

The Solomon R. Guggenheim Foundation

**Financial Statements
December 31, 2019 and 2018**

The Solomon R. Guggenheim Foundation

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December 31, 2019 and 2018

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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, which comprise the statements of financial position as of December 31, 2019 and 2018, 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 Company'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 Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the 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, 2019 and 2018, 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 Company changed the manner in which it accounts for leases and the presentation of restricted cash within the statement of cash flows in 2019. Our opinion is not modified with respect to this matter.

PricewaterhouseCoopers LLP

New York, New York
June 26, 2020

The Solomon R. Guggenheim Foundation
Statements of Financial Position
December 31, 2019 and 2018

	2019	2018
Assets		
Cash and cash equivalents	\$ 12,785,901	\$ 15,560,861
Contributions and grants receivable, net	11,164,238	10,677,403
Accounts receivable	2,165,375	37,744
Other receivables	784,263	837,885
Inventories	817,272	1,276,010
Prepaid expenses	3,027,116	2,164,797
Deferred costs	-	163,659
Investments	105,084,186	78,604,097
Property, equipment and leasehold improvements, net	53,379,487	57,541,092
Right-of-use asset	22,113,416	-
Art collection	1	1
	<u>1</u>	<u>1</u>
Total assets	<u>\$ 211,321,255</u>	<u>\$ 166,863,549</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 12,528,163	\$ 15,897,577
Deferred income and other liabilities	33,229,425	37,182,428
Lease liability	28,774,759	-
Demand and other loans payable	2,500,000	2,500,000
Bonds payable, net of premium and cost	19,601,343	19,559,960
	<u>19,601,343</u>	<u>19,559,960</u>
Total liabilities	<u>96,633,690</u>	<u>75,139,965</u>
Net assets		
Without donor restrictions	(3,278,572)	330,840
With donor restrictions	117,966,137	91,392,744
	<u>117,966,137</u>	<u>91,392,744</u>
Total net assets	<u>114,687,565</u>	<u>91,723,584</u>
Total liabilities and net assets	<u>\$ 211,321,255</u>	<u>\$ 166,863,549</u>

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, 2019

	2019		
	Without donor restrictions	With donor restrictions	Total
Operating support and revenue			
Contributions, grants and bequests	\$ 11,932,394	\$ 7,525,378	\$ 19,457,772
Membership income	4,883,560	-	4,883,560
In-kind contributions	268,595	-	268,595
Benefit and special event income, net of direct expenses of \$2,044,049	1,256,150	-	1,256,150
Admissions	22,693,734	-	22,693,734
Traveling exhibition, royalties and other	10,218,281	-	10,218,281
Investment income from spending rate	248,841	2,154,786	2,403,627
Auxiliary revenues	10,741,704	-	10,741,704
Net assets released from restrictions	4,103,940	(4,103,940)	-
Total operating support and revenue	<u>66,347,199</u>	<u>5,576,224</u>	<u>71,923,423</u>
Operating expenses			
Museum programs			
Exhibitions and projects	9,310,849	-	9,310,849
Traveling exhibitions and other	1,848,988	-	1,848,988
Curatorial and collection maintenance	13,951,356	-	13,951,356
Visitor services	6,674,092	-	6,674,092
Education	4,472,061	-	4,472,061
Auxiliary expenses, including cost of sales	8,174,441	-	8,174,441
Total program expense	<u>44,431,787</u>	<u>-</u>	<u>44,431,787</u>
Supporting services			
Management and general	14,747,360	-	14,747,360
Fundraising	5,223,108	-	5,223,108
Total supporting services	<u>19,970,468</u>	<u>-</u>	<u>19,970,468</u>
Total operating expenses	<u>64,402,255</u>	<u>-</u>	<u>64,402,255</u>
Operating support and revenue in excess of operating expenses	1,944,944	5,576,224	7,521,168
Nonoperating activity			
Contributions	15,000	3,220,359	3,235,359
Investment return greater than spending amount	271,975	8,364,231	8,636,206
Depreciation and amortization	(4,877,294)	-	(4,877,294)
Interest and fees relating to debt	(864,454)	-	(864,454)
Foreign currency translation adjustments	(99,583)	135	(99,448)
Change in net assets before changes related to collection items purchased and sold	<u>(3,609,412)</u>	<u>17,160,949</u>	<u>13,551,537</u>
Change in net assets related to collection items purchased and sold			
Contributions	-	1,495,185	1,495,185
Proceeds from the sale of art	-	11,579,127	11,579,127
Net assets released from restrictions for collection items purchased	3,661,868	(3,661,868)	-
Collection items purchased	(3,661,868)	-	(3,661,868)
Change in net assets	<u>(3,609,412)</u>	<u>26,573,393</u>	<u>22,963,981</u>
Net assets			
Beginning of year	<u>330,840</u>	<u>91,392,744</u>	<u>91,723,584</u>
End of year	<u>\$ (3,278,572)</u>	<u>\$ 117,966,137</u>	<u>\$ 114,687,565</u>

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	With donor restrictions	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	<u>65,407,742</u>	<u>(991,168)</u>	<u>64,416,574</u>
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	<u>49,449,150</u>	<u>-</u>	<u>49,449,150</u>
Supporting services			
Management and general	14,393,497	-	14,393,497
Fundraising	4,949,208	-	4,949,208
Total supporting services	<u>19,342,705</u>	<u>-</u>	<u>19,342,705</u>
Total operating expenses	<u>68,791,855</u>	<u>-</u>	<u>68,791,855</u>
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 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 adjustments	(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	<u>(8,407,916)</u>	<u>5,005,765</u>	<u>(3,402,151)</u>
Net assets			
Beginning of year	<u>8,738,756</u>	<u>86,386,979</u>	<u>95,125,735</u>
End of year	<u>\$ 330,840</u>	<u>\$ 91,392,744</u>	<u>\$ 91,723,584</u>

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

The Solomon R. Guggenheim Foundation
Statements of Cash Flows
December 31, 2019 and 2018

	2019	2018
Cash flows from operating activities		
Change in net assets	\$ 22,963,981	\$ (3,402,151)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	4,877,294	5,308,165
Amortization of deferred financing costs and bond discount	41,383	41,383
Amortization of right of use assets	(2,379,563)	-
Loss on disposal of property, equipment and leasehold improvements	51,362	-
Bad debt expense	-	62,634
Investment in acquisitions of art	3,661,868	3,394,132
Proceeds from sale of art	(11,579,127)	(11,650)
Contributions for endowments	(5,063,013)	(10,487,053)
Net realized and unrealized (gains) losses on investments	(11,242,398)	3,874,786
Changes in operating assets and liabilities		
Contributions receivable	(836,835)	(2,548,785)
Accounts receivable and other receivables	(2,074,009)	657,340
Inventories	458,738	72,074
Prepaid expenses and deferred costs	(698,660)	(955,692)
Accounts payable and accrued expenses	2,740,667	583,553
Deferred income and other liabilities	(751,279)	(1,271,277)
Net cash provided by (used in) operating activities	<u>170,409</u>	<u>(4,682,541)</u>
Cash flows from investing activities		
Investments in property, equipment and leasehold improvements	(687,951)	(778,259)
Acquisitions of art	(3,661,868)	(3,394,132)
Proceeds from sale of art	11,579,127	11,650
Purchases of investments	(37,842,972)	(37,853,695)
Proceeds from dispositions of investments	<u>22,952,774</u>	<u>34,990,298</u>
Net cash used in investing activities	<u>(7,660,890)</u>	<u>(7,024,138)</u>
Cash flows from financing activities		
Payments on line of credit	-	(7,500,000)
Proceeds from line of credit	-	7,000,000
Contributions for endowments	<u>5,063,013</u>	<u>10,487,053</u>
Net cash provided by financing activities	<u>5,063,013</u>	<u>9,987,053</u>
Net decrease in cash and cash equivalents	(2,427,468)	(1,719,626)
Cash and cash equivalents, restricted cash		
Beginning of year	<u>21,847,683</u>	<u>23,567,309</u>
End of year	<u>\$ 19,420,215</u>	<u>\$ 21,847,683</u>
Supplemental information		
Interest paid	\$ 885,517	\$ 905,226
Income taxes paid	186,410	260,954
Non cash transactions		
Accounts payable for property, plant and equipment	100,893	21,792
Right-of-use asset obtained in exchange for operating lease obligation	22,113,416	-
Lease liability obtained in exchange for operating lease obligation	28,774,759	-

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

The Solomon R. Guggenheim Foundation

Notes to Financial Statements

December 31, 2019 and 2018

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 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, and has been inscribed on the UNESCO World Heritage List as part of *The 20th-Century Architecture of Frank Lloyd Wright*. 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 controls 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.

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 controlled or owned by the Foundation. Accordingly, their assets, liabilities and activities are not consolidated into these financial statements.

The Solomon R. Guggenheim Foundation

Notes to Financial Statements

December 31, 2019 and 2018

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 ASU 2018-08 Contributions Received and Contributions Made

In 2019, the Foundation implemented *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 determining whether a transfer of assets should be accounted for as a contribution or an exchange transaction. This amendment also provides additional clarification as to whether or not a contribution is conditional and to distinguish a donor-imposed condition from a donor-imposed restriction. In accordance with ASU 2018-08, the Foundation evaluated whether transfers of assets were (1) an exchange transaction in which the resource provider received commensurate value in return for the resources transferred or (2) a contribution. If the transaction was deemed an exchange transaction, the Foundation applied the revenue framework under ASU 2014-09. The following factors are deemed to make a contribution conditional under ASU 2018-08 providing that the Foundation may only recognize the contribution when the barriers have been met: One or more barriers that must be overcome before the Foundation is entitled to the promised assets and a right of return to the contributor of assets transferred, or right of release of a promisor's obligation to transfer the assets. The Foundation has adopted ASU 2018-08 on a modified-prospective basis and has deemed the impact to be immaterial to its financial statements.

Adoption of ASU 2016-02 Leases

As of January 1, 2019 the Foundation implemented *ASU 2016-02, Leases* on a modified retrospective basis. 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. Leases are classified as either operating or financing and the lease classification determines the pattern of expense recognition in the Foundation's financial statements. Operating leases result in straight line expense over the term of the lease. As a result of adoption, the Foundation recognized a right of use asset of \$24,492,979 and an operating lease liability \$31,407,477 on January 1, 2019. There was no impact upon the opening net assets as of January 1, 2019. The adoption of ASU 2016-02 did not have a material impact on the Foundation's results of operations or cash flows, other than disclosure of supplemental non cash information. Further information is provided in Note 16.

Adoption of ASU 2016-18 Restricted Cash

In 2019 the Foundation implemented *ASU 2016-18 Restricted Cash*. The new guidance requires that the reconciliation of the beginning-of-period and end-of period amounts shown in the statement of cash flows include restricted cash and restricted cash equivalents. Companies will also need to disclose information about the nature of the restrictions. The new standard was effective January 1, 2019, and was adopted by the Foundation using a retrospective application. The Foundation has implemented the new guidance as included in the Cash and cash equivalents section of Note 2 below. The adoption of ASU 2016-18 did not have a material impact on the Foundation's results of operations, however, the adoption increased net cash used in investing activities for the year

The Solomon R. Guggenheim Foundation

Notes to Financial Statements

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ended December 31, 2018 from \$1,790,495 as previously reported to \$7,024,138 in the statement of cash flows.

New Accounting Pronouncements Not Yet Effective

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

In March 2019, the FASB issued ASU 2019-03 Not-for-Profit Entities – Updating the Definition of Collections (Topic 958). This ASU addresses the use of deaccessioned funds not only for the acquisition of new collection items, but also for direct care of the collection. This ASU is effective for fiscal years beginning after December 15, 2019, with early adoption permitted, to be applied on a prospective basis. The Foundation will adopt ASU 2019-03 in 2020 and is evaluating the impact that this standard will have on its financial statements.

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 with respect to 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.

The Solomon R. Guggenheim Foundation
Notes to Financial Statements
December 31, 2019 and 2018

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 nonoperating contributions, changes in net assets related to collection items purchased and sold, bad debt expense and other expenses, investment return greater or less than the spending amount for operations, depreciation and amortization of fixed assets, interest and fees relating to debt, and foreign currency translation adjustments.

Cash and Cash Equivalents

Except for cash 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, 2019 and 2018, the Foundation's cash and cash equivalents were maintained at financial institutions in excess of federally insured amounts. Management believes that the credit risk to these deposits is minimal.

On the statements of cash flows, the Foundation is required to show restricted cash from investments as part of a reconciliation equating to total cash. The Foundation elected to treat highly liquid short-term investments within its investment portfolio (Note 6) as investments, and therefore is only including cash held in the portfolio in the statement of cash flows and not short-term investments.

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

Cash and cash equivalents	2019	2018
Cash and cash equivalents on the statements of financial position	12,785,901	15,560,861
Cash included in investments	8,053,208	8,608,635
Less: Cash-in-transit for investments	(1,418,894)	(2,321,813)
Total cash and cash equivalents, restricted cash on statements of cash flows	<u>\$ 19,420,215</u>	<u>\$ 21,847,683</u>

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 \$1.1195 and \$1.1810 for the years ended December 31, 2019 and 2018, respectively. The exchange rate to purchase one Euro expressed in U.S. dollars at December 31, 2019 and 2018 was \$1.1234 and \$1.1450, respectively. Adjustments resulting from translation have been recorded as a change in net assets in the statement of activities. Foreign currency translation losses of \$99,448 and \$237,368 were recorded for the years ended December 31, 2019 and 2018, respectively.

Investments

All debt and equity securities, as well as a 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

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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, 2019 and 2018, 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 were recorded at estimated fair value as of the dates of donation.

Depreciation 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 statements 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 statements 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

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in accordance with the law and the Foundation's Collections Management Policy. Deaccession proceeds are used for art acquisitions also in accordance with the law and the Collections 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 discussed 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.

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 statements of activities and changes in net assets 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.

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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 \$1,226,000 and \$1,482,000 at December 31, 2019 and 2018, respectively, 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 (the "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 2019. 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, 2019 and 2018, the remaining contract liabilities under the License Agreement total \$28,585,000 and \$30,185,000 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 2019 and 2018, \$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, 2019. No revenue has been recognized in the statement of activities and changes in net assets 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. Subsequent to December 31, 2019, a modification to the agreement was executed such that additional consideration is expected to be received in 2020. As of the date of the issuance of these financial statements, approximately \$10,000,000 has been received under the amended agreement. These and any subsequent funds to be received will be recognized ratably into operating revenue over the life of the License Agreement consistent with current practice.

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Under management fees and cost reimbursement contractual arrangements, \$6,602,000 has been recognized, \$5,118,000 of which is associated with the annual management fees and \$1,484,000 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 \$3,080,912 and \$1,900,000 at December 31, 2019 and 2018, 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 \$797,508 and \$1,163,009 of finished goods and \$19,764 and \$113,001 of work in process at December 31, 2019 and 2018, respectively. As of November 5, 2019, the Foundation outsourced its retail store operation to a third party vendor. The third party vendor purchased the majority of the Foundation's retail store inventory at the time of the transition, with respect to which the Foundation has recorded a receivable.

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 and other, curatorial and collections maintenance, visitor services, education and auxiliary activities, including cost of sales. Management and general expenses include costs associated with the following departments: director's office, 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. No advertising was donated in 2019 and 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.

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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.

3. Liquidity and Availability of Resources

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

Assets Available within one year:	2019	2018
Cash and cash equivalents	\$ 12,785,901	\$ 15,560,861
Less: Cash reserved for art and security deposits	(6,334,059)	(4,037,773)
Less: Cash for board managed funds	-	(2,000,000)
Contributions and grants receivable due within one year	5,148,046	6,062,904
Less: Contributions receivables related to endowments	(1,018,491)	(1,217,201)
Accounts receivable	2,165,375	37,744
Other receivables	784,263	837,885
Board managed funds approved for appropriations	<u>7,988,061</u>	<u>6,586,832</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 21,519,096</u>	<u>\$ 21,833,270</u>

The Foundation has \$21,519,096 and \$21,833,270 of financial assets available within one year of the dates of the statements of financial position at December 31, 2019 and 2018, respectively, to meet cash needs for general expenditures consisting of cash of \$6,451,842 and \$9,532,088, receivables of \$7,079,193 and \$5,721,332, and short-term investments of \$7,988,061 and \$6,586,832 at December 31, 2019 and 2018, respectively. 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 of the statement of financial position date. In addition to these assets, the Foundation has additional Board Managed funds of \$5,137,700 and \$4,560,697 in 2019 and 2018, which could be used if needed.

In addition, as part of its liquidity management, the Foundation has a committed line of credit in the amount of \$5,000,000, of which \$2,500,000 was available at December 31, 2019 and 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, 2019 and 2018 are expected to be collected as follows:

	2019	2018
Within 1 year	\$ 5,148,046	\$ 6,062,904
1 to 5 years	4,491,770	2,954,594
Thereafter	<u>3,900,000</u>	<u>3,900,000</u>
Gross contributions and grants receivable	13,539,816	12,917,498
Less: Discount to present value	<u>(2,375,579)</u>	<u>(2,240,095)</u>
Contributions and grants at present value	<u>\$ 11,164,238</u>	<u>\$ 10,677,403</u>

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At December 31, 2019 and 2018, \$9,057,000 and \$10,060,000 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 2019, The City of New York spent \$184,081 to support a security and building management services upgrade for the Museum. The City's investment of capital funding obligated the Foundation to operate the facility and/or maintain equipment for the respective bonding term as a non-profit entity open, and used and maintained, for the benefit of the people of the City of New York for cultural, educational or artistic uses and/or related purposes approved by the City.

5. Investments

Investments consisted of the following at December 31, 2019 and 2018:

	2019		2018	
	Fair Value	Cost Basis	Fair Value	Cost Basis
Cash for reinvestment	\$ 8,053,208	\$ 8,083,549	\$ 8,608,635	\$ 8,635,393
Short-term Government Bond Fund	22,736,483	22,290,613	10,166,167	10,069,172
Equities	8,151,362	5,416,451	5,469,045	4,675,264
Alternative investments				
Fixed income funds	10,340,006	9,837,431	8,654,962	9,158,449
Equity funds	42,832,048	34,195,712	34,217,925	31,050,776
Fund of hedge funds	4,101,448	3,612,433	1,909,788	1,612,433
Event/credit arbitrage funds	5,731,348	4,379,682	5,461,107	4,379,682
International funds	3,138,283	2,943,082	4,116,468	4,255,936
Total alternative investments	66,143,133	54,968,340	54,360,250	50,457,276
	<u>\$ 105,084,186</u>	<u>\$ 90,758,953</u>	<u>\$ 78,604,097</u>	<u>\$ 73,837,105</u>

Included in cash for reinvestment is an investment receivable of \$1,418,894 and \$2,321,813 as of December 31, 2019 and 2018, respectively.

The following summarizes the Foundation's investment return for the year ended December 31, 2019, and its classification in the statement of activities:

	Without Donor Restrictions	With Donor Restrictions	Total
Net investment return	\$ 520,816	\$ 10,519,017	\$ 11,039,833
Less: Investment income and spending rate included in operating activity	<u>(248,841)</u>	<u>(2,154,786)</u>	<u>(2,403,627)</u>
Total investment income included in nonoperating activity	<u>\$ 271,975</u>	<u>\$ 8,364,231</u>	<u>\$ 8,636,206</u>

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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	<u>(821,694)</u>	<u>(2,082,170)</u>	<u>(2,903,864)</u>
Total investment losses included in nonoperating activity	<u>\$ (1,528,551)</u>	<u>\$ (5,448,778)</u>	<u>\$ (6,977,329)</u>

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).

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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, 2019:

Investments as of December 31, 2019	Quoted Market Prices (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total
Cash for reinvestment	\$ 8,053,208	\$ -	\$ -	\$ 8,053,208
Short-term government bond fund	-	22,736,483	-	22,736,483
Equities	8,151,362	-	-	8,151,362
Investments at fair value	16,204,570	22,736,483	-	38,941,053
Investments measured at net asset value	-	-	-	66,143,133
Total investments	<u>\$ 16,204,570</u>	<u>\$ 22,736,483</u>	<u>\$ -</u>	<u>\$ 105,084,186</u>
Cash and cash equivalents	<u>\$ 8,013,011</u>	<u>\$ 4,772,890</u>	<u>\$ -</u>	<u>\$ 12,785,901</u>

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 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	<u>\$ 14,077,680</u>	<u>\$ 10,166,167</u>	<u>\$ -</u>	<u>\$ 78,604,097</u>
Cash and cash equivalents	<u>\$ 12,459,609</u>	<u>\$ 3,101,252</u>	<u>\$ -</u>	<u>\$ 15,560,861</u>

The following is a description of the Foundation's valuation methodologies for assets and liabilities measured at fair value as of December 31, 2019 and 2018:

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.

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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. At December 31, 2019 and 2018, there were no Level 3 assets.

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, 2019 and 2018. 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, 2019:

Class	Fair Value	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Fixed income funds (a)	\$ 10,340,006	In Liquidation (1 fund)- 7% Monthly (1 fund)- 26% Daily (2 funds)- 58% Illiquid (1 fund)- 9%	In Liquidation (1 fund)- 7% 30 days (2 funds)- 58% 10 days (1 fund)- 26% Illiquid (1 fund)- 9%
Equity funds (b)	42,832,048	Annual (2 funds)- 9% Quarterly (6 funds)- 40% Monthly (2 funds)- 12% Daily (9 funds)- 39%	180 days (2 funds)- 9% 90 days (1 fund)- 9% 60 days (2 funds)- 16% 45 days (3 funds)- 15% 30 days (2 funds)- 12% 1 day (9 funds)- 39%
Fund of hedge funds (c)	4,101,448	In Liquidation (1 fund)- <1% Quarterly (2 funds)- 100%	In Liquidation (1 fund)- <1% 105 days (1 fund)- 49% 95 days (1 fund)- 51%
Event/credit arbitrage funds (d)	5,731,348	Quarterly (1 fund)- 60% Monthly (2 funds)- 40%	90 days (2 funds)- 40% 60 days (1 fund)- 60%
International funds (e)	3,138,283	Monthly (1 fund)- 18% Daily (2 funds)- 82%	90 days (1 fund)- 18% 1 day (2 funds)- 82%
Total alternative investments	<u>\$ 66,143,133</u>		

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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 fund)- <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	<u>\$ 54,360,250</u>		

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. One fund, valued at \$739,337 and two funds valued at \$1,489,415 as of December 31, 2019 and 2018, respectively, are currently in liquidation.
- (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 of the funds valued at \$6,064 and \$6,259 as of December 31, 2019 and 2018, respectively, is 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.

At December 31, 2019 there was one unfunded commitment totaling \$2,189,307. There were no unfunded commitments at December 31, 2018.

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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.

7. Endowment Funds

The Foundation's endowment consists of 42 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

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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 2019 and 2018.

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. The Foundation uses a 21-quarter rolling average, which generated an average endowment draw of approximately 2.8% and 3.2% for December 31, 2019 and 2018, respectively.

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, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds			
Assets held in perpetuity	\$ -	\$ 71,337,071	\$ 71,337,071
Appreciation	-	(6,476,355)	(6,476,355)
Term endowment	-	4,402,354	4,402,354
Art fund endowment			
Assets held in perpetuity	-	10,105,000	10,105,000
Appreciation	-	2,491,239	2,491,239
Board-designated endowment funds	<u>13,464,796</u>	<u>7,345,000</u>	<u>20,809,796</u>
Total funds	<u>\$ 13,464,796</u>	<u>\$ 89,204,309</u>	<u>\$ 102,669,105</u>

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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	<u>11,085,165</u>	<u>3,445,000</u>	<u>14,530,165</u>
Total funds	<u>\$ 11,385,541</u>	<u>\$ 74,153,316</u>	<u>\$ 85,538,857</u>

Largely 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 \$9,561,549 and \$12,185,653 as of December 31, 2019 and 2018, respectively.

The Foundation's endowments had the following changes for the years ended December 31, 2019 and 2018:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment funds, December 31, 2018	<u>\$ 11,385,541</u>	<u>\$ 74,153,316</u>	<u>\$ 85,538,857</u>
Total investment return	848,689	10,111,845	10,960,534
Contributions	3,650,000	5,120,359	8,770,359
Appropriation of endowment assets for expenditure transfers and redesignations	<u>(2,419,434)</u>	<u>(181,211)</u>	<u>(2,600,645)</u>
Endowment funds, December 31, 2019	<u>\$ 13,464,796</u>	<u>\$ 89,204,309</u>	<u>\$ 102,669,105</u>
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment funds, December 31, 2017	<u>\$ 24,201,974</u>	<u>\$ 67,807,524</u>	<u>\$ 92,009,498</u>
Total investment 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 transfers and redesignations	<u>(13,252,130)</u>	<u>(2,040,548)</u>	<u>(15,292,678)</u>
	<u>(3,363,639)</u>	<u>(1,709,337)</u>	<u>(5,072,976)</u>
Endowment funds, December 31, 2018	<u>\$ 11,385,541</u>	<u>\$ 74,153,316</u>	<u>\$ 85,538,857</u>

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

	2019	2018
With Endowment Restrictions		
Educational programs	\$ 12,796,729	\$ 12,671,229
Curatorial programs	4,537,048	4,537,048
Publications	1,200,000	1,200,000
General operating support	36,501,289	35,919,227
Conservation	12,002,005	9,489,215
Exhibition programs	4,300,000	4,300,000
Art fund endowment	<u>10,105,000</u>	<u>10,105,000</u>
Total endowment funds classified as net assets with endowment restrictions	<u>81,442,071</u>	<u>78,221,719</u>
Other Donor Restrictions		
General operating	(6,476,355)	(12,554,488)
Term endowment	4,402,354	4,045,499
Art fund endowment	2,491,239	995,586
Board-designated endowment funds	<u>7,345,000</u>	<u>3,445,000</u>
Total endowment funds classified as net assets with other donor restrictions	<u>7,762,237</u>	<u>(4,068,403)</u>
Total funds classified as net assets with donor restrictions	89,204,309	74,153,316
Total endowment funds classified as without restrictions - general operating support	<u>13,464,796</u>	<u>11,385,541</u>
Total endowment funds	<u>\$ 102,669,105</u>	<u>\$ 85,538,857</u>

Included within board-designated endowment funds is approximately \$2,000,000 designated for conservation purposes.

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8. Property, Equipment and Leasehold Improvements, Net

Property, equipment and leasehold improvements, net, consisted of the following at December 31, 2019 and 2018:

	2019	2018
Land	\$ 3,130,643	\$ 3,130,643
Buildings and building improvements	104,485,190	106,339,346
Furniture, fixtures and equipment	3,832,993	4,259,482
Leasehold improvements	14,587,114	14,678,056
Construction in progress	372,712	266,958
Intangible assets	95,334	-
	<u>126,503,986</u>	<u>128,674,485</u>
Less: Accumulated depreciation and amortization	<u>(73,124,499)</u>	<u>(71,133,393)</u>
Total property, equipment and leasehold improvements, net	<u>\$ 53,379,487</u>	<u>\$ 57,541,092</u>

9. Bonds Payable, Net of Premium and Cost of Issuance

Bonds payable at December 31, 2019 and 2018 are as follows:

	2019	2018
Series 2016A Bonds	\$ 20,000,000	\$ 20,000,000
Bond discount and issuance costs, net of amortization	<u>398,657</u>	<u>440,040</u>
Bonds payable	<u>\$ 19,601,343</u>	<u>\$ 19,559,960</u>

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, 2019 and 2018, interest expense on the Bonds totaled \$771,225 annually. There are no restrictive financial covenants related to the Bonds.

The 2016A Bonds consisted of the following amounts and maturities at December 31, 2019:

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

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

Year Ended December 31,	Sinking Fund Requirement
2020	\$ -
2021	-
2022	850,000
2023	880,000
2024	910,000
Thereafter	17,360,000
Total Principal Payments	<u>\$ 20,000,000</u>

10. Demand and Other Loans Payable

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, which expires in November 2022. At December 31, 2019 and 2018 the outstanding amount on the Foundation's line of credit was \$2,500,000. 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 as \$5,000,000. The Foundation was compliant with its financial covenant throughout 2019.

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%.

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11. Net Assets

Net assets consisted of the following at December 31, 2019 and 2018:

	2019	2018
Other donor restrictions		
Restricted by time	\$ 11,908,174	\$ 9,679,583
Restricted by purpose		
Exhibitions, projects and other	5,185,535	(5,542,769)
Conservation	2,000,000	-
Purchase of works of art	<u>16,677,018</u>	<u>8,280,872</u>
Total net assets with other donor restrictions	<u>\$ 35,770,727</u>	<u>\$ 12,417,686</u>
 Endowment restricted net assets		
Art collection	\$ 1	\$ 1
Land	753,338	753,338
Endowment, income restricted for reinvestment and educational programs	12,796,729	12,671,229
Endowment, income restricted for curatorial chair	4,537,048	4,537,048
Endowment, art fund, income restricted for art purchases	10,105,000	10,105,000
Endowment, conservation	12,002,005	9,489,215
Endowment, income restricted for publications	1,200,000	1,200,000
Endowment, income restricted for exhibitions	4,300,000	4,300,000
Endowment, income for general operating support	<u>36,501,289</u>	<u>35,919,227</u>
Total net assets with endowment donor restrictions	<u>\$ 82,195,410</u>	<u>\$ 78,975,058</u>
Total net assets with donor restrictions	<u>\$ 117,966,137</u>	<u>\$ 91,392,744</u>

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. For the 2018 and 2019 plan years, the Foundation made a contribution equal to 3% of each eligible participant's annual base pay and matched 50% of the first 5% of base pay voluntarily contributed to the plan by eligible participants. During 2019 and 2018, the Foundation recorded expenses of \$849,732 and \$924,386, 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 \$739,337 and cost of \$1,190,310 at December 31, 2019 and investments managed by this firm with a fair value of \$1,455,183 and cost of \$2,099,370 at December 31, 2018. In 2019 and 2018, the Foundation paid the investment firm fees of \$17,413 and \$24,229, respectively.

Two principal owners of a 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

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the Foundation has an approved investment. At December 31, 2019 and 2018, the Foundation's investment, at cost, in the fund of funds was \$1,605,000 and \$1,904,000, 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 2019 and 2018, the Foundation paid the investment advisory firm fees for its advisory services related to the Foundation's other fund of funds totaling \$327,874 and \$283,256, respectively.

14. Functional and Natural Classification of Expenses

Expenses by functional classification for the years ended December 31, 2019 and 2018 are shown below. Depreciation, interest expense, benefits and special events expense and fees relating to debt service, which are not allocated functionally on the statements of activities, are allocated functionally below. The following table summarizes the Foundation's functional expense allocation for the year ended December 31, 2019:

Natural Classification	Programming Costs						Supporting Costs		Total
	Exhibitions Projects	Traveling Exhibitions	Curatorial and Collection Maintenance	Visitor Services	Education	Auxiliary	Management and General	Fundraising	
Salaries and benefits	\$ 2,572,154	\$ 836,473	\$ 9,404,373	\$ 4,783,845	\$ 3,440,618	\$ 2,808,201	\$ 7,358,087	\$ 3,170,044	\$ 34,373,795
Occupancy	3,562,148	108,967	3,489,910	298,930	398,926	686,045	2,201,096	352,541	11,098,563
Professional fees	893,576	545,995	444,823	1,012,564	151,350	56,617	2,286,230	589,484	5,980,639
Cost of goods	-	-	-	-	-	4,009,556	-	-	4,009,556
Art shipping and crating	414,906	10,257	22,644	-	-	3,191	19,149	2,128	472,275
Travel and entertainment	121,552	292,780	115,051	9,006	47,159	6,642	194,551	470,288	1,257,029
Supplies	411,269	2,897	127,477	70,463	111,068	77,107	854,154	28,924	1,683,359
Advertising	790,818	-	-	-	33,148	51,618	420,316	17,487	1,313,387
Other costs	544,426	51,619	347,078	499,284	289,792	475,464	1,413,777	592,212	4,213,652
Total operating costs	9,310,849	1,848,988	13,951,356	6,674,092	4,472,061	8,174,441	14,747,360	5,223,108	64,402,255
Depreciation	1,763,804	-	1,662,254	101,330	212,367	354,877	598,655	184,007	4,877,294
Interest and fees	300,332	-	322,896	20,040	36,157	45,780	107,240	32,009	864,454
Benefits and special events expense	16,616	-	-	-	51,223	-	588,629	1,387,581	2,044,049
Total other costs	2,080,752	-	1,985,150	121,370	299,747	400,657	1,294,524	1,603,597	7,785,797
Total allocated costs	\$ 11,391,601	\$ 1,848,988	\$ 15,936,506	\$ 6,795,462	\$ 4,771,808	\$ 8,575,098	\$ 16,041,884	\$ 6,826,705	\$ 72,188,052

The following table summarizes the Foundation's functional expense allocation for the year ended December 31, 2018:

Natural Classification	Programming Costs						Supporting Costs		Total
	Exhibitions Projects	Traveling Exhibitions	Curatorial and Collection Maintenance	Visitor Services	Education	Auxiliary	Management and General	Fundraising	
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

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15. Net Assets Released From Restrictions

Net assets released during the years ended December 31, 2019 and 2018 are as follows:

	2019	
	Without Donor Restrictions	With Donor Restrictions
Operating	\$ 4,103,940	\$ (4,103,940)
Collection items purchased	3,661,868	(3,661,868)
Total net assets released from restrictions	<u>\$ 7,765,808</u>	<u>\$ (7,765,808)</u>
General support	\$ 3,362,462	\$ (3,362,462)
Exhibitions and projects	741,478	(741,478)
Collection items purchased	3,661,868	(3,661,868)
Total net assets released from restrictions	<u>\$ 7,765,808</u>	<u>\$ (7,765,808)</u>
	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	<u>\$ 10,671,890</u>	<u>\$ (10,671,890)</u>
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	<u>\$ 10,671,890</u>	<u>\$ (10,671,890)</u>

16. Leases

The Foundation has a limited number of operating leases, most of which are for office and other space rentals. On January 1, 2019, the Foundation adopted ASC 842, Leases (Note 2), and as permitted under the guidance, has elected a package of practical expedients, among which is one that allows the Foundation to maintain its historical lease classifications. The most significant lease is the Foundation's operating lease for administrative office space, effective August 22, 2016, which replaced the Foundation's previous administrative office space and includes space associated with the Guggenheim Abu Dhabi Museum project. The term of the lease is 15 years, with an optional extension provision. As of December 31, 2019 there are 137 months remaining on the lease. Other leases include other property in New York, rental space in Venice, and equipment leases, which expire at various dates through 2023.

Management will consider various factors such as market conditions and the terms of any renewal options that may exist to determine whether to renew or replace a lease. For leases in place as of December 31, 2019, renewals are not considered within the lease term and minimum lease payments as they are not reasonably certain to be exercised.

The Foundation includes fixed rent, predetermined rent escalations, rent-free periods and certain incentives for leasehold improvements as lease components.

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Lease expense is recognized on a straight-line basis over the life of the lease. Certain of these leases require variable payments for taxes and operating expenses and are expensed as incurred.

The lease liabilities are initially and subsequently measured at the present value of the remaining lease payments. The right-of-use assets are initially recognized at the amount of the lease liabilities initially recognized less lease incentives received, plus initial direct costs and prepaid lease payments, if any. Since the Foundation's lease agreements do not have readily determinable discount rates implicit in the leases, the Foundation used its incremental borrowing rate of 3.41% to determine the present value of the lease payments. Should there be a modification, the rate may be updated with a more current incremental borrowing rate. The Foundation has also elected a practical expedient to allow the lease and non-lease components not to be separated in event the agreement contains both.

The Foundation's office space lease includes an alterations allowance in the amount of \$4,757,371, which is being recognized over the life of the lease. As of December 31, 2019, the remaining unamortized lease incentive was \$3,693,724. The Foundation reduced the right of use asset by the amount of the unamortized lease incentive. Under the office lease, the Foundation received a rent abatement in the amount of \$2,937,045, which is also being recognized over the life of the lease.

Upon the adoption of ASC 842, at January 1, 2019, the right of use asset and lease liability were \$24,492,979 and \$31,407,477, respectively. The right of use asset and lease liability at December 31, 2019 as presented in the statements of financial position were \$22,113,216 and \$28,774,759, respectively.

Lease payments that impact operating cash flows during 2019 were \$3,582,299.

Rent expense, including taxes and operating expenses, included within the statement of activities and changes in net assets for 2019 amounted to \$3,144,180. Prior to the adoption of ASC 842, operating lease expenses included within the statement of activities and changes in net assets was \$3,051,502 in 2018.

The following table reconciles the undiscounted cash flows expected to be paid in each of the next five years and thereafter to the lease liability recorded on the statement of financial position for operating leases existing as of December 31, 2019:

Year Ending December 31,	Operating Leases
2020	\$ 3,521,225
2021	2,953,337
2022	3,103,143
2023	2,754,796
2024	2,687,922
Thereafter	<u>19,058,430</u>
Total minimum lease commitments	34,078,853
Less: Imputed interest	<u>(5,304,094)</u>
Present value of lease liability	<u>\$ 28,774,759</u>

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As of December 31, 2018, prior to the adoption of ASC 842, the minimum aggregate lease commitments under noncancelable operating leases were as follows:

	Operating Leases
Year Ending December 31,	
2019	\$ 3,045,799
2020	2,996,132
2021	2,916,062
2022	3,067,922
2023	2,751,255
Thereafter	<u>21,746,352</u>
Total minimum lease payments	<u>\$ 36,523,522</u>

17. Commitments and Contingencies

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 \$5,000,000.

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, 2019 and 2018 is \$1,520,855 and \$1,515,343, respectively.

18. Subsequent Events

The Foundation evaluated its December 31, 2019 financial statements for subsequent events through June 26, 2020, the date the financial statements were issued.

In January 2020, the World Health Organization recognized the novel strain of coronavirus, COVID-19, as a pandemic. This outbreak has severely restricted the level of economic activity around the world and has disrupted business in every sector of the economy. In response to this outbreak, many local and national governments have imposed restrictions on business operations, travel, and time spent outside the home. In accordance with directives issued by the New York State government, the Museum has been closed since March 13, 2020, and The Peggy Guggenheim Collection in Venice was also temporarily closed in compliance with government directives in Italy. While this disruption is expected to be temporary, there is considerable uncertainty regarding the duration of the closings, any restrictions relating to reopening, the impact on visitorship due to international travel restrictions and the comfort of visitors to return to museums, and the impact on other sources of revenue such as fundraising events, retail operations, food services, educational programming events and donations. Therefore, the

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Foundation expects this matter to negatively impact its operating results. In response, the Foundation has taken efforts to reduce the Foundation's cash outflow during this time of uncertainty.

The Foundation has, as a result of the impacts already realized and due to the uncertainty of the overall ultimate impact of this disruption to its business, updated its forecasted overall financial results based on its best estimates. The Foundation believes it will maintain compliance with its debt covenants and meet its obligations as they become due as a result of initiatives implemented and agreements in place at this time. However, given the uncertainty regarding the development of this coronavirus and steps taken to contain it or treat its effects, there is difficulty in predicting the ultimate duration and severity of the impact of COVID-19 on the Foundation. The ultimate impact of these uncertainties may be material to the Foundation's results and financial position.