From time to time, the Foundation may decide to deaccession objects in accordance with the law and the Foundation's Collection Management Policy. Deaccession proceeds are used for art acquisitions also in accordance with the law and the Collection Management Policy and are reported as net assets with donor restrictions in the statement of activities.

Deferred Income and Other
Deferred income includes amounts received for projects which will be recognized as revenue in traveling exhibitions, royalties and other as performance obligations are met including the incurrence of associated costs. Deferred income also includes income from a licensing agreement, further discussion below, which is being recognized over 30 years; an in-kind contribution of property and equipment which is being recognized over 10 years; a program fee received which may be refundable if certain conditions are not met; and two build out allowances which are being recognized over the life of their associated leases.

Contributions, Grants and Bequests
Contributions, grants and bequests including unconditional promises to give (pledges) and corporate sponsorships are recognized as revenues in the period received. Conditional contributions are recognized as revenue when the conditions on which they depend have been substantially met. An allowance is established when the collection of a pledge is determined to be doubtful. In addition, pledges deemed uncollectible are written off in the year such determination is made.

In-Kind Contributions
In-kind contributions are recorded in the statement of activities as operating support and revenue as well as, in either the related operating expense category, or as property, equipment and leasehold improvements, net, when applicable. In-kind contributions are comprised of building improvements, furniture, fixtures, equipment, and legal and marketing services. Consulting media and subscription services, and other services are also included at their fair value when the services would have been purchased if they had not been received as contributions or require specialized skills which are provided by individuals possessing such specialized skills.

Volunteers
A number of unpaid volunteers have made significant contributions of their time in the furtherance of the Foundation’s programs covering a number of the Foundation’s activities. Volunteers provide assistance in various areas of the museum and support the visitor information desk. These contributions do not meet the criteria for recognition of contributed services in accordance with accounting principles generally accepted in the United States of America and therefore their value is not reflected in these financial statements.

Benefits and Special Events Income
Patrons purchase tickets for events that are available for sale and occur during the same calendar year. The price for each ticket is dependent on the event and the level of support. The Foundation recognizes revenue on the date the event occurs.

Admissions Income
Admissions revenue is associated with tickets sold for entry to the Solomon R Guggenheim Museum in New York and the Peggy Guggenheim Collection in Italy. Admissions revenue ticket price is based upon established levels for individuals, and groups. The Foundation primarily recognizes revenue for admissions at point of sale.

Membership Income
The Foundation offers individual and corporate memberships to the Museum and the Peggy Guggenheim Collection at various levels. These are for a single year period and are incorporated as part of operating support. Each membership has both a gift and exchange transaction component, the levels of which are determined by the level and nature of membership based on established published rates. The exchange component for memberships is immaterial and as such, the Foundation recognizes memberships as gift revenue when received.

Traveling Exhibitions, Royalties and Other, including Contract Liabilities
Traveling Exhibitions, Royalties and Other primarily includes exhibition revenue and revenue derived from the license of symbolic intellectual property (trademarks), management fees and cost reimbursement agreements.

Exhibition revenue of $1,482,000 consists of fees paid to the Foundation for creating exhibitions that travel to alternate locations. The terms and conditions surrounding the transaction price and performance obligations for each traveling exhibition are outlined in individual contractual arrangements specific both to the location and exhibition. The Foundation is responsible for curating the exhibition and ensuring all art objects included in the exhibition are transported to each location. The transaction price is recognized in revenue when the Foundation has met its performance obligations under the contract and has an unconditional right to the consideration. The Foundation has fulfilled its obligations upon the opening of the exhibit at the respective locations at which time revenue is recognized.

The Foundation also has long term agreements with specific terms. These primarily include a long-term trademark license agreement (License Agreement) beginning in 2007 as well as a management fee and cost reimbursement contractual arrangements. Under the License Agreement, the Foundation grants rights to use and benefit from its intellectual property as defined in the agreements.

Under the License Agreement advanced payments have been collected prior to 2018. Payments received by the Foundation were initially accounted for as contract liabilities within deferred revenue with the resulting revenue recognized ratably over the term of the trademark agreement from the License Agreement execution date.

As of December 31, 2018 and 2017 the remaining contract liabilities total $30,185,000 and $31,785,000 and are included within deferred income and other liabilities. There is no significant financing component associated with these advance payments as the difference between the promised consideration and the cash selling price of the good or service arose for reasons other than the provision of finance. Revenue is recognized ratably over the term of the agreement. During both 2018 and 2017 $1,600,000 of revenue was recognized annually.

The License Agreement also includes a future payment for which a contract liability has not been recognized in the statement of financial position as of December 31, 2018. No revenue has been recognized as the Foundation does not yet have the right to the consideration under the terms of the agreement and the consideration is deemed to be dependent on factors outside the Foundation's influence.

Under management fees and cost reimbursement contractual arrangements $7,371,000 has been recognized $4,989,000 of which is associated with the annual management fees and $2,382,000 of which is associated with reimbursement of costs. Revenue is recognized in the year services are rendered and reimbursable costs are incurred under the terms of the arrangements. Amounts billed prior to the incurrence of reimbursable costs are included within deferred revenue as a contract liability. Such amount was $1,900,000 and $1,870,000 at December 31, 2018 and 2017, respectively. It is expected that this balance will be reflected in revenue within the year and thus the time value of money has not been considered.

Auxiliary Revenues and Inventories

Auxiliary activities consist primarily of the publication and sale of exhibition catalogues and other related merchandise operations. Revenue related to auxiliary activities is primarily recognized at point of sale. Inventory at average cost consisted of $1,163,009 and $1,047,018 of finished goods and $113,001 and $301,066 of work in process at December 31, 2018 and 2017, respectively.

Functional and Natural Classification of Expenses

The costs of providing museum programs and supporting services have been summarized in Note 14. Museum program expenses include costs of exhibitions and projects, traveling exhibitions, curatorial and collections maintenance, visitor services, education and auxiliary activities. Management and general expenses include costs associated with the following departments: executive, finance, information technology, legal, global communications and human resources.

Depreciation, rent, building maintenance, interest expense, and office services are allocated among the functional expense categories based on space usage.

Advertising
The Foundation expenses advertising costs as incurred. The Foundation also has received donated advertising during 2017, which amounted $111,400. No advertising was donated in 2018.

Use of Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. The most significant estimates include the valuation assumptions associated with investments without readily determinable public markets, net realizable value of contributions receivable, and estimates within our transaction price for exchange transactions including variable consideration and financing considerations. Actual results could differ from those estimates.

Income Tax Status
The Foundation is exempt from Federal income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code. Contributions to the Foundation are tax deductible to contributors, to the extent provided by law. The Foundation is subject to unrelated business income tax on sales of certain merchandise and activities. The Foundation’s Italian operations are also subject to Italian tax.

The Foundation is subject to the provisions of the Financial Accounting Standards Codification (“ASC”) Topic 740-10-05, relating to accounting and reporting for uncertainty in income taxes. Because of the Foundation’s general tax-exempt status, ASC Topic 740-10-05 has not had, and is not expected to have, a material impact on the Foundation’s financial statements.

Reclassifications
Certain prior year balances have been reclassified to conform to the current year presentation.

New Accounting Pronouncements Not Yet Effective
In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). This guidance requires lessees to recognize (for leases longer than twelve months) at the lease commencement date: (a) a lease liability, which is a lessee’s obligation to make lease payments arising from a lease, measured on a discounted basis; and (b) a right-of-use asset, which is an asset that represents a lessee’s right to use, or control the use of, a specified asset for the lease term. In July 2018, the FASB provided entities relief from the transition requirements in ASU 2016-02 by allowing them to elect not to recast prior comparative periods. A full retrospective transition approach is not permitted. This new standard is effective for fiscal years beginning after December 15, 2018, with early application permitted. The Foundation will adopt ASU 2016-02 in 2019 and is evaluating the impact that this standard will have on its financial statements.

In June 2018, the FASB issued ASU 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. The amendments in this update provide a framework for evaluating whether the transfer of assets constitutes a contribution or an exchange transaction. This amendment also provides additional clarification as to whether or not a contribution is conditional. The amendments in this update are effective for fiscal years beginning after December 15, 2018. The Foundation will adopt ASU 2018-08 in 2019 and is evaluating the impact that this standard will have on its financial statements.

In August 2018, the FASB issued ASU 2018-13, Fair Value Measurement (Topic 820) Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement. This ASU removed, modified, and added additional disclosure requirements on fair value measurements in Topic 820, specifically surrounding: (a) the amount of and reasons for transfers between Level 1 an Level 2 investments, (b) the policy for timing of these transfers, (c) the valuation process for Level 3 fair value measurements, and (d) the changes in unrealized gains and losses for the period including earnings on Level 3 fair value measurements held at the end of the reporting period. This ASU is effective for fiscal years beginning after December 15, 2019, with early adoption permitted. The Foundation will adopt ASU 2018-13 in 2020 and is evaluating the impact that this standard will have on its financial statements.

3. Liquidity and Availability of Resources

The Foundation's resources that are available to satisfy obligations within one year of the financial statements are as follows:

Assets Available within one year:		
Cash and cash equivalents	$	15,560,861
Less: Cash reserved for art and security deposits		(4,037,773)
Less: Cash for Board Managed funds		(2,000,000)
Contributions and grants receivable due within one year		6,062,904
Less: Contributions receivables related to endowments		(1,217,201)
Accounts receivable		37,744
Other receivables		837,885
Board managed funds approved for appropriations		6,586,832
Financial assets available to meet cash needs for general expenditures within one year	**$**	**21,831,252**

The Foundation has $21,831,252 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditures consisting of cash of $9,523,088, receivables of $5,721,332, and short-term investments of $6,586,832. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet date. The contributions receivable are subject to implied time restrictions but are expected to be collected within one year. In addition to these the Foundation has additional Board Managed funds of $4,560,697, which could be used if needed.

In addition, as part of its liquidity management, the Foundation also a committed line of credit in the amount of $5,000,000, of which $2,500,000 was available at December 31, 2018 and could be drawn upon in the event of an unanticipated liquidity level (Note 10).

4. Contributions and Grants Receivable

Contributions and grants receivable at December 31, 2018 and 2017 are expected to be collected as follows:

	2018	2017
Within 1 year	$ 6,062,904	$ 4,875,584
1 to 5 years	2,954,594	2,682,943
Thereafter	3,900,000	1,000,000
Gross contributions and grants receivable	12,917,498	8,558,527
Less: Discount to present value	(2,240,095)	(367,275)
Contributions and grants at present value	$ 10,677,403	$ 8,191,252

At December 31, 2018 and 2017, $10,060,000 and $6,538,000 of the gross contributions and grants receivable, respectively, were due from five individuals, corporations, or foundations. The interest rates used to discount contributions receivable to present value ranged from 3.88% to 5.50%.

In 2009, the Foundation received a $1,960,000, two-phase capital grant from New York City's Department of Cultural Affairs for visitor services restoration. The City of New York spent $0 and $340,197 for capital appropriations related to this project for 2018 and 2017, respectively. The City's investment of capital funding obligated the Foundation to operate the facility and maintain equipment for the respective bonding term as a non-profit entity, open to and used and maintained for the benefit of the people of the City of New York for cultural, educational and artistic uses, or related purposes approved by the City.

5. Investments

Investments consisted of the following at December 31, 2018 and 2017:

	2018		2017	
	Fair Value	Cost Basis	Fair Value	Cost Basis
Cash and cash equivalents for reinvestment	$ 8,608,635	$ 8,635,393	$ 12,296,329	$ 12,296,783
Short-term Government Bond Fund	10,166,167	10,069,172	-	-
Equities	5,469,045	4,675,264	7,751,628	6,023,110
Alternative investments				
Fixed income funds	8,654,962	9,158,449	6,123,890	6,478,541
Equity funds	34,217,925	31,050,776	42,873,382	36,148,409
Fund of hedge funds	1,909,788	1,612,433	2,295,407	1,829,551
Event/credit arbitrage funds	5,461,107	4,379,682	7,271,849	5,465,119
International funds	4,116,468	4,255,936	6,236,645	5,967,039
Total alternative investments	54,360,250	50,457,276	64,801,173	55,888,659
	$ 78,604,097	$ 73,837,105	$ 84,849,130	$ 74,208,552

Included in cash and cash equivalents is an investment receivable of $2,321,813 and $775,864 as of December 31, 2018 and 2017, respectively.

The following summarizes the Foundation's investment return for the year ended December 31, 2018, and its classification in the statement of activities:

	Without Donor Restrictions	With Donor Restrictions	Total
Net investment return	(706,857)	(3,366,608)	(4,073,465)
Less: Investment income and spending rate included in operating activity	(821,694)	(2,082,170)	(2,903,864)
Total investment losses included in nonoperating activity	$ (1,528,551)	$ (5,448,778)	$ (6,977,329)

The following summarizes the Foundation's investment return for the year ended December 31, 2017, and its classification in the statement of activities:

	Without Donor Restrictions	With Donor Restrictions	Total
Net investment return	2,486,609	6,803,538	9,290,147
Less: Investment income and spending rate included in operating activity	(754,364)	(1,572,574)	(2,326,938)
Total investment losses included in nonoperating activity	$ 1,732,245	$ 5,230,964	$ 6,963,209

6. Fair Value Measurements

The Foundation's investments are recorded in the financial statements at fair value. Fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. Investments for which fair value is measured using net asset values ("NAV") as a practical expedient are excluded from the hierarchy and have been reported separately within the table below. Fair value accounting standards establish a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

Level 1 Observable inputs such as quoted prices in active markets;

Level 2 Inputs, other than quoted prices in active markets, that are observable either directly or indirectly; and

Level 3 Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

Assets and liabilities measured at fair value are based on one or more of three valuation techniques. The three valuation techniques are as follows:

Market approach – Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities;

Cost approach – Amount that would be required to replace the service capacity of an asset (i.e., replacement cost); and

Income approach – Techniques to convert future amounts to a single present amount based on market expectations (including present value techniques).

The following table summarizes the valuation of the Foundation's financial instruments measured on a recurring basis by the above input levels using a market approached valuation method as of December 31, 2018:

Investments as of December 31, 2018	**Quoted Market Prices (Level 1)**	**Other Observable Inputs (Level 2)**	**Unobservable Inputs (Level 3)**	**Total**
Cash and cash equivalents for reinvestment	$ 8,608,635	$ -	$ -	$ 8,608,635
Short-term Government Bond Fund	-	$ 10,166,167		10,166,167
Equities	5,469,045	-	-	5,469,045
Investments at fair value	14,077,680	10,166,167	-	24,243,847
Investments measured at net asset value	-	-	-	54,360,250
Total investments	$ 14,077,680	$ 10,166,167	$ -	$ 78,604,097
Cash and cash equivalents	$ 12,459,609	$ 3,101,252	$ -	$ 15,560,861

The following table summarizes the valuation of the Foundation's financial instruments measured on a recurring basis by the above input levels using a market approached valuation method as of December 31, 2017:

Investments as of December 31, 2017	**Quoted Market Prices (Level 1)**	**Other Observable Inputs (Level 2)**	**Unobservable Inputs (Level 3)**	**Total**
Cash and cash equivalents for reinvestment	$ 12,296,329	$ -	$ -	$ 12,296,329
Equities	7,751,628	-		7,751,628
Investments at fair value	20,047,957	-	-	20,047,957
Investments measured at net asset value				64,801,173
Total investments	$ 20,047,957	$ -	$ -	$ 84,849,130
Cash and cash equivalents	$ 6,744,653	$ 5,302,191	$ -	$ 12,046,844

The following is a description of the Foundation's valuation methodologies for assets and liabilities measured at fair value as of December 31, 2018 and 2017:

Fair value for Level 1 is based upon quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access. Market price data is generally obtained from exchange or dealer markets. The Foundation does not adjust the quoted price for such assets and liabilities.

Fair value for Level 2 is based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets. Inputs are obtained from various sources including market participants, dealers, and brokers.

Fair value for Level 3 is based on valuation techniques that use significant inputs that are unobservable as they trade infrequently or not at all.

The net asset value of each alternative investment fund generally represents the ownership interest in the respective funds. The fair values of the investments held by the funds that do not have readily determinable fair values are determined by the investment managers and are based on estimates that require varying degrees of judgment. The Foundation has performed due diligence on these investments to ensure the NAV is an appropriate measure of fair value as of December 31, 2018 and 2017. Because of the inherent uncertainty of valuing these investments and certain underlying investments, the Foundation's estimate of fair value may differ significantly from the values that would have been used had a ready market for the investments existed. These investments may be illiquid and thus there can be no assurance that the Foundation will be able to realize the value of such investments in a timely manner.

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

The following table summarizes the Foundation's investments that are measured at NAV by category as of December 31, 2018:

Class	Fair Value	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Fixed income funds (a)	$ 8,654,962	In Liquidation (2 funds)- 17% Monthly (1 fund)- 18% Daily (2 funds)- 65%	In Liquidation (2 funds)- 17% 30 days (2 funds)- 65% 10 days (1 fund)- 18%
Equity funds (b)	34,217,925	Annual (3 funds)- 12% Quarterly (4 funds)- 29% Monthly (3 funds)- 21% Daily (5 funds)- 38%	180 days (2 funds)- 12% 90 days (1 fund)- 8% 60 days (2 funds)- 15% 45 days (1 fund)- 5% 30 days (3 funds)- 21% 1 day (5 funds)- 39%
Fund of hedge funds (c)	1,909,788	In Liquidation (1 funds)- <1% Quarterly (1 fund)- 100%	In Liquidation (1 fund)- <1% 95 days (1 fund)- 100%
Event/credit arbitrage funds (d)	5,461,107	Quarterly (1 fund)- 53% Monthly (2 funds)- 47%	90 days (2 funds)- 47% 60 days (1 fund)- 53%
International funds (e)	4,116,468	Monthly (2 funds)- 47% Daily (2 funds)- 53%	90 days (1 fund)- 9% 5 days (1 fund)- 37% 1 day (2 funds)- 54%
Total alternative investments	$ 54,360,250		

The following table summarizes the Foundation's investments that are measured at NAV by category as of December 31, 2017:

Class	Fair Value	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Fixed income funds (a)	$ 6,123,890	In Liquidation (2 funds)- 29% Monthly (1 fund)- 27% Daily (2 funds)- 44%	In Liquidation (2 funds)- 29% 30 days (2 funds)- 44% 10 days (1 fund) 27%
Equity funds (b)	42,873,382	Annual (3 funds)- 17% Quarterly (3 funds)- 22% Monthly (3 funds)- 17% Daily (4 funds)- 44%	180 days (2 funds)-11 % 90 days (1 fund)- 7% 60 days (2 funds)- 15% 45 days (1 fund)- 6% 30 days (3 funds)- 17% 1 day (4 funds)- 44%
Fund of hedge funds (c)	2,295,407	In Liquidation (2 funds)- 7% Quarterly (1 fund)- 93%	In Liquidation (2 funds)- 7% 95 days (1 fund)- 93%
Event/credit arbitrage funds (d)	7,271,849	Quarterly (2 funds)- 68% Monthly (2 funds)-32%	90 days (2 funds)- 32% 60 days (2 funds)- 68%
International funds (e)	6,236,645	Monthly (2 funds)- 31% Daily (2 funds)- 69%	90 days (1 fund)- 6% 5 days (1 fund)- 25% 1 day (2 funds)- 69%
Total alternative investments	$ 64,801,173		

The following is a brief description of the Foundation's categories for investments measured at NAV:

(a) Includes long and short positions in a broad variety of highly liquid investments that are anticipated to have primarily a fixed income focus, including investments in financial instruments of companies undergoing periods of distress and turnaround. Two of the funds, valued at $1,489,415 and $1,748,226 as of December 31, 2018 and 2017, are currently in liquidation, respectively.

(b) Principally long, concentrated portfolios invested in highly liquid equity securities and large-cap investments.

(c) Highly diversified portfolios of multiple managers. These funds invest across most liquid asset classes and offer low correlations to markets and low volatility. One and two of the funds, with a combined value of $6,259 and $163,882 as of December 31, 2018 and 2017, respectively, are currently in liquidation.

(d) These funds participate across the capital structure of companies, identifying specific catalysts that will result in valuations which increase over time. Generally, they have low net exposure to the markets.

(e) These funds generally own equities of companies listed outside of the United States of America, including developed and developing countries. These funds have higher beta as a result of their higher net exposure to markets.

There were no unfunded commitments as of December 31, 2018 and 2017.

Assets and liabilities measured at fair value are based on the market approach valuation technique, which uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.

Contributions Receivable
The fair value of pledges receivable was determined using a risk adjusted discount rate.

7. Endowment Funds

The Foundation's endowment consists of 33 individual funds established for a variety of purposes. As required by Generally Accepted Accounting Principles ("GAAP"), net assets associated with donor-restricted endowment funds, and funds designated by the Board of Trustees to function as endowment funds ("Board Designated"), are classified and reported based on the existence or absence of donor-imposed restrictions.

On September 17, 2010, New York State enacted NYPMIFA. Under NYPMIFA, a detailed prudence standard governs appropriation from endowment funds and there is no longer a requirement to maintain historic dollar value as was the case under the Uniform Management of Institutional Funds Act ("UMIFA").

Under UMIFA, the Foundation could appropriate for expenditure so much of the net appreciation of an endowment fund as the Foundation's board determined was prudent, but, in the event an endowment fund was below its historic dollar value, appropriation was not permitted other than the appropriation of income. The term "historic dollar value" was 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 was made, and (iii) each accumulation made pursuant to a direction in the applicable gift instrument at the time the accumulation was added to the fund.

Under NYPMIFA, prudent appropriation of income or appreciation from a fund where the value is less than its historic dollar value is permitted. In particular, NYPMIFA provides that unless a donor expresses a contrary intention in a gift instrument, a charitable institution may appropriate as much of an endowment fund as it "determines is prudent for the uses, benefits, purposes and duration for which the fund is established," without regard for historic dollar value. Consistent with prior law, NYPMIFA retains the requirement that in making any decision to appropriate "the institution shall act in good faith, with the care that an ordinarily prudent person in a like position would exercise under similar circumstances." It further provides a requirement that the institution "shall consider, if relevant" the following eight factors in deciding whether or not to appropriate from a fund: (i) the duration and preservation of the endowment fund; (ii) the purposes of the Foundation 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 Foundation; (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 Foundation; and (viii) the investment policy of the Foundation.

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

The Foundation's Board of Trustees, after careful consideration of each of the NYPMIFA factors, determined that it would be prudent to appropriate funds from the Foundation's endowment in 2018 and 2017.

The Foundation's spending policies are consistent with the Foundation's objectives to use income to support mission-critical programs while preserving capital and promoting future endowment growth.

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

For financial reporting purposes, donor-restricted endowment fund appreciation, gains and income exceeding donor restrictions are classified as net assets with non-endowment restrictions until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by law. Upon appropriation, appreciation and earnings are reclassified as net assets without donor restrictions.

For each donor-restricted endowment fund, the Foundation classifies the portion of the fund that is not classified as net assets with endowment restrictions as donor restricted net assets until appropriated for expenditure by the Foundation.

The Foundation's endowments consisted of the following at December 31, 2018:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds			
Assets held in perpetuity	$ -	$ 68,116,719	$ 68,116,719
Appreciation	300,376	(12,554,488)	(12,254,112)
Term-Endowment	-	4,045,499	4,045,499
Art fund endowment			
Assets held in perpetuity		10,105,000	10,105,000
Appreciation		995,586	995,586
Board-designated endowment funds	11,085,165	3,445,000	14,530,165
Total funds	$ 11,385,541	$ 74,153,316	$ 85,538,857

The Foundation's endowments consisted of the following at December 31, 2017:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds			
Assets held in perpetuity	$ -	$ 59,267,885	$ 59,267,885
Appreciation	300,375	(8,053,525)	(7,753,150)
Term-Endowment		4,580,522	4,580,522
Art fund endowment			
Assets held in perpetuity		10,105,000	10,105,000
Appreciation		1,607,642	1,607,642
Board-designated endowment funds	23,901,599	300,000	24,201,599
Total funds	$ 24,201,974	$ 67,807,524	$ 92,009,498

As a result of unfavorable market fluctuations, the fair value of assets associated with certain donor-restricted endowment funds has fallen below historic dollar value. The aggregate amounts by which fair values were below historic values were approximately $12,185,653 and $8,748,301 as of December 31, 2018 and 2017, respectively.

The Foundation's endowments had the following changes for the years ended December 31, 2018 and 2017:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment funds, December 31, 2017	$ 24,201,974	$ 67,807,524	$ 92,009,498
Total investment return (loss)	(143,882)	(3,660,096)	(3,803,978)
Contributions	3,943,218	13,755,773	17,698,991
Appropriation of endowment assets for expenditure	(13,252,130)	(2,040,548)	(15,292,678)
transfers and redesignations	(3,363,639)	(1,709,337)	(5,072,976)
Endowment funds, December 31, 2018	$ 11,385,541	$ 74,153,316	$ 85,538,857

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment funds, December 31, 2016	$ 28,043,010	$ 56,269,679	$ 84,312,689
Total investment return (loss)	2,482,910	6,743,749	9,226,659
Contributions	2,554,279	4,823,204	7,377,483
Appropriation of endowment assets for expenditure	(8,762,783)	(1,572,549)	(10,335,332)
transfers and redesignations	(115,442)	1,543,441	1,427,999
Endowment funds, December 31, 2017	$ 24,201,974	$ 67,807,524	$ 92,009,498

The endowment funds classified as net asset with endowment restrictions, net assets with other donor restrictions and net assets without restrictions consist of the following at December 31:

	2018	2017
With Endowment Restrictions		
Educational programs	$ 12,671,229	$ 10,671,228
Curatorial programs	4,537,048	1,537,048
Publications	1,200,000	1,200,000
General operating support	35,919,227	39,022,783
Conservation	9,489,215	2,536,826
Exhibition programs	4,300,000	4,300,000
Art fund endowment	10,105,000	10,105,000
Total endowment funds classified as net assets with endowment restrictions	78,221,719	69,372,885
Other Donor Restrictions		
General operating	(12,554,488)	(8,053,525)
Term endowment	4,045,499	4,580,522
Art fund endowment	995,586	1,607,642
Board-designated endowment funds	3,445,000	300,000
Total endowment funds classified as net assets with other donor restrictions	(4,068,403)	(1,565,361)
Total funds classified as net assets with donor restrictions	74,153,316	67,807,524
Total endowment funds classified as without restrictions - general operating support	11,385,541	24,201,974
Total endowment funds	$ 85,538,857	$ 92,009,498

8. Property, Equipment and Leasehold Improvements, Net

Property, equipment and leasehold improvements, net, consisted of the following at December 31, 2018 and 2017:

	2018	2017
Land	$ 3,130,643	$ 3,130,643
Buildings and building improvements	106,339,346	111,242,566
Furniture, fixtures and equipment	4,259,482	4,552,071
Leasehold improvements	14,678,056	14,875,096
Construction in progress	266,958	1,336,620
	128,674,485	135,136,996
Less: Accumulated depreciation and amortization	(71,133,393)	(73,081,822)
Total property, equipment and leashold improvements, net	$ 57,541,092	$ 62,055,174

9. Bonds Payable, Net of Premium and Cost

Bonds payable at December 31, 2018 and 2017 are as follows:

	2018	2017
Series 2016A Bonds	$ 20,000,000	$ 20,000,000
Bond discount and issuance costs, net of amortization	440,040	481,423
Bonds payable	$ 19,559,960	$ 19,518,577

In September 2016, the Foundation issued taxable bonds in an aggregate principal amount of $20,000,000 (the "Bonds"). The bond proceeds were used to (i) repay an outstanding balance of approximately $8.2 million under the Foundation's Credit Agreement dated as of July 31, 2015, as amended, (ii) fund certain leasehold tenant improvements, (iii) fund working capital, and (iv) pay costs of issuance. For the years ended December 31, 2018 and 2017, interest expense on the Bonds totaled $771,225 annually.

The 2016A Bonds consisted of the following amounts and maturities at December 31, 2018:

Bonds, Series 2016A	Principal	Rate	Maturity
Term bonds	$ 4,555,000	3.47 %	January 1, 2026
Term bonds	15,445,000	3.97	January 1, 2031
	$ 20,000,000		

The Bonds are subject to optional redemption by the Foundation, in whole or in part at any time. Certain of the bonds are also subject to mandatory sinking fund redemption from sinking fund installments.

10. Demand and Other Loans Payable

In November of 2018, the Foundation repaid the outstanding balance on a one year agreement with a bank for a revolving line of credit. Also in November of 2018, the Foundation entered into a multi-year agreement with a bank for a revolving line of credit in the amount of $5,000,000. At December 31, 2018 the outstanding amount on the Foundation's line of credit was $2,500,000. At December 31, 2017 the outstanding balance was $3,000,000. Under the terms of the agreement with a bank for the revolving line of credit, the Foundation is required to provide semi-annually evidence that it maintains unrestricted liquid assets, as defined by the bank agreement of $5,000,000. The Foundation is compliant with its financial covenant at December 31, 2018.

Interest on amounts borrowed under this credit facility is calculated at on the Foundation's option (A) the alternate base rate (i.e., a rate per year equal to the greatest of (i) the bank's prime rate, (ii) the federal funds effective rate plus 0.50% per year, and (iii) the LIBOR rate plus 1.00%) plus 1.50%, (B) the adjusted LIBOR rate (i.e., the LIBOR rate in effect for an interest period multiplied by the statutory reserve rate, plus 1.50%, and (C) the daily LIBOR rate (i.e., for any day, a rate per year equal to the adjusted LIBOR rate in effect on such day for deposits in dollars of a one-month interest period) plus 1.50%current line of credit is calculated based on the Foundation's option of a rate per year equal to the bank's Prime Rate or the LIBOR rate plus 1.50%.

11. Net Assets

Net assets consisted of the following at December 31, 2018 and 2017:

	2018	2017
Other Donor Restrictions		
Restricted by time	$ 9,679,583	$ 11,163,889
Restricted by purpose		
Exhibitions, projects and other	(5,542,769)	(1,315,889)
Purchase of works of art	8,280,872	6,412,755
Total net assets with other donor restrictions	$ 12,417,686	$ 16,260,755
Endowment restricted net assets		
Art collection	$ 1	$ 1
Land	753,338	753,338
Endowment, income restricted for reinvestment and educational programs	12,671,229	10,671,228
Endowment, income restricted for curatorial chair	4,537,048	1,537,048
Endowment, art fund, income restricted for art purchases	10,105,000	10,105,000
Endowment, conservation	9,489,215	2,536,826
Endowment, income restricted for publications	1,200,000	1,200,000
Endowment, income restricted exhibitions	4,300,000	4,300,000
Endowment, income for general operating support	35,919,227	39,022,783
Total net assets with endowment donor restrictions	$ 78,975,058	$ 70,126,224
Total net assets with donor restrictions	$ 91,392,744	$ 86,386,979

12. Defined Contribution Retirement Plan

The Foundation has a defined contribution retirement plan to cover all eligible employees, established under Section 403(b) of the Internal Revenue Code. Each year, the Foundation makes a contribution equal to 3% of an eligible participant's annual base pay. Eligible employees may elect to contribute to the plan and the Foundation will then match 50% of the first 5% of base pay contributed. During 2018 and 2017, the Foundation recorded an expense of $924,386 and $900,885, respectively related to this plan.

13. Related Party Transactions

Two managing partners of an investment firm who are on the Foundation's Board of Trustees served on the Investment Committee until May 20, 2014. After review and in accordance with the Foundation's conflict of interest policy including recusal of interested parties from voting, the disinterested Trustees who served on this Committee approved investments managed by this firm with a fair value of $1,455,183 and cost of $2,099,370 at December 31, 2018 and investments managed by this firm with a fair value of $1,705,707 and cost of $2,411,240 at December 31, 2017. In 2018 and 2017, the Foundation paid the investment firm fees of $24,229 and $59,437, respectively.

Two principal owners of the firm that currently provides investment advice to the Foundation are also directors, shareholders and investment advisors of a multi-strategy fund of hedge funds in which the Foundation has an approved investment. At December 31, 2018 and 2017, the Foundation's investment, at cost, in the fund of funds was $1,904,000 and $2,132,000, respectively. The Foundation does not pay the advisory firm, the principal owners of the firm or the fund of funds a fee with respect to the Foundation's investment in that fund of funds. In 2018 and 2017, the Foundation paid investment advisory firm fees for its other advisory services of $283,256 and $245,636, respectively.

14. Functional and Natural Classification of Expenses

Expenses by functional classification for the years ended December 31, 2018 and 2017 are shown below. Depreciation, interest expense, benefits and special events expense and fees relating to debt service, which are not allocated functionally on the statement of activities, are allocated functionally below:

	Programming Costs						Supporting Costs		
Natural Classification	Exhibitions and projects	Traveling exhibitions	Curatorial and collection maintenance	Visitor services	Education	Auxiliary	Management and general	Fundraising	Total
Salaries and benefits	$ 3,879,321	$ 866,985	$ 9,176,409	$ 4,316,653	$ 3,415,912	$ 3,260,650	$ 7,779,056	$ 3,071,433	$ 35,766,419
Occupancy	3,411,186	84,314	3,327,686	256,232	404,768	565,520	1,966,754	356,288	10,372,748
Professional fees	1,936,819	749,798	906,075	663,503	397,864	269,319	1,701,675	639,160	7,264,213
Cost of goods	-	-	-	-	-	3,321,901	-	-	3,321,901
Art shipping and crating	1,471,439	346,964	155,306	-	-	-	23,986	7,995	2,005,690
Travel and entertainment	273,998	446,477	148,748	17,019	97,436	9,747	219,070	319,081	1,531,576
Supplies	529,962	12,162	123,116	54,287	105,309	124,307	352,003	23,983	1,325,129
Advertising	367,085	171,321	-	408	30,526	-	136,750	17,038	723,128
Other costs	1,756,402	58,521	291,032	433,785	295,375	917,502	2,214,204	514,230	6,481,051
Total operating costs	**$ 13,626,213**	**$ 2,736,542**	**$ 14,128,372**	**$ 5,741,887**	**$ 4,747,190**	**$ 8,468,946**	**$ 14,393,497**	**$ 4,949,208**	**$ 68,791,855**
Depreciation	$ 1,976,397	$ -	$ 1,706,271	$ 110,390	$ 231,405	$ 408,049	$ 676,280	$ 199,373	$ 5,308,165
Interest and fees	339,413	-	343,827	22,674	40,885	51,913	121,048	35,967	955,727
Benefits and special events expense	149,910	-	-	-	46,121	-	971,170	1,012,621	2,179,822
Total other costs	**$ 2,465,720**	**$ -**	**$ 2,050,098**	**$ 133,064**	**$ 318,411**	**$ 459,962**	**$ 1,768,498**	**$ 1,247,961**	**$ 8,443,714**
Total allocated costs	**$ 16,091,932**	**$ 2,736,542**	**$ 16,178,470**	**$ 5,874,951**	**$ 5,065,601**	**$ 8,928,908**	**$ 16,161,996**	**$ 6,197,169**	**$ 77,235,569**

15. Net Assets Released From Restrictions

Net assets released during the years ended December 31, 2018 and 2017 are as follows:

	2018	
	Without Donor Restrictions	With Donor Restrictions
Operating	$ 7,277,758	$ (7,277,758)
Collection items purchased	3,394,132	(3,394,132)
Total net assets released from restrictions	$ 10,671,890	$ (10,671,890)
General support	$ 3,824,714	$ (3,824,714)
Exhibitions and projects	3,453,044	(3,453,044)
Collection items purchased	3,394,132	(3,394,132)
Total net assets released from restrictions	$ 10,671,890	$ (10,671,890)

	2017	
	Without Donor Restrictions	With Donor Restrictions
Operating	$ 8,210,427	$ (8,210,427)
Collection items purchased	2,716,259	(2,716,259)
Total net assets released from restrictions	$ 10,926,686	$ (10,926,686)
General support	$ 4,058,399	$ (4,058,399)
Exhibitions and projects	4,152,028	(4,152,028)
Collection items purchased	2,716,259	(2,716,259)
Total net assets released from restrictions	$ 10,926,686	$ (10,926,686)

16. Commitments and Contingencies

The Foundation has noncancelable operating leases for offices. Future minimum annual lease payments under these lease agreements were as follows at December 31, 2018:

	Operating Leases
Years Ending December 31,	
2019	$ 3,045,799
2020	2,996,132
2021	2,916,062
2022	3,067,922
2023	2,751,255
Thereafter	21,746,352
	$ 36,523,522

Certain of these leases require payments under escalation clauses for taxes and operating expenses. Rent expense is recognized on a straight-line basis over the term of the leases. The excess of rent expenses accrued on a straight-line basis over rental payments is included in deferred income and other liabilities on the statement of financial position. Rent expense, including taxes and operating expenses, for 2018 and 2017 amounted to $3,051,502 and $3,147,904, respectively.

The Foundation entered into an operating lease for new administrative office space effective August 22, 2016. This new space replaced the Foundation's previous administrative office space and includes space associated with the Guggenheim Abu Dhabi Museum project. The Foundation received a rent abatement in the amount of $2,937,045 and an alterations allowance in the amount of $4,757,371, which is being recognized over the life of the lease.

Under Italian law, deferred compensation accrues in favor of employees which they (or in the event of their death, their heirs) are entitled to collect upon termination of employment. The amount payable related to each year's service is calculated on the basis of the remuneration of each year and will be subject to annual revaluation based on increases in the Italian cost of living index (ISTAT). Accrued severance payable in association with the Peggy Guggenheim Collection as of December 31, 2018 and 2017 is $1,515,343 and $1,469,890, respectively.

The Foundation is a party to a lawsuit in Rio de Janeiro dating back to 2002. In November 2015, the first appellate court in Rio de Janeiro upheld a lower court's November 2014 decision against the Foundation. A further appeal filed by the Foundation was denied on September 29, 2016. On October 21, 2016, the Foundation filed interlocutory appeals, and these appeals were forwarded to the Superior Court of Justice and the Federal Supreme Court for decision. On June 26, 2018, the reporting judge of the Superior Court of Justice granted the Foundation's interlocutory appeal, and the Foundation awaits further consideration of the appeals. The amount of potential loss is dependent on a variety of factors including the existence of joint and several liability, interest and currency fluctuation, but is estimated to range from $0 to $5.7 million.

17. Subsequent Events

The Foundation evaluated its December 31, 2018 financial statements for subsequent events through June 21, 2019, the date the financial statements were issued. The Foundation is not aware of any material subsequent events which would require recognition or disclosure in the financial statements.inc