The Solomon R. Guggenheim Foundation

Financial Statements
December 31, 2013 and 2012

The Solomon R. Guggenheim Foundation
Index
December 31, 2013 and 2012

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, 2013 and 2012, 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.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of 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 Foundation at December 31, 2013 and 2012, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers LLP

June 13, 2014

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The Solomon R. Guggenheim Foundation
Statements of Financial Position
December 31, 2013 and 2012

	2013	2012
Assets		
Cash and cash equivalents	$ 20,771,168	$ 12,084,664
Contributions and grants receivable, net	15,323,168	17,657,934
Accounts receivable	1,555,178	827,946
Other receivables	1,083,828	922,262
Inventories	1,045,545	1,029,686
Prepaid expenses	217,206	283,444
Deferred costs	398,581	487,249
Investments	69,881,905	64,261,836
Property, equipment and leasehold improvements, net	65,248,545	68,397,132
Art collection	1	1
Total assets	$ 175,525,125	$ 165,952,154
Liabilities and Net Assets:		
Liabilities:		
Accounts payable and accrued expenses	$ 12,658,483	$ 14,065,789
Deferred income and other liabilities	38,493,410	36,969,588
Demand and other loans payable	3,977,332	4,323,047
Loan payable to Trust for Cultural Resources	5,600,000	8,100,000
Total liabilities	60,729,225	63,458,424
Net assets		
Unrestricted	22,659,653	16,860,440
Temporarily restricted	34,408,149	30,798,602
Permanently restricted	57,728,098	54,834,688
Total net assets	114,795,900	102,493,730
Total liabilities and net assets	$ 175,525,125	$ 165,952,154

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, 2013

	2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating support and revenue:				
Contributions, grants and bequests	$ 10,356,110	$ 6,176,681	$ -	$ 16,532,791
Membership income	3,724,930	-	-	3,724,930
In-kind contributions	938,082	-	-	938,082
Benefit and special event income, net of direct expenses of $1,672,262	1,492,981	-	-	1,492,981
Admissions	20,814,097	-	-	20,814,097
Traveling exhibition fees, royalties and other	21,153,828	-	-	21,153,828
Investment income from spending rate	815,057	1,006,149	-	1,821,206
Auxiliary revenues	8,817,834	-	-	8,817,834
Net assets released from restrictions	6,005,099	(6,005,099)	-	-
Total operating support and revenue	74,118,018	1,177,731	-	75,295,749
Operating expenses				
Museum programs				
Exhibitions and projects	15,224,610	-	-	15,224,610
Traveling exhibitions and other	9,096,284	-	-	9,096,284
Curatorial and collection maintenance	11,850,902	-	-	11,850,902
Visitor services	5,105,413	-	-	5,105,413
Education	3,712,013	-	-	3,712,013
Auxiliary expenses, including cost of sales	7,866,479	-	-	7,866,479
Total program expenses	52,855,701	-	-	52,855,701
Supporting services				
Management and general	12,725,351	-	-	12,725,351
Fundraising	3,992,000	-	-	3,992,000
Total supporting services	16,717,351	-	-	16,717,351
Total operating expenses	69,573,052	-	-	69,573,052
Operating support and revenue over operating expenses	**4,544,966**	**1,177,731**	**-**	**5,722,697**
Nonoperating activity				
Contributions	375,000	-	1,182,071	1,557,071
Investment return greater than spending amount	1,003,138	6,553,922	1,711,339	9,268,399
Depreciation and amortization	(5,053,934)	-	-	(5,053,934)
Interest and fees relating to debt	(241,267)	-	-	(241,267)
Net change in postretirement benefit obligation	47,285	-	-	47,285
Foreign currency translation	142,343	-	-	142,343
Recoveries of funds with deficiencies and other transfers	4,881,603	(4,881,603)	-	-
Change in net assets before changes related to collection items purchased and sold	**5,699,134**	**2,850,050**	**2,893,410**	**11,442,594**
Change in net assets related to collection items purchased and sold				
Contributions	-	4,001,162	-	4,001,162
Proceeds from sales of art	-	6,600	-	6,600
Net assets released from restrictions for collection items purchased	3,248,265	(3,248,265)	-	-
Collection items purchased	(3,148,186)	-	-	(3,148,186)
Change in net assets	**5,799,213**	**3,609,547**	**2,893,410**	**12,302,170**
Net Assets				
Beginning of year	16,860,440	30,798,602	54,834,688	102,493,730
End of year	**$ 22,659,653**	**$ 34,408,149**	**$ 57,728,098**	**$ 114,795,900**

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, 2012

	2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating support and revenue:				
Contributions, grants and bequests	$ 7,444,566	$ 11,941,767	$ -	$ 19,386,333
Membership income	3,367,278	-	-	3,367,278
In-kind contributions	692,662	-	-	692,662
Benefit and special event income, net of direct expenses of $1,778,819	2,158,684	-	-	2,158,684
Admissions	18,424,866	-	-	18,424,866
Traveling exhibition fees, royalties and other	22,140,267	-	-	22,140,267
Investment income from spending rate	932,121	1,569,861	-	2,501,982
Auxiliary revenues	9,460,788	-	-	9,460,788
Net assets released from restrictions	4,687,752	(4,687,752)	-	-
Total operating support and revenue	69,308,984	8,823,876	-	78,132,860
Operating expenses				
Museum programs				
Exhibitions and projects	16,140,058	-	-	16,140,058
Traveling exhibitions and other	12,036,933	-	-	12,036,933
Curatorial and collection maintenance	11,305,441	-	-	11,305,441
Visitor services	5,024,647	-	-	5,024,647
Education	3,648,528	-	-	3,648,528
Auxiliary expenses, including cost of sales	7,544,550	-	-	7,544,550
Total program expenses	55,700,157	-	-	55,700,157
Supporting services				
Management and general	12,608,801	-	-	12,608,801
Fundraising	3,557,365	-	-	3,557,365
Total supporting services	16,166,166	-	-	16,166,166
Total operating expenses	71,866,323	-	-	71,866,323
Operating support and revenue over operating expenses	**(2,557,339)**	**8,823,876**	**-**	**6,266,537**
Nonoperating activity				
Contributions	851,895	-	3,433,894	4,285,789
Net assets released from restrictions	275,000	(275,000)	-	-
Investment return (less) greater than spending amount	2,137,537	(208,003)	900,660	2,830,194
Depreciation and amortization	(5,037,564)	-	-	(5,037,564)
Interest and fees relating to debt	(384,450)	-	-	(384,450)
Net (losses) gains on disposal of fixed assets	(4,498)	-	-	(4,498)
Net change in postretirement benefit obligation	(40,095)	-	-	(40,095)
Foreign currency translation	65,637	-	-	65,637
Recoveries of funds with deficiencies and other transfers	514,956	(514,956)	-	-
Change in net assets before changes related to collection items purchased and sold	**(4,178,921)**	**7,825,917**	**4,334,554**	**7,981,550**
Change in net assets related to collection items purchased and sold				
Contributions	85,000	3,142,433	-	3,227,433
Proceeds from sales of art	-	800	-	800
Net assets released from restrictions for collection items purchased	974,523	(974,523)	-	-
Collection items purchased	(516,001)	-	-	(516,001)
Change in net assets	**(3,635,399)**	**9,994,627**	**4,334,554**	**10,693,782**
Net Assets				
Beginning of year	20,495,839	20,803,975	50,500,134	91,799,948
End of year	**$ 16,860,440**	**$ 30,798,602**	**$ 54,834,688**	**$ 102,493,730**

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

The Solomon R. Guggenheim Foundation
Statements of Cash Flow
Years Ended December 31, 2013 and 2012

	2013	2012
Cash flows from operating activities		
Change in net assets	$ 12,302,170	$ 10,693,782
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	5,053,934	5,037,564
Amortization of deferred financing costs and bond discount	29,024	29,023
Bad debt expense	22,591	30,000
Investment in acquisitions of art	3,148,186	516,001
Proceeds from sale of art	(6,600)	(800)
Contributions permanently restricted	(1,976,231)	(3,433,894)
Net realized and unrealized losses (gains) on investments	(10,415,331)	(4,333,976)
Net losses (gains) on disposal of fixed assets	-	4,498
Net change in postretirement benefit obligation	(47,285)	40,095
Changes in operating assets and liabilities:		
Contributions receivable	2,334,766	(6,411,094)
Accounts receivable and other receivables	(921,997)	4,395,771
Inventories	(15,859)	(19,514)
Prepaid expenses and deferred costs	125,882	84,807
Accounts payable and accrued expenses	(1,360,021)	887,131
Deferred income and other	1,523,822	3,306,963
Net cash provided by operating activities	9,797,051	10,826,357
Cash flows from investing activities		
Investments in property, equipment and leasehold improvements	(1,905,347)	(2,864,193)
Acquisitions of art	(3,148,186)	(516,001)
Proceeds from sale of art	6,600	800
Principal payments on notes receivable	10,608	10,607
Purchases of investments	(83,272,492)	(102,139,793)
Proceeds from dispositions of investments	88,067,754	97,985,245
Net cash used in investing activities	(241,063)	(7,523,335)
Cash flows from financing activities		
Principal payments on loan payable to Trust for Cultural Resources	(2,500,000)	(2,400,000)
Principal payments on notes payable	(345,715)	(192,580)
Payments on line of credit	(3,000,000)	(3,000,000)
Proceeds from line of credit	3,000,000	3,000,000
Permanently restricted, term endowment, and long-term construction contributions	1,976,231	3,209,765
Net cash provided by (used in) financing activities	(869,484)	617,185
Net increase in cash and cash equivalents	8,686,504	3,920,207
Cash and cash equivalents		
Beginning of year	12,084,664	8,164,457
End of year	$ 20,771,168	$ 12,084,664
Supplemental information		
Interest paid	$ 101,942	$ 192,017
Income taxes paid	746,987	146,759
Non cash transactions		
Accounts payable for fixed assets	$ 365,121	$ 425,529

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 seven 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 this international strategy 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, 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. Major components of the museum's display are the avant-gardes of Cubism, Futurism, Surrealism, European abstraction, and American Abstract Expressionism, as well as postwar European and American art. The Peggy Guggenheim Collection also organizes temporary exhibitions of modern and contemporary art. The Foundation directly owns and operates the Peggy Guggenheim Collection and is a direct beneficiary, both in furtherance of its mission and financially, of the activities of the 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. Art from the Middle East will be strongly represented in the Museum's collection. The Foundation will not own or fund the Guggenheim Abu Dhabi or its collection but will provide 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 exhibitions, with related educational and acquisition components throughout the world. The project, with its far-reaching, international scope and significant contributions to the Guggenheim'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 have formed a collaboration conceived to advance the achievements of contemporary Chinese artists and expand the discourse of contemporary Chinese art. The initiative will support and build upon the Guggenheim's existing Asian Art Program. Over the course of the program, the Guggenheim will commission at least three major works or groups of works from artists who were born in mainland China, Taiwan, Hong Kong or Macao. Central to this initiative is the creation of a curatorial position at the Guggenheim for a Ho Family Foundation Curator of Chinese Art Publications.

The BMW Guggenheim Lab was a co-initiative of the Foundation and the BMW Group. Part urban think tank, part community center and public gathering space, the BMW Guggenheim Lab is a pioneering global initiative aimed at raising awareness of important urban challenges and inspiring an ongoing conversation in cities around the world. The BMW Guggenheim Lab's global program concluded in 2013.

In a 15-year collaboration with Deutsche Bank, the Deutsche Guggenheim in Berlin exhibited art in all media, by both established and emerging artists, in a museum in the original Deutsche Bank headquarters. The formal collaboration concluded on February 17, 2013.

The Guggenheim Museum Bilbao, Guggenheim Abu Dhabi Museum and Deutsche Guggenheim are not owned by the Foundation. Accordingly, the 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 City related to the Solomon R. Guggenheim Museum and the accounts maintained in Venice, Italy, for the Peggy Guggenheim Collection. All significant intra-company transactions have been eliminated in combination.

Net Assets

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

- Unrestricted net assets are assets that are either not restricted by donors, or assets in which the donor-imposed restrictions have been satisfied.

- Temporarily restricted net assets 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 temporarily restricted if they are received with donor stipulations that limit their use through either purpose or time restrictions. When donor restrictions expire, that is, when a time restriction ends, a purpose restriction is fulfilled, or the board acts to appropriate funds, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statements of activities as net assets released from restrictions. It is the Foundation's policy to record temporarily restricted contributions received and expended in the same accounting period in the unrestricted net asset category.

- Permanently restricted net assets contain donor-imposed and other restrictions associated with the art endowment that stipulate the resources be maintained permanently, but generally permit the Foundation to use all or part of the income earned on these assets for either specified or unspecified purposes. Under the terms of NYPMIFA, those earnings will be initially classified as temporarily restricted in the accompanying financial statements, pending appropriation by the Board of Trustees.

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 permanently restricted contributions, capital contributions, changes in net assets related to collection items purchased and sold, bad debt expense, investment return less or greater than the spending amount for operations, depreciation and amortization of fixed assets, interest and fees relating to debt, net gains or losses on disposition of fixed assets, 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, 2013 and 2012, 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 $1.3279 and $1.285 for the years ended December 31, 2013 and 2012, respectively. The exchange rate to purchase one Euro expressed in U.S. dollars at December 31, 2013 and 2012 was $1.3766 and $1.3215, respectively. Adjustments resulting from translation have been recorded as a change in net assets in the statement of activities. Foreign currency translation gains of $142,343 and $65,637 were recorded for the years ended December 31, 2013 and 2012, respectively.

Investments

All debt and equity securities are recorded at fair value determined on the basis of quoted market values. Realized gains and losses arising from the sale or other disposition of investments are determined on an average-cost basis. In accordance with the Foundation's policy, only current investment income on endowment funds (and not appreciation), net of investment fees, is used to support operations.

Alternative investments include investments in fixed income funds, private equity and hedge funds. The Foundation values these investments in accordance with a valuation 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 over all balances received from the investment manager.

The fair value of the funds represents the amount the Foundation expects to receive at December 31, 2013 and 2012, if it had liquidated its investments in the funds on these dates. Because alternative investments may not be readily marketable, the estimated value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for the investment existed. Such differences could be material.

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

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

Property, Equipment and Leasehold Improvements
Land, building, building improvements and renovations, leasehold improvements 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 were donated or bequeathed 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 by 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.

Art Collection
In accordance with industry practice, art objects purchased, donated and bequeathed are included in permanently restricted net assets 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 and the proceeds from deaccessioned and nonaccessioned art 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 20^{th} and 21^{st} century art in all mediums. From time to time, objects may be deaccessioned in accordance with the law and guidelines of any applicable gift documents or bequests. Deaccessions result from a comprehensive process set forth in the Foundation's collection management policy in accordance with the law, and guidelines issued by the American Association of Museums and the Association of Art Museum Directors. Deaccessions occur solely for art acquisitions, a central feature of the Foundation's mission, and proceeds are reported as temporarily or permanently restricted net assets in the statement of activities.

Deferred Income and Other
Deferred income includes amounts received for projects which will be recognized as revenue when the associated costs are incurred. Deferred income also includes income from a licensing agreement, which will be recognized over 30 years; a global sponsor fee being recognized over 58 months; an in-kind contribution of property and equipment which is to be 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. Corporate and individual memberships are reflected in operating support and revenue when received. An allowance is established when the collection of a contribution is determined to be doubtful. In addition, contributions 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 contributed exhibition locations, building improvements, furniture, fixtures and equipment. 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 most phases of the Foundation's activities, except maintenance and art handling. Volunteers provide administrative 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.

Auxiliary Activities and Inventories
Auxiliary activities consist primarily of the publication and sale of exhibition catalogues and other related merchandise operations. Inventory at average cost consisted of $960,259 and $841,434 of finished goods and $85,286 and $188,252 of work in process at December 31, 2013 and 2012, respectively.

Functional Classification of Expenses

The costs of providing museum programs and supporting services have been summarized in Note 15. Museum programs include costs of exhibitions and projects, curatorial activities, education, visitor services and auxiliary activities. Management and general expenses include the following departments: executive, financial administration, information systems, legal, external affairs and human resources. Rent, building maintenance and office services are allocated among the functional expense categories based on space usage.

Postretirement Health Benefits

The Foundation provides postretirement life and health insurance for certain retirees and recognizes the estimated cost of such benefits over their expected lifetime.

Advertising

The Foundation expenses advertising costs as incurred. The Foundation also has received donated advertising, which amounted to $310,550 and $211,202 for 2013 and 2012, respectively.

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 post-retirement benefit liabilities. 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 law.

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.

3. Contributions and Grants Receivable

Contributions and grants receivable at December 31, 2013 and 2012 are expected to be collected as follows:

	2013	2012
Within 1 year	$ 7,433,952	$ 8,808,775
1 to 5 years	6,195,000	9,355,000
Thereafter	2,500,000	-
Gross contributions and grants receivable	16,128,952	18,163,775
Less: Discount to Present Value	(805,784)	(505,841)
Contributions and grants at present value	$ 15,323,168	$ 17,657,934

At December 31, 2013 and 2012, $11,458,000 and $13,040,000 of the gross contributions and grants receivable, respectively, were due from five individuals, corporations, foundations or government entities. The interest rates used to discount contributions receivable to present value ranged from 2.86% to 3.27%.

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 $94,194 and $588,365 for capital appropriations related to this project for 2013 and 2012, respectively.

The Foundation was awarded a $4,500,000 grant in 2004 and an additional $2,500,000 grant in 2005 from the City of New York Department of Cultural Affairs, totaling $7,000,000 for the renovation of the Frank Lloyd Wright Building. The City of New York spent $4,765 for capital appropriations related to this project in 2012.

For both of the projects noted above, the City's investment of capital funding obligated the Foundation to operate the facility and maintain equipment for the respective bonding term as a nonprofit 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.

4. Investments

Investments consisted of the following at December 31, 2013 and 2012:

	2013		2012	
	Fair Value	Cost Basis	Fair Value	Cost Basis
Cash and cash equivalents for reinvestment	$ 4,142,036	$ 4,142,036	$ 3,696,134	$ 3,696,134
Equities	5,761,808	5,527,591	6,076,715	6,360,796
Alternative Investments:				
Fixed Income Funds	19,541,457	16,151,368	16,746,527	17,366,921
Equity Funds	15,420,157	12,620,321	11,719,387	11,360,458
Fund of Hedge Funds	8,376,190	7,245,306	8,920,507	8,478,839
Event/Credit Arbitrage Funds	14,952,095	11,160,182	13,543,857	11,507,368
Macro Funds	-	-	1,941,372	2,250,000
International Funds	1,688,162	1,454,570	1,617,337	1,454,568
Total Alternative Investments	59,978,061	48,631,746	54,488,987	52,418,154
Total	**$ 69,881,905**	**$ 58,301,373**	**$ 64,261,836**	**$ 62,475,084**

The following summarizes the Foundation's investment return for the year ended December 31, 2013, and its classification in the statement of activities:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Interest and dividend income	$ 565,457	$ 1,965,891	$ 361,797	$ 2,893,145
Investment fees	(483,244)	(1,478,588)	(257,038)	(2,218,870)
Net realized gains (losses)	541,595	(103,237)	183,191	621,549
Net unrealized gains (losses)	1,194,387	7,176,005	1,423,389	9,793,781
Net investment return	**1,818,195**	**7,560,071**	**1,711,339**	**11,089,605**
Less: Investment income and spending rate included in operating activity	**(815,057)**	**(1,006,149)**		**(1,821,206)**
Total investment gains included in non-operating activity	**$ 1,003,138**	**$ 6,553,922**	**$ 1,711,339**	**$ 9,268,399**

The following summarizes the Foundation's investment return for the year ended December 31, 2012, and its classification in the statement of activities:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Interest and dividend income	$ (153,068)	$ 2,336,719	$ 65,991	$ 2,249,642
Investment fees	(282,932)	(906,807)	(61,703)	(1,251,442)
Net realized gains (losses)	674,035	(67,140)	(237)	606,658
Net unrealized gains (losses)	2,831,623	(914)	896,609	3,727,318
Net investment return	**3,069,658**	**1,361,858**	**900,660**	**5,332,176**
Less: Investment income and spending rate included in operating activity	**(932,121)**	**(1,569,861)**	**-**	**(2,501,982)**
Total investment gains (losses) included in non-operating activity	**$ 2,137,537**	**$ (208,003)**	**$ 900,660**	**$ 2,830,194**

5. 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. 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, 2013:

Investments as of December 31, 2013	Quoted Market Prices (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total
Cash and cash equivalents for reinvestment	$ 4,142,036	$ -	$ -	$ 4,142,036
Equities	5,761,808	-	-	5,761,808
Alternative Investments:				
Fixed Income Funds	-	3,851,333	15,690,124	19,541,457
Equity Funds	-	11,830,740	3,589,417	15,420,157
Fund of Hedge Funds	-	-	8,376,190	8,376,190
Event/Credit Arbitrage Funds	-	6,477,214	8,474,881	14,952,095
International Funds	-	1,107,563	580,599	1,688,162
Total Alternative Investments	-	23,266,850	36,711,211	59,978,061
Total Investments	$ 9,903,844	$ 23,266,850	$ 36,711,211	$ 69,881,905
Cash and cash equivalents	$ 11,345,423	$ 9,425,745	$ -	$ 20,771,168
Loan payable to Trust for Cultural Resources	$ -	$ 5,600,000	$ -	$ 5,600,000

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, 2012:

Investments as of December 31, 2012	Quoted Market Prices (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total
Cash and cash equivalents for reinvestment	$ 3,696,134	$ -	$ -	$ 3,696,134
Equities	6,076,715	-	-	6,076,715
Alternative Investments:				
Fixed Income Funds	-	4,704,808	12,041,719	16,746,527
Equity Funds	-	8,991,558	2,727,829	11,719,387
Fund of Hedge Funds	-	-	8,920,507	8,920,507
Event/Credit Arbitrage Funds	-	5,309,649	8,234,208	13,543,857
Macro Funds	-	1,941,372	-	1,941,372
International Funds	-	1,045,576	571,761	1,617,337
Total Alternative Investments	-	21,992,963	32,496,024	54,488,987
Total Investments	$ 9,772,849	$ 21,992,963	$ 32,496,024	$ 64,261,836
Cash and cash equivalents	$ 5,729,243	$ 6,355,421	$ -	$ 12,084,664
Loan payable to Trust for Cultural Resources	$ -	$ 8,100,000	$ -	$ 8,100,000

The following is a description of the Foundation's valuation methodologies for assets and liabilities measured at fair value as of December 31, 2013 and 2012:

Fair value for Level 1 is based upon quoted prices in active markets that the Foundation has the ability to access for identical assets or liabilities. 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.

Investments included in Level 2 and Level 3 primarily consist of the Foundation's ownership in alternative investments. The value of each alternative investment fund generally represents the ownership interest in the net asset value ("NAV") of 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, 2013 and 2012. Because of the inherent uncertainty of valuing these investments and certain underlying investments held by them, 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 those investments measured at fair value on a recurring basis using significant unobservable inputs (Level 3 of the fair value hierarchy) as of and for the years ended December 31, 2013 and 2012:

	Beginning Balances as of January 1, 2013	Net Realized Gains (Losses) and Earnings	Net Change in Unrealized Gains (Losses)	Gross Purchases	Gross Sales	Transfers in and/out of Level 3	Ending Balance as of December 31, 2013
Fixed Income Funds	$ 12,041,719	$ 814,256	$ 3,863,959	$ -	$ (1,029,810)	$ -	$ 15,690,124
Equity Funds	2,727,829	-	361,588	500,000	-	-	3,589,417
Fund of Hedge Funds	8,920,507	84,903	688,562	-	(1,317,782)	-	8,376,190
Event/Credit Arbitrage Funds	8,234,208	-	587,863	744,544	(1,091,730)	-	8,474,881
International Funds	571,761	-	8,838	-	-	-	580,599
	$ 32,496,024	$ 899,159	$ 5,510,810	$ 1,244,544	$ (3,439,322)	$ -	$ 36,711,211

	Beginning Balances as of January 1, 2012	Net Realized Gains (Losses) and Earnings	Net Change in Unrealized Gains (Losses)	Gross Purchases	Gross Sales	Transfers in and/out of Level 3	Ending Balance as of December 31, 2012
Fixed Income Funds	$ 12,379,908	$ 1,353,964	$ 414,206	$ 1,000,000	$ (1,455,939)	$ (1,650,420)	$ 12,041,719
Equity Funds	2,189,377	(155,312)	288,452	1,500,000	(1,094,688)	-	2,727,829
Fund of Hedge Funds	8,542,949	281,515	697,351	-	(601,308)	-	8,920,507
Event/Credit Arbitrage Funds	5,692,788	108,898	892,666	1,638,470	(98,614)	-	8,234,208
Macro	1,913,376	-	27,996	-	-	(1,941,372)	-
International Funds	1,575,537	3,884	68,517	-	(30,601)	(1,045,576)	571,761
	$ 32,293,935	$ 1,592,949	$ 2,389,188	$ 4,138,470	$ (3,281,150)	$ (4,637,368)	$ 32,496,024

In 2013, there were no transfers in or out of Level 3. In 2012, $4,637,368 of investments was transferred out of Level 3 to Level 2 as a result of the release of redemption periods to less than 90 days after year end.

The following table summarizes the Foundation's investments which are measured at NAV by Major Class as of December 31, 2013:

Class		Fair Value	Redemption Frequency (if currently eligible)	Redemption Notice Period
Fixed Income Funds (a)	$	19,541,457	In Liquidation (1 fund)	In Liquidation (1 fund)
			Biennial (1 fund)	90 days (1 fund)
			Monthly (2 funds)	30 days (2 funds)
Equity Funds (b)	$	15,420,157	Annual (2 funds)	45 - 90 days (4 funds)
			Quarterly (3 funds)	45 - 60 days (2 funds)
			Monthly (4 funds)	30 - 90 days (3 funds)
Fund of Hedge Funds (c)	$	8,376,190	In Liquidation (2 funds)	In Liquidation (2 funds)
			Annual (2 funds)	95 days (3 funds)
			Quarterly (1 Fund)	
Event/Credit Arbitrage Funds (d)	$	14,952,095	In liquidation (1 fund)	In liquidation (1 fund)
			Quarterly (1 fund)	105 - 180 days (1 fund)
			Quarterly (2 funds)	60 days (2 funds)
			Monthly (2 funds)	90 days (2 funds)
International Funds (f)	$	1,688,162	Monthly (2 funds)	90 days (1 fund)
				195 days (1 fund)
Total Alternative Investments	**$**	**59,978,061**		

The following table summarizes the Foundation's investments which are measured at NAV by Major Class as of December 31, 2012:

Class	Fair Value	Redemption Frequency (if currently eligible)	Redemption Notice Period
Fixed Income Funds (a)	$ 16,746,527	In Liquidation (1 fund) Daily Biennial (1 fund) Monthly (3 funds)	In Liquidation (1 fund) 90 days (1 fund) 30 days (3 funds)
Equity Funds (b)	11,719,387	Annual (2 funds) Quarterly (2 funds) Monthly (4 funds)	45 - 90 days (2 funds) 45 - 60 days (2 funds) 30 - 90 days (4 funds)
Fund of Hedge Funds (c)	8,920,507	In Liquidation (2 funds) Annual (2 funds) Quarterly (1 fund)	In Liquidation (2 funds) 95 days (3 funds)
Event/Credit Arbitrage Funds (d)	13,543,857	In liquidation (1 fund) Quarterly (1 fund) Quarterly (2 funds) Monthly (2 funds)	In liquidation (1 fund) 105 - 180 days (1 fund) 60 days (2 funds) 90 days (2 funds)
Macro Funds (e)	1,941,372	Monthly (2 funds)	45 - 75 days (2 funds)
International Funds (f)	1,617,337	Monthly (2 funds)	90 days (1 fund) 195 days (1 fund)
Total Alternative Investments	**$ 54,488,987**		

The following is a brief description of the Foundation's Major Class 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 of the funds, valued at $170,936 as of December 31, 2013 and $242,488 as of December 31, 2012, is 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. Two of the funds, with a combined value of $938,865 as of December 31, 2013 and $1,298,741 as of December 31, 2012, are currently in liquidation.

[d] These funds participate across the capital structure of companies, identifying specific catalysts that will create valuations to increase over time. Generally, they have low net exposure to the markets.

(e) These funds participate in tactical global macro trading, comprised of a wide array of financial instruments including sovereign debt, interest rates, commodity futures, currencies (foreign exchange), and their derivatives.

(f) These funds generally own equities of companies listed outside of the US, 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, 2013 and 2012.

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.

Loans and Other Loans Payable
The Foundation has determined that the carrying value of the demand and other loans payable to banks and the loan payable to the Trust for Cultural Resources approximates fair value in accordance with Fair Value Accounting Standards at December 31, 2013 and 2012.

6. Endowment Funds

The Foundation’s endowment consists of approximately 30 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 endowments (“Board Designated”), are classified and reported based on the existence or absence of donor-imposed restrictions.

On September 17, 2010, New York State enacted the New York Prudent Management of Institutional Funds Act (“NYPMIFA”). 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 as the governing board determined was prudent, but appropriation below historic dollar value of an endowment fund was not permitted other than earned 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 is made, and (iii) each accumulation made pursuant to a direction in the applicable gift instrument at the time the accumulation is added to the fund.

Under NYPMIFA, prudent appropriation of income or appreciation from a fund whose value is less than its historic dollar value is permitted. In particular, NYPMIFA provides that unless a donor expresses a contrary intention in a gift instrument, a charitable institution may appropriate as much of an endowment fund as it “determines is prudent for the uses, benefits, purposes and duration for which the fund is established,” without regard for historic dollar value. As with prior law, NYPMIFA retains the requirement that in making any decision to appropriate “the institution shall act in good faith, with the care that an ordinarily prudent person in a like position would exercise under similar circumstances." It further provides a 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 its effective date of September 17, 2010. Donors of funds created before that date were given the option of requiring institutions to continue to observe the historic dollar value restrictions contained in prior law. Some donors of Endowment Funds have elected this option. Moreover, as with prior law, a donor may incorporate in a gift instrument specific restrictions on appropriation that are different from either NYPMIFA or prior law. Certain of the 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 appreciation only above historic dollar value and earned income; and those whose 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 a portion of the income to be earned on specified investments of the Foundation's endowment in 2013 and 2012.

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

7. Financial Reporting of Endowments

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

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

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

The Foundation's endowments consisted of the following at December 31, 2013:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ (6,153,885)	$ 7,487,045	$ 46,869,759	$ 48,202,919
Art fund endowment	-	1,114,392	10,105,000	11,219,392
Board-designated endowment funds	11,526,341	2,947,268	-	14,473,609
Total funds	**$ 5,372,456**	**$ 11,548,705**	**$ 56,974,759**	**$ 73,895,920**

The Foundation's endowments consisted of the following at December 31, 2012:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ (10,847,150)	$ 5,755,996	$ 43,976,349	$ 38,885,195
Art fund endowment	-	749,416	10,105,000	10,854,416
Board-designated endowment funds	11,264,836	5,387,848	-	16,652,684
Total funds	**$ 417,686**	**$ 11,893,260**	**$ 54,081,349**	**$ 66,392,295**

As a result of unfavorable market fluctuations, the fair value of assets associated with individual donor-restricted endowment funds has fallen below historic dollar value. The aggregate amounts by which fair values were below historic values were approximately $6,154,000 and $10,847,000 as of December 31, 2013 and 2012, respectively.

The Foundation's endowments had the following changes for the years ended December 31, 2013 and 2012:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment funds, December 31, 2012	$ 417,686	$ 11,893,260	$ 54,081,349	$ 66,392,295
Investment return:				
Investment income	294,768	487,303	104,757	886,828
Net appreciation / (depreciation) realized and unrealized	1,324,060	7,072,768	1,606,582	10,003,410
Total Investment Return	1,618,828	7,560,071	1,711,339	10,890,238
Contributions	131,271	127,585	1,182,071	1,440,927
Appropriation of endowment assets for expenditure	(1,098,662)	(3,728,878)	-	(4,827,540)
Recovery of funds with deficiencies and other transfers	4,303,333	(4,303,333)	-	-
Endowment funds, December 31, 2013	**$ 5,372,456**	**$ 11,548,705**	**$ 56,974,759**	**$ 73,895,920**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment funds, December 31, 2011	$ (673,807)	$ 11,951,172	$ 49,746,795	$ 61,024,160
Investment return:				
Investment income	80,055	1,429,912	4,288	1,514,255
Net appreciation / (depreciation) realized and unrealized	905,450	(68,054)	896,372	1,733,768
Total Investment Return	985,505	1,361,858	900,660	3,248,023
Contributions	3,830,425	1,000,000	3,433,894	8,264,319
Appropriation of endowment assets for expenditure	(4,345,542)	(1,798,665)	-	(6,144,207)
Recovery of funds with deficiencies and other transfers	621,105	(621,105)	-	-
Endowment funds, December 31, 2012	**$ 417,686**	**$ 11,893,260**	**$ 54,081,349**	**$ 66,392,295**

The endowment funds classified as permanently restricted, temporarily restricted and unrestricted net assets consist of the following at December 31:

		2013		2012
Permanently Restricted Net Assets				
Educational Programs	$	9,881,810	$	8,901,563
Curatorial Programs		1,537,048		1,537,048
Publications		1,200,000		1,200,000
General Operating Support		30,250,901		28,337,738
Exhibition programs		4,000,000		4,000,000
Art Fund Endowment		10,105,000		10,105,000
Total endowment funds classified as permanently restricted net assets		**56,974,759**		**54,081,349**
Temporarily Restricted Net Assets:				
General Operating		7,979,976		8,689,507
Capital Construction and Costs		2,454,337		2,454,337
Art Fund Endowment		1,114,392		749,416
Total endowment funds classified as temporarily restricted net assets		**11,548,705**		**11,893,260**
Total endowment funds classified as unrestricted net assets - General Operating Support		**5,372,456**		**417,686**
Total endowment funds	**$**	**73,895,920**	**$**	**66,392,295**

8. Property, Equipment and Leasehold Improvements, net

Property, equipment and leasehold improvements, net consisted of the following at December 31, 2013 and 2012:

		2013		2012
Land	$	3,130,643	$	3,130,643
Buildings and building improvements		108,407,718		106,778,678
Furniture, fixtures and equipment		5,226,334		5,699,914
Leasehold improvements		7,177,125		6,986,230
Construction in progress		1,239,045		1,085,719
		125,180,865		123,681,184
Less: Accumulated depreciation and amortization		(59,932,320)		(55,284,052)
Net book value	**$**	**65,248,545**	**$**	**68,397,132**

9. Loan Payable to the Trust for Cultural Resources

At December 31, 2013 and 2012, the amount of bonds outstanding and their fair value is as follows:

		2013		2012
Series B variable rate bonds due December 1, 2015	$	5,600,000	$	8,100,000

In 1990, the Foundation entered into a loan agreement with the Trust for Cultural Resources (the "Trust") primarily to provide long-term financing for the cost of the construction, renovation and equipping of certain of the Foundation's capital facilities. The Trust issued $13,500,000 of 1990 Series A revenue bonds and $41,400,000 of 1990 Series B revenue bonds. The Trust loaned the proceeds of the issuance of the bonds to the Foundation. In 2000, the Foundation's Series A revenue bonds were redeemed.

While the bonds were issued by the Trust; should the Trust not have the ability to pay the bonds the agreement obligates the Foundation to make payments equal to the debt service requirement, including any premium on redemption of the bonds.

Payment of the principal and interest on the Series B Bonds is collateralized by an irrevocable letter of credit issued by a bank in favor of the bond trustee. This letter of credit expires on January 31, 2015. In the event principal and interest due on the Series B Bonds will be outstanding on the expiration date, the Foundation must either obtain an extension of the current letter of credit or secure a suitable replacement letter of credit. In the event the Foundation seeks an extension of the term of the existing letter of credit, it must do so no later than 60 days prior to the expiration date. At December 31, 2013 and 2012, the available funds under the letter of credit were $5,653,698 and $8,177,671, respectively. Pursuant to the terms of a Reimbursement Agreement between the Foundation and the issuing bank, the Foundation shall, among other things, maintain a debt service coverage ratio of 1.2 to 1.0 (as defined in the agreement) as of December 31 of each year during which the letter of credit is outstanding. In lieu of meeting the debt service coverage ratio, the Foundation may maintain an "Alternative Financial Covenant", defined in the agreement as cash plus investments to debt of 2.0 to 1.0 or higher with no more than 50% of the unencumbered liquid assets (as defined in the agreement) being permanently restricted assets as of December 31. At December 31, 2013 and December 31, 2012 the Foundation was in compliance with the debt service coverage ratio. In addition, as of 2009 the Foundation is required to maintain a minimum of $25,000,000 of unencumbered liquid assets on the last day of June and December. The Foundation also met this financial covenant on each of December 31, 2013, June 30, 2013, December 31, 2012, and June 30, 2012.

The average interest rate for the Series B bonds during 2013 and 2012 was 0.10% and 0.20%, respectively. At December 31, 2013, the Foundation's estimated principal payments under the loan agreement over each of the next two years when these bonds will be redeemed, is as follows:

	Principal Payments
Year Ended December 31,	
2014	$ 2,700,000
2015	2,900,000
Total Principal Payments	**$ 5,600,000**

The Foundation incurred loan issuance cost in 1990 of approximately $1,205,000 in connection with the loan payable to the Trust for Cultural Resources. Such costs are amortized on a straight-line basis over the terms of the debt. The unamortized balances of such deferred costs included in the statement of financial position amounted to $55,631 and $84,655 at December 31, 2013 and 2012, respectively.

10. Demand and Other Loans Payable

In 2004, the Foundation borrowed $5,100,000 from a bank. The loan had an outstanding balance of $3,605,001 and $3,795,574 as of December 31, 2013 and 2012, respectively, and includes a negative pledge on its warehouse storage facilities in New York and a springing mortgage in the event of default. Interest is calculated using the daily Eurodollar rate. The loan, with an original maturity date of May 25, 2009, was last renegotiated on November 23, 2013. The renegotiated terms require 12 monthly installments of principal plus interest and a balloon payment on November 30, 2014. Interest is calculated at a rate per annum equal to the monthly Fixed Eurodollar Rate plus 1.25%. Pursuant to the Financing Agreement, the Foundation must, among other things, maintain a debt service coverage ratio of 1.2 to 1.0 (as defined in the agreement) as of December 31 each year during the term of the loan. In lieu of meeting the debt service coverage ratio, the Foundation may maintain a ratio of cash plus investments to debt ratio of 2.0 to 1.0 or higher with no more than 50% of the unencumbered liquid assets (as defined in the agreement) being permanently restricted assets (defined in the agreement as the “Alternative Financial Covenant”) as of December 31 of each year during the term of the loan. At December 31, 2013 and 2012, the Foundation was in compliance with the Covenant. In addition, the Foundation is required to maintain a minimum of $25,000,000 of unencumbered liquid assets on the last day of June and December each year during the term of the loan. The Foundation also met this financial covenant on each of December 31, 2013, June 30, 2013, December 31, 2012 and June 30, 2012. The average interest rate for the loan during 2013 and 2012 was 1.44% and 3.25%, respectively.

In 2006, the Foundation borrowed $788,520 from a landlord to be used for alterations and improvements at the Foundation’s new office space. The loan has an outstanding balance of $252,520 and $339,071 as of December 31, 2013 and 2012, respectively. The maturity date of the loan is August 1, 2016. Interest is calculated at a designated rate of 6.75% per annum, payable on the first day of each month commencing May, 2006.

In November of 2006, the Foundation entered into an agreement with a bank for a revolving line of credit in the amount of $3,000,000. This Loan Agreement was amended in November 2013 in order to extend the term of the line of credit to November 30, 2014. The line of credit had no outstanding balance as of December 31, 2013 and 2012. Interest is calculated using the British Bankers Association LIBOR Daily Floating Rate (“BBA LIBOR”) plus 1.25 percentage points and is payable on the 13th day of each month until payment in full of any principal outstanding. The average interest rate for the line of credit during 2013 and 2012 was 1.43% and 1.38%, respectively.

The Peggy Guggenheim Collection has an interest-free loan that was paid in full during 2013. The interest-free loan has a balance of $23,662 as of December 31, 2012.

During 2012, the Foundation entered into a repayment agreement with its landlord for unbilled rent escalations from 2009 through 2011. The outstanding balance of unbilled rent escalations is $119,811 and $164,740 at December 31, 2013 and December 31, 2012 respectively. Unbilled rent is repayable in equal monthly installments of $3,744 commencing on December 1, 2012 and ending on August 1, 2016. No interest is charged on this balance due.

Payments of principal of other loans payable are due over the next three years as follows:

	Principal Payments
Year Ended December 31,	
2014	$ 3,742,508
2015	143,953
2016	90,871
Total Principal Payments	**$ 3,977,332**

11. Net Assets

Net assets consisted of the following at December 31, 2013 and 2012:

	2013	2012
Temporarily restricted net assets		
Restricted by time	$ 10,370,236	$ 8,832,206
Restricted by purpose		
Exhibitions and projects	11,473,523	11,638,098
Capital construction and costs	2,454,337	2,454,337
Purchase of works of art	8,597,492	7,473,020
Other	1,512,561	400,941
Total temporarily restricted net assets	$ 34,408,149	$ 30,798,602
Permanently restricted net assets		
Art collection	$ 1	$ 1
Land	753,338	753,338
Endowment, income restricted for reinvestment and educational programs	9,881,810	8,901,563
Endowment, income restricted for curatorial chair	1,537,048	1,537,048
Endowment, art fund, income restricted for art purchases	10,105,000	10,105,000
Endowment, income restricted for publications	1,200,000	1,200,000
Endowment, income restricted exhibitions	4,000,000	4,000,000
Endowment, income for general operating support	30,250,901	28,337,738
Total permanently restricted net assets	$ 57,728,098	$ 54,834,688

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. 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 2013 and 2012, the Foundation recorded an expense of $814,336 and $791,097, respectively related to these plans.

13. Postretirement Health Plan

The Foundation has a plan that provides lifetime medical insurance benefits to certain retirees.

Accounting Standards require the Foundation to report the funded status of each pension and other postretirement benefit plan as an asset (for over-funded plans) or as a liability (for under-funded plans), replacing the accrued benefit obligation currently recorded. The funded status reported on the balance sheet is equal to the benefit obligation. Accounting Standards also require that unamortized actuarial gains and losses and prior service costs or credits are recognized as an increase or decrease to net assets. Accounting Standards require employers to measure benefit plan assets and liabilities and determine the discount rate for subsequent year expense recognition as of the balance sheet date for financial reporting purposes.

Information with respect to this plan as of and for the years ended December 31, 2013 and 2012 is as follows:

	2013	2012
Change in Benefit Obligation		
Benefit Obligation at Beginning of Year	$ 1,158,621	$ 1,198,560
Interest Cost	32,456	37,287
Actuarial Loss (Gain)	(28,679)	55,426
Benefits Paid	(125,509)	(132,652)
Benefit Obligation at End of Year	$ 1,036,889	$ 1,158,621
Change in Plan Assets		
Fair Value of Plan Assets at Beginning of Year	$ -	$ -
Company Contribution	125,509	132,652
Benefits Paid	(125,509)	(132,652)
Fair Value of Plan Assets at End of Year	$ -	$ -
Funded Status at Year End included in accounts payable and accrued expenses	$ (1,036,889)	$ (1,158,621)
Components of Net Periodic Benefit Cost		
Service Cost	$ -	$ -
Interest Cost	32,456	37,287
Recognized Actuarial Loss (Gain)	18,606	15,331
Net Periodic Benefit Cost	$ 51,062	$ 52,618
Changes in net unrestricted assets		
Net loss (gain)	$ (28,679)	$ 55,426
Amortization of loss (gain)	(18,606)	(15,331)
Total	$ (47,285)	$ 40,095

	2013	2012
Weighted-Average Assumptions as of December 31 used for obligations		
Discount rate	3.75%	3.00%
Weighted-Average Assumptions as of December 31 used for net periodic benefit cost		
Discount rate	3.00%	3.25%
Assumed health care cost trend rates at December 31		
Health care cost trend rate assumed for next year	7.00%	7.00%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	5.00%	5.00%
Year that the rate reaches the ultimate trend rate	2021	2018
Amounts recognized in net unrestricted assets consist of		
Net loss/(gain)	$ 244,141	$ 291,426
Total amount recognized	**$ 244,141**	**$ 291,426**
Amounts in net unrestricted assets expected to be recognized in net periodic benefit cost in the coming fiscal year		
Amortization of unrecognized net loss (gain)	$ 16,191	$ 20,514
Total	**$ 16,191**	**$ 20,514**

Effect of a 1% Change in the Assumed Health Care Cost Trend Rates for 2013	**1% Increase**	**1% Increase**
Effect on Total of Service and Interest Cost Components	$ 2,095	$ (1,888)
Effect on Postretirement Benefit Obligation	$ 66,922	$ (60,331)

Future expected cash flows:

2014	$ 95,940
2015	95,326
2016	94,381
2017	92,307
2018	89,719
2019-2023	362,373

14. Related Party Transactions

Two members of the Foundation's Board of Trustees serving on the Investment Committee are managing partners of an investment firm. After review and in accordance with the Foundation's conflict of interest policy including recusal of interested parties from voting, the disinterested Trustees who serve on this Committee have approved investments managed by this firm with a fair value of $18,158,000 and cost of $15,098,000 at December 31, 2013 and investments with a fair value of $14,087,000 and cost of $14,911,000 at December 31, 2012. In 2013 and 2012, the Foundation paid the investment firm $510,165 and $561,193, respectively. During 2012 one of the members resigned from the investment committee.

Two principal owners of the firm that currently provide investment advice to the Foundation are also directors, shareholders and investment advisors of a multi-strategy fund of hedge funds of which the Foundation has an approved investment. At December 31, 2013 and 2012, the Foundation's investment, at cost, in the fund of funds was $3,126,000 and $4,048,000 respectively. In 2013 and 2012, the Foundation paid the investment advisory firm $198,647 and $80,000, respectively.

15. Functional Classification of Expenses

Expenses by functional classification for the years ended December 31, 2013 and 2012 are shown below. Depreciation, interest expense, and fees relating to debt service, which are not allocated functionally on the statement of activities, are allocated functionally below:

	2013	2012
Program Expenses		
Exhibition and projects	$ 18,445,217	$ 19,439,190
Traveling exhibitions	9,096,284	12,036,933
Curatorial and collection maintenance	12,347,898	11,815,539
Visitor services	5,305,225	5,225,875
Education	4,127,865	4,077,095
Auxiliary activities	8,280,810	7,958,644
Total program expenses	57,603,299	60,553,276
Supporting Services		
Management and general	13,236,860	13,131,614
Fundraising	4,028,094	3,603,447
Total supporting services	17,264,954	16,735,061
Total expenses	**$ 74,868,253**	**$ 77,288,337**
Expenses Per the Consolidated Financial Statements		
Total Operating Expenses	$ 69,573,052	$ 71,866,323
Depreciation and Amortization	5,053,934	5,037,564
Interest and fees relating to debt	241,267	384,450
Total Expenses	**$ 74,868,253**	**$ 77,288,337**

16. Net Assets Released from Restrictions

Net assets released during the years ended December 31, 2013 and 2012 are as follows:

	2013		
	Unrestricted	Temporarily Restricted	Permanently Restricted
Operating	$ 6,005,099	$ (6,005,099)	$ -
Collection items purchased	3,248,265	(3,248,265)	-
Total Net Assets Released from Restrictions	**$ 9,253,364**	**$ (9,253,364)**	**$ -**
General Support	$ 3,814,029	$ (3,814,029)	$ -
Exhibitions and Projects	2,191,070	(2,191,070)	-
Collection items purchased	3,248,265	(3,248,265)	-
Total Net Assets Released from Restrictions	**$ 9,253,364**	**$ (9,253,364)**	**$ -**

	2012		
	Unrestricted	Temporarily Restricted	Permanently Restricted
Operating	$ 4,687,752	$ (4,687,752)	$ -
Nonoperating	275,000	(275,000)	-
Collection items purchased	974,523	(974,523)	-
Total Net Assets Released from Restrictions	**$ 5,937,275**	**$ (5,937,275)**	**$ -**
General Support	$ 3,343,129	$ (3,343,129)	$ -
Exhibitions and Projects	1,619,623	(1,619,623)	-
Collection items purchased	974,523	(974,523)	-
Total Net Assets Released from Restrictions	**$ 5,937,275**	**$ (5,937,275)**	**$ -**

17. Commitments and Contingencies

The Foundation has noncancelable operating and capital leases for office, art storage, and equipment. Future minimum annual lease payments under these lease agreements were as follows at December 31, 2013:

Year Ending December 31,	Operating Leases	Capital Leases	Total
2014	$ 2,747,284	$ 47,137	$ 2,794,421
2015	2,403,408	-	2,403,408
2016	1,681,424	-	1,681,424
2017	475,011	-	475,011
2018	396,670	-	396,670
Thereafter	-	-	-
	$ 7,703,797	$ 47,137	$ 7,750,934

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 accrued expenses on the statement of financial position. Rent expense, including taxes and operating expenses, for 2013 and 2012 amounted to $2,193,070 and $2,189,191, respectively.

The Foundation entered into an operating lease agreement for administrative office space effective January 1, 2006. In addition to the rental payments, the Foundation received free rent in the amount of $353,693 and a lease incentive in the amount of $1,103,928, which will be recognized over the life of the lease. The landlord of this building has extended the option of a loan to the Foundation to perform renovations. The loan in the amount of $788,500 became effective April 1, 2006.

On October 10, 2008, the Foundation amended the administrative office space lease to include additional space associated with the Guggenheim Abu Dhabi Museum project. This amendment included free rent of $240,667 and a lease incentive in the amount of $262,000 specific to the additional space, which will be recognized over the life of the lease. There was also an additional operating lease entered into for this project effective December 1, 2008.

In addition, the Foundation entered into a new operating lease agreement for warehouse space effective March 14, 2008 and renegotiated an operating lease agreement for art storage effective April 7, 2009.

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, 2013 and 2012 is $1,488,720 and $1,301,878, respectively.

From time to time the Foundation is involved in legal proceedings, arbitrations, and claims. The Foundation believes that the liabilities, if any, that may result from such actions will not have a materially adverse effect on the Foundation’s financial position.

18. Subsequent Events

The Solomon R. Guggenheim Foundation evaluated its December 31, 2013 financial statements for subsequent events through June 13, 2014, 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.