Consolidated Financial Statements and Report of Independent Certified Public Accountants

Museum of Fine Arts

June 30, 2025 and 2024

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Trustees
Museum of Fine Arts

Opinion

We have audited the consolidated financial statements of Museum of Fine Arts and its subsidiaries (collectively, the "Museum"), which comprise the consolidated statement of financial position as of June 30, 2025, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Museum as of June 30, 2025, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for opinion

We conducted our audit of the consolidated financial statements in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Museum and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other matter

The consolidated financial statements of the Museum as of and for the year ended June 30, 2024 were audited by other auditors who expressed an unmodified opinion on those consolidated financial statements in their report dated October 29, 2024.

Responsibilities of management for the financial statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Museum's ability to continue as a going concern for one year after the date the financial statements are issued.

GrantThornton

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Museum's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Museum's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Grant Thornton LLP

New York, New York
November 21, 2025

Museum of Fine Arts

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30, 2025 and 2024
(in thousands)

	2025	2024
ASSETS		
Cash and cash equivalents (Notes 1 and 6)	$ 42,299	$ 65,972
Short-term investments (Notes 3, 4 and 6)	116,976	81,684
Receivables and other assets, net (Notes 11 and 12)	13,212	14,151
Pledges receivable, net (Note 2)	73,521	67,948
Assets of split-interest agreements (Notes 4 and 10)	16,582	13,893
Investments (Notes 1, 3 and 4)	1,019,333	912,530
Property, plant and equipment, net (Note 7)	276,790	283,306
Beneficial interest in perpetual trusts (Notes 4 and 9)	25,660	24,580
Collections (Note 1)	-	-
Total assets	$ 1,584,373	$ 1,464,064
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	$ 12,143	$ 13,634
Deferred revenue	2,026	4,665
Lease obligations (Note 12)	3,526	5,068
Debt (Note 8)	120,340	119,217
Liability under split-interest agreements (Note 10)	2,964	3,118
Asset retirement obligations (Note 1)	10,134	9,615
Interest rate swap payable (Note 4 and 8)	4,982	4,212
Other liabilities (Note 11)	2,251	1,999
Total liabilities	158,366	161,528
Commitments and contingencies (Note 15)		
Net assets		
Net assets without donor restrictions (Note 1)	185,383	180,269
Net assets with donor restrictions (Notes 1 and 13)	1,240,624	1,122,267
Total net assets	1,426,007	1,302,536
Total liabilities and net assets	$ 1,584,373	$ 1,464,064

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

Museum of Fine Arts

CONSOLIDATED STATEMENTS OF ACTIVITIES

Years ended June 30, 2025 and 2024
(in thousands)

	Without Donor Restrictions	With Donor Restrictions	2025 Total	Without Donor Restrictions	With Donor Restrictions	2024 Total
Operating support and revenue						
Annual fund contributions	$ 15,131	$ -	$ 15,131	$ 11,845	$ -	$ 11,845
Contributions and grants	1,751	10,244	11,995	983	53,120	54,103
Admissions	10,892	-	10,892	10,524	-	10,524
Membership	8,198	-	8,198	7,885	-	7,885
Ancillary services	15,294	-	15,294	15,518	-	15,518
Investment return for current operations	1,551	32,956	34,507	8,399	25,372	33,771
Other investment return	4,157	3,144	7,301	4,325	2,947	7,272
Other revenue	18,118	1,029	19,147	11,163	929	12,092
Net assets released from donor restrictions	33,464	(33,464)	-	24,691	(24,691)	-
Total operating support and revenue	108,556	13,909	122,465	95,333	57,677	153,010
Operating expenses						
Salaries and wages	45,760	-	45,760	40,825	-	40,825
Employee benefits	11,827	-	11,827	10,329	-	10,329
Space and occupancy	11,508	-	11,508	10,591	-	10,591
Professional services	10,660	-	10,660	9,418	-	9,418
Supplies, materials and equipment	6,205	-	6,205	5,632	-	5,632
Capital and related expenses	24,218	-	24,218	24,231	-	24,231
Other expenses	12,150	-	12,150	13,364	-	13,364
Interest on debt	4,039	-	4,039	5,126	-	5,126
Total operating expenses	126,367	-	126,367	119,516	-	119,516
Changes in net assets from operations	(17,811)	13,909	(3,902)	(24,183)	57,677	33,494
Non-operating activities						
Contributions and grants for capital	-	17,096	17,096	-	-	-
Contributions and grants for endowment	-	40,438	40,438	-	-	-
Excess of investment return over amounts designated for current operations	1,223	71,284	72,507	1,571	50,156	51,727
Change in value of split-interest agreements	-	844	844	-	1,074	1,074
Change in fair value of interest rate swap agreement	(770)	-	(770)	1,737	-	1,737
Net assets released from restrictions	24,645	(24,645)	-	2,396	(2,396)	-
Transfers	(2,173)	4,229	2,056	-	-	-
Change in net assets related to collection items						
Collection items purchased	(10,566)	-	(10,566)	(7,815)	-	(7,815)
Collection items sold	-	5,768	5,768	-	3,465	3,465
Net assets released from donor restrictions	10,566	(10,566)	-	7,815	(7,815)	-
Total non-operating activities	22,925	104,448	127,373	5,704	44,484	50,188
CHANGE IN NET ASSETS	5,114	118,357	123,471	(18,479)	102,161	83,682
Net assets, beginning of year	180,269	1,122,267	1,302,536	198,748	1,020,106	1,218,854
Net assets, end of year	$ 185,383	$ 1,240,624	$ 1,426,007	$ 180,269	$ 1,122,267	$ 1,302,536

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

Museum of Fine Arts

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended June 30, 2025 and 2024
(in thousands)

	2025	2024
Cash flows from operating activities		
Change in net assets	$ 123,471	$ 83,682
Reconciliation of change in net assets to net cash used in operating activities		
Net realized gains and change in unrealized appreciation	(115,799)	(89,959)
Net change in beneficial interest in perpetual trusts	(1,080)	(744)
Proceeds from sales of contributed securities	1,398	444
Net loss on disposal of fixed assets	499	-
Depreciation and amortization	24,225	24,238
Acquisition and sales of art, net	4,798	4,350
Allowance for doubtful accounts	(852)	(717)
Contributions donor-restricted for long-term purposes	(25,737)	(46,392)
Change in fair value of interest rate swap agreement	770	(1,737)
Change in value of split-interest agreements	(844)	(1,074)
Contributed securities	(13,154)	(7,172)
Noncash rental revenue	1,071	1,075
(Increase) decrease in assets		
Accounts receivable	947	422
Pledges receivable	(5,594)	(7,344)
Net assets of split-interest agreements	(1,999)	(222)
Other assets	18	13
Increase (decrease) in liabilities		
Accounts payable, accrued expenses and deferred revenue	(5,275)	(347)
Asset retirement obligations	519	491
Lease liabilities	(1,479)	(1,422)
Other liabilities	-	190
Net cash used in operating activities	(14,097)	(42,225)
Cash flows from investing activities		
Purchases of short term investments	(171,582)	(65,425)
Sales of short term investments	139,572	49,216
Proceeds from sale of pooled and long-term investments	317,066	332,906
Purchases of pooled and long-term investments	(311,352)	(308,477)
Purchases of building additions and equipment	(17,024)	(10,564)
Acquisition of art	(10,566)	(7,815)
Proceeds from sales of art	5,768	3,465
Net cash used in investing activities	(48,118)	(6,694)
Cash flows from financing activities		
Contributions donor-restricted for long-term purposes	25,737	46,392
Proceeds from borrowing under lines-of-credit	1,112	1,155
Proceeds from sale of contributed securities donor-restricted for long-term purposes	11,756	6,727
Repayments of financing leases	(63)	(37)
Net cash provided by financing activities	38,542	54,237
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(23,673)	5,318
Cash and cash equivalents		
Beginning of year	65,972	60,654
End of year	$ 42,299	$ 65,972
Supplemental disclosure of cash flow information		
Interest paid	$ 4,252	$ 5,135
Purchases of building additions remaining in accounts payable and accrued expenses	1,731	586
Contributed securities received	13,154	7,172

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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

Organization

Museum of Fine Arts (the "Museum") is a non-profit corporation founded in 1870 for cultural and educational purposes. The Museum maintains a comprehensive collection encompassing more than 500,000 works of art ranging from the ancient world to contemporary times.

The Museum also has an inactive, for-profit subsidiary corporation for retail, Museum Enterprise Partners ("MEP") which is expected to be dissolved in fiscal year 2026.

On January 31, 2023, the Museum formed a wholly owned limited liability company (the "LLC") to purchase land and a building included in property, plant and equipment.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") and in accord with the provisions of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 958, *Not-for-Profit Entities*, which requires the Museum to classify its net assets into two categories according to donor-imposed restrictions; net assets without donor-imposed restrictions and net assets with donor-imposed restrictions.

Principles of Consolidation

The consolidated financial statements as of and for the years ended June 30, 2025 and 2024 include the financial statements of the Museum, MEP and LLC. All significant intercompany balances and transactions have been eliminated in preparing the accompanying consolidated financial statements.

Tax Status

The Museum follows guidance that clarifies the accounting for uncertainty in tax positions taken or expected to be taken in a tax return, including issues relating to financial statement recognition and measurement. This guidance provides that the tax effects from an uncertain tax position can only be recognized in the financial statements if the position is "more-likely-than-not" to be sustained if the position were to be challenged by a taxing authority. The assessment of the tax position is based solely on the technical merits of the position, without regard to the likelihood that the tax position may be challenged.

The Museum is exempt from federal income tax under Internal Revenue Code (the "Code") Section 501(c)(3), though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. The Museum has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated business income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions. The Museum has determined that there are no material uncertain tax positions that require recognition or disclosure in its consolidated financial statements. In addition, the Museum has not recorded a provision for income taxes, as it has no material tax liability from unrelated business income activities.

MEP is an inactive for-profit corporation subject to income taxes. Due to its inactive status, MEP's provision for income taxes was $0 for the years ended June 30, 2025 and 2024.

Net Asset Classifications

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

Net Assets without Donor Restrictions

Represent net assets which are not restricted by donors. Net assets without donor restrictions are funds that are fully available, at the discretion of the Board of Trustees and management, for the Museum to utilize in any of its programs or supporting services. Net assets without donor restrictions may be designated for specific purposes by the Museum's Board of Trustees or may be limited by legal requirements or contractual agreements with outside parties.

Net Assets with Donor Restrictions

Represent net assets which are subject to donor-imposed restrictions whose use is restricted by time and/or purpose. A portion of the Museum's net assets with donor restrictions are subject to donor-imposed restrictions that require the Museum to use or expend the gifts as specified, based on purpose or passage of time. When donor restrictions expire, that is, when a purpose restriction is fulfilled or a time restriction ends, such net assets are reclassified to net assets without donor restrictions and reported on the statement of activities as net assets released from restrictions.

Another portion of net assets with donor restrictions stipulates that the corpus of the gifts be maintained in perpetuity, but allow for the expenditure of net investment income earned on the corpus for either specified or unspecified purposes.

Collections

In accordance with the general practice of art museums, the cost of works of art are charged directly to the funds available for such purposes and are not capitalized. The value of objects acquired by gift cannot be reasonably estimated and, therefore, is not recorded in the financial statements.

Cash and Cash Equivalents

All highly liquid financial instruments purchased with original maturities of three months or less from date of purchase are classified as cash equivalents and approximate fair value.

Investments

Certain liquid investments not classified as cash equivalents are included in short-term investments and pooled investments based on the Museum's intended use of the funds. The Museum reports investments of all funds at fair value. Investments in limited partnerships, limited liability corporations, or privately held investment funds are recorded at fair value as reported by the General Partner or investment manager. Purchases and sales are recorded on the trade date.

Realized gains and losses on portfolio transactions are determined using a variety of cost methods. Investment income is recorded on the accrual basis.

The Museum's privately held investment funds, including common trusts and commingled funds, are carried at estimated fair value as determined by management, based upon valuations provided by the General Partner of the respective privately held investment funds. Since investments in privately held investment funds are not marketable, the estimated value is subject to uncertainty and therefore, may differ materially from the value that would have been used had a ready market for such investments existed.

Property, Plant and Equipment

Land, buildings and improvements, equipment and construction in progress are stated at cost. Betterments which materially add to the value of the related assets or materially extend the useful life of the assets are capitalized. Equipment and furnishings purchased for less than $2,500 are expensed. Buildings and improvements are depreciated over a range from 5 to 30 years on a straight-line basis. Equipment consists primarily of data processing systems and is being depreciated over its estimated useful life, 3 to 10 years, on a straight-line basis. Costs related to construction in progress have been capitalized for projects that are expected to be completed and placed in service in a future period.

The LLC holds title to certain real assets of land and a building (see also Note 6, 7 and 8).

Deferred Financing Costs

Costs incurred in connection with the placement of the Massachusetts Health and Educational Facilities Authority ("MHEFA"), Variable Rate Revenue Bonds, Museum of Fine Arts Issue, Series A-1 (2007) and Series A-2 (2007), are recorded as a reduction to the liability and are amortized on a straight-line basis over the life of the bonds.

Inventory

The inventory valuation method is the lower of cost or net realizable value, and cost is determined using the first-in, first-out method.

Use of Estimates

The preparation of these financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Revenue Recognition

In accordance with FASB ASC Topic 606, *Revenue from Contracts with Customers* ("ASC 606"), the Museum recognizes revenue when control of the promised goods or services is transferred to the Museum's outside parties in an amount that reflects the consideration the Museum expects to be entitled to in exchange for those goods or services. The standard outlines a five-step model whereby revenue is recognized as performance obligations within a contract are satisfied.

The Museum has multiple revenue sources that are accounted for as exchange transactions, including admissions, membership fees, ancillary services and other revenue.

Measure of Operations

The Museum includes in its measure of operations all revenues and expenses that are an integral part of its programs and supporting activities. The measure of operations also includes investment return pursuant to the Museum's Board-approved spending policy and interest earned on short-term investments and cash held for working capital. It excludes contributions for capital and endowment purposes, purchases and sales of collection items, investment return in excess of (less than) the amounts utilized for current operations, changes in the value of split-interest agreements and the fair value of the interest rate swap agreement, and transfers and reclassifications of net assets. During fiscal 2025, the Museum made the decision to include contributions for capital and endowment purposes as part of non-operating activities.

Contributions

The Museum recognizes revenue from contributions in accordance with Accounting Standards Update ("ASU") 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* ("ASU 2018-08"). In accordance with ASU 2018-08, the Museum evaluates whether a transfer of assets is (1) an exchange transaction in which a resource provider is receiving commensurate value in return for the resources transferred or (2) a contribution. If the transfer of assets is determined to be an exchange transaction, the Museum applies guidance under ASC 606. If the transfer of assets is determined to be a contribution, the Museum evaluates whether the contribution is conditional based upon whether the agreement includes both (1) one or more barriers that must be overcome before the Museum is entitled to the assets transferred and promised and (2) a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets. The Museum records cash and unconditional promises to give as revenue in the period received. Unconditional contributions (pledges) are recorded at the net present value of the amounts expected to be collected. Conditional contributions are recognized as revenue when the conditions (i.e., barriers) on which they depend have been met.

The Museum records unconditional contributions as restricted revenue (i.e., net assets with donor restrictions) if they are received with donor stipulations that limit their use either through purpose or time. When donor restrictions expire, that is, when a purpose restriction is fulfilled or a time restriction ends, restricted net assets are reclassified to net assets without donor restrictions, and reported in the statement of activities as net assets released from restrictions. In addition, the Museum has elected the simultaneous release option for contributions that are subject to purpose restrictions. Under this option, net assets without donor restrictions include the donor-restricted contributions for which the purpose restrictions are satisfied in the same reporting period as the revenue is recognized.

Donated Goods and Services

During the years ended June 30, 2025 and 2024, the Museum received donated goods and services recognized at fair value totaling approximately $253,000 and $104,700, respectively. Further, such gifts are not subject to donor restrictions and have been provided in support of the Museum's operations.

Admission Fees

Admission fees are from daily attendance and group visits to the Museum. Revenue is recognized upon guest admission when the Museum satisfies its performance obligations.

Membership Fees

The Museum apportions fees from memberships between contributions and exchange transactions and recognizes revenue for the contribution portion upon receipt and the exchange transaction component according to the membership term. The exchange transactions for individual and corporate membership categories are recognized in the applicable year that the subscription commences. The exchange transactions for multi-year memberships are recognized over the term of the subscription, however, historically, such amounts have not been material.

Ancillary Services

Ancillary services includes revenue from retail sales and parking fees, which is recognized upon sale, and revenue from food services and educational programming, which are recognized at the point in time when the performance obligations are satisfied.

Other Revenue

Other revenue primarily relates to revenue from touring exhibitions and rent, which are recognized on a straight-line basis over the terms of the underlying contracts. Other revenue also includes sales of publications, which are recognized as revenue when sold.

Fundraising Expense

For the years ended June 30, 2025 and 2024, the Museum incurred direct fundraising expenses of approximately $7,940,000 and $7,070,000, respectively. These expenses exclude expenses which are allocated to the Fundraising functional category (see Footnote 14).

Asset Retirement Obligations

Conditional asset retirement obligations ("ARO") meet the definition of liabilities and should be recognized when incurred if their fair values can be reasonably estimated.

These asset retirement obligations are primarily related to asbestos and lead paint located in the construct of certain Museum buildings that is not subject to abatement remediation unless the buildings are demolished or undergo major renovations or repairs. AROs arise from regulations that specify how to dispose of asbestos and lead paint if the buildings are demolished or renovated.

At June 30, 2025 and 2024, the remaining ARO associated with conditional asset retirement obligations totaled $10,134,000 and $9,615,000, respectively. The Museum recognized $519,000 and $490,000 of operating expenses relating to the accretion of ARO liabilities recorded for the years ended June 30, 2025 and 2024.

Reclassification

Certain prior period amounts have been reclassified in order to conform to the 2025 presentation. Such reclassifications did not change total assets, liabilities, revenues, expenses, or changes in net assets as reflected in the 2024 consolidated financial statements.

NOTE 2 - PLEDGES RECEIVABLE, NET

Pledges expected to be collected within one year are recorded at their net realizable value. Pledges that are expected to be collected in future years are recorded at the present value of estimated future cash flows, which has been measured utilizing a combination of the risk-free interest rates of return plus an adjustment for credit risk.

Pledges, net of allowance and discount, are expected to be collected as follows:

(in thousands of dollars)	2025	2024
In one year or less	$ 18,438	$ 15,064
Between one year and five years	28,116	26,554
Greater than five years	46,607	50,458
Total pledges receivable	93,161	92,076
Less: allowance for unfulfilled pledges	(1,863)	(1,842)
Less: discount to present value (at rates between 1.30% and 6.29%)	(17,777)	(22,286)
Pledges receivable, net of allowances	$ 73,521	$ 67,948

At June 30, 2025 and 2024, the Museum has conditional pledges totaling $23,209,000 and $11,450,000, which will be reflected in the consolidated financial statements once the conditions on which such gifts depend have been met. The Museum has received gifts totaling $1,100,000 and $800,000 which were recorded as conditional gifts and recorded in deferred revenue at June 30, 2025 and 2024.

NOTE 3 - INVESTMENTS

Investments of the endowment and certain other funds are pooled to facilitate investment management and maximize returns, with each fund purchasing or selling units on the basis of the fair value per endowment unit at the beginning of the month within which the purchase and sale transaction occurs. The fair value of investments at June 30 is as follows:

(in thousands of dollars)	2025	2024
Pooled investments		
Cash and short-term investments	$ 48,387	$ 48,608
Stocks	14,676	34,688
Mutual funds	41,000	46,612
Fixed income funds	53,621	47,635
Equity funds	290,679	219,114
Hedge funds	191,312	163,099
Private equity	190,566	178,542
	830,241	738,298
Other long-term investments		
Equity funds	20,501	18,439
Privately held stock	168,573	155,775
Other	18	18
	189,092	174,232
	$ 1,019,333	$ 912,530

The Attorney General of Massachusetts has issued written guidance that all capital appreciation on donor-restricted endowment funds that has not been appropriated for expenditure in accordance with the donor restrictions should be classified as net assets with donor restrictions. Accordingly, $390,121,000 and $335,342,000 of accumulated realized gains and unrealized appreciation are classified within net assets with donor restrictions at June 30, 2025 and 2024, respectively. These net assets with donor restrictions will only be utilized in accordance with the Museum's endowment spending policy (Note 5).

Foreign Investments

The Museum invests in foreign investments. Investment security valuations initially expressed in foreign currencies are converted into U.S. dollars based upon current exchange rates at the measurement date.

NOTE 4 - FAIR VALUE DISCLOSURES

The Museum applies fair value accounting guidance which defines fair value, establishes a framework for measuring fair value under U.S. GAAP and enhances disclosures about fair value measurements. Fair value is defined under this guidance as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

This fair value guidance establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Observable inputs reflect market data obtained from sources independent of the reporting entity and unobservable inputs reflect the entity's own assumptions about how market participants would value an asset or liability based on the best information available. Valuation techniques used to measure fair value under this fair value guidance must maximize the use of observable inputs and minimize the use of unobservable inputs. The standard describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value.

The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used by the Museum for financial instruments measured at fair value on a recurring basis. The three levels of inputs are as follows:

Level 1 - Quoted prices in active markets for identical assets or liabilities. Market price data is generally obtained from exchange or dealer markets. The Museum does not adjust the quoted price for such assets and liabilities.

Level 2 - Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the same term of the assets or liabilities. Inputs are obtained from various sources including market participants, dealers and brokers.

Level 3 - Unobservable inputs that are supported by little or no market activity which require the reporting entity to develop its own assumptions.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

For purposes of estimating the fair value of investments in investment companies that have a calculated value of their capital account or net asset value ("NAV") in accordance with, or in a manner consistent with U.S. GAAP, as a practical expedient, the Museum is permitted to estimate the fair value of an investment at the measurement date using the reported NAV without further adjustment unless the entity expects to sell the investment at a value other than NAV or if the NAV is not calculated in accordance with U.S. GAAP. The Museum's investments in common trusts, commingled funds, private equity, natural resources, real estate and certain hedge funds in the absolute return portfolio are fair valued based on the most current NAV.

The Museum has assessed factors including, but not limited to, managers' compliance with the Fair Value Measurement standard, price transparency and valuation procedures in place, the ability to redeem at NAV at the measurement date, and existence of certain redemption restrictions at the measurement date.

The value of certain alternative investments represents the ownership interest in the NAV of the respective limited partnership interests in hedge, private equity, real estate and other similar funds, adjusted for cash flows through June 30. The NAV of the securities held by limited partnerships that do not have readily determinable fair values are determined by the general partner and are based on appraisals, or other estimates that require varying degrees of judgment. If no public market exists for the investment securities, the fair value is determined by the general partner taking into consideration, among other things, the cost of the securities, prices of recent significant placements of securities of the same issuer, and subsequent developments concerning the companies to which the securities relate. The Museum has performed due diligence around these investments to ensure NAV is an appropriate measure of fair value as of June 30, 2025 and 2024.

The following fair value hierarchy tables present information about the Museum's assets and liabilities measured at fair value on a recurring basis based upon the lowest level of significant input to the valuations. Also presented are investments measured at NAV per share (or its equivalent) as a practical expedient to fair value, which have not been classified in the fair value hierarchy, however are included to facilitate reconciling total investments to the accompanying consolidated statements of financial position. These investments are listed as other investments.

	2025				
(in thousands of dollars)	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Other Investments (Other)	Total Fair Value
Assets					
Short-term investments	$ 116,976	$ -	$ -	$ -	$ 116,976
Investments					
Cash and short-term investments	48,387	-	-	-	48,387
Stocks	14,676	-	-	168,573	183,249
Mutual funds	41,000	-	-	-	41,000
Fixed income funds	-	-	-	53,621	53,621
Equity funds	-	-	-	311,180	311,180
Hedge funds	-	-	-	191,312	191,312
Private equity	-	-	-	190,566	190,566
Other	-	-	18	-	18
Total investments	104,063	-	18	915,252	1,019,333
Beneficial interest in perpetual trusts	-	-	25,660	-	25,660
Assets of split-interest agreements	-	-	16,582	-	16,582
Total assets at fair value	$ 221,039	$ -	$ 42,260	$ 915,252	$ 1,178,551
Liabilities					
Interest rate swap payable	$ -	$ 4,982	$ -	$ -	$ 4,982
Total liabilities at fair value	$ -	$ 4,982	$ -	$ -	$ 4,982

	2024				
(in thousands of dollars)	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Other Investments (Other)	Total Fair Value
Assets					
Short-term investments	$ 81,684	$ -	$ -	$ -	$ 81,684
Investments					
Cash and short-term investments	48,608	-	-	-	48,608
Stocks	34,688	-	-	155,775	190,463
Mutual funds	46,612	-	-	-	46,612
Fixed income funds	-	-	-	47,635	47,635
Equity funds	-	-	-	237,553	237,553
Hedge funds	-	-	-	163,099	163,099
Private equity	-	-	-	178,542	178,542
Other	-	-	18	-	18
Total investments	129,908	-	18	782,604	912,530
Beneficial interest in perpetual trusts	-	-	24,580	-	24,580
Assets of split-interest agreements	-	-	13,893	-	13,893
Total assets at fair value	$ 211,592	$ -	$ 38,491	$ 782,604	$ 1,032,687
Liabilities					
Interest rate swap payable	$ -	$ 4,212	$ -	$ -	$ 4,212
Total liabilities at fair value	$ -	$ 4,212	$ -	$ -	$ 4,212

Included in “Other Investments” consist of the Museum’s ownership in various investments including common trusts, commingled funds, and alternative investments including limited partnership interests in hedge, private equity, real estate and other similar funds. Such investments have been reported at fair value based on a reported NAV.

The Museum’s management, with the assistance of the Investment Committee and an independent advisory consultant, evaluates and monitors all endowment investments. The Investment Committee is comprised primarily of investment professionals.

Interest rate swaps are valued using broker quotes and models using market observable inputs. Because the swaps have inputs that can usually be corroborated by observable market data, they are generally classified within Level 2.

There have been no changes in financial instruments’ levels within these tables for the year ended June 30, 2025 compared to the year ended June 30, 2024.

Per the applicable guidance, disclosures are presented by major asset category by the nature and risks of the Museum's investments.

(in thousands of dollars)

Category	Fair Value Determined Using NAV at June 30, 2025	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Fixed income funds [(a)]	$ 53,621	$ -	Anytime	3 days
Equity funds [(b)]	311,180	-	Anytime to annually	2 to 120 days
Hedge funds [(c)]	191,312	-	Quarterly to triennially with deferred payout	15 to 90 days or already noticed
Private equity [(d)]	190,566	62,575	Illiquid	N/A
Privately held stock	168,573	-	Illiquid	N/A
Total other investments	$ 915,252	$ 62,575		

(in thousands of dollars)

Category	Fair Value Determined Using NAV at June 30, 2024	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Fixed income funds [(a)]	$ 47,635	$ -	Anytime	3 days
Equity funds [(b)]	237,553	-	Anytime to annually	2 to 120 days
Hedge funds [(c)]	163,099	-	Quarterly to triennially with deferred payout	45 to 180 days or already noticed
Private equity [(d)]	178,542	59,416	Illiquid	N/A
Privately held stock	155,775	-	Illiquid	N/A
Total other investments	$ 782,604	$ 59,416		

(a) Fixed income funds: U.S. Treasury investments with fixed duration targets held in common trust vehicles.

(b) Equity funds: Equity investments in U.S. and international markets held in common trust and commingled fund vehicles.

(c) Hedge funds: Pooled investment vehicles utilizing a broad range of investment strategies including long/short, distressed credit and multi-strategy.

(d) Private equity Investments in limited partnerships with long-term capital commitments; strategies include venture capital, growth equity, buyouts, natural resources, and real estate.

Beneficial interests in perpetual trusts and assets of split-interest agreements are valued by the trustees of the agreements and are based on the value of the underlying marketable securities or for those securities which do not have a readily determinable fair value by the trustee based on appraisals or other estimates which require judgment. These balances are included within Level 3. The primary unobservable inputs used in the fair value measurement of the perpetual trust assets are the underlying securities held by the trust. Significant fluctuation in the discount rates utilized in the calculations of assets of split-interest agreements could result in a material change in fair value.

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

The following table is a rollforward of the statement of financial position amounts for financial instruments classified by the Museum within Level 3 of the fair value hierarchy defined above.

For the year ended June 30, 2025:

(in thousands of dollars)	Other	Beneficial Interest in Perpetual Trusts	Assets of Split-interest Agreements	Total
Fair value at July 1, 2024	$ 18	$ 24,580	$ 13,893	$ 38,491
Realized/unrealized gains	-	1,080	2,689	3,769
Fair value at June 30, 2025	$ 18	$ 25,660	$ 16,582	$ 42,260

For the year ended June 30, 2024:

(in thousands of dollars)	Other	Beneficial Interest in Perpetual Trusts	Assets of Split-interest Agreements	Total
Fair value at July 1, 2023	$ 18	$ 23,836	$ 13,371	$ 37,225
Realized/unrealized gains	-	744	522	1,266
Fair value at June 30, 2024	$ 18	$ 24,580	$ 13,893	$ 38,491

NOTE 5 - ENDOWMENTS

The Museum’s endowment consists of approximately 700 individual donor-restricted endowment funds that have been established for a variety of purposes plus certain net assets that have been designated by the Board of Trustees of the Museum to function as endowments. The net assets are classified and reported based on the existence or absence of donor-imposed restrictions. Some endowment assets are held, controlled and administered by third-party trustees (beneficial interest in perpetual trusts held by others; see Note 9, Beneficial Interest in Perpetual Trusts).

The Board of Trustees of the Museum has interpreted the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”) as enacted by the Commonwealth of Massachusetts as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment fund absent explicit donor stipulations to the contrary. As a result of this interpretation, the Museum classifies as net assets with donor restrictions: (a) the original value of gifts donated to its permanent endowment, (b) the original value of subsequent gifts to its permanent endowment, and (c) accumulations to its permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund until those amounts are appropriated for expenditure of the Museum in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Museum considers the following factors in making a determination to appropriate or accumulate endowment funds:

a. The duration and preservation of the fund.
b. The purposes of the Museum and its donor-restricted endowment fund.
c. General economic conditions.
d. The possible effect of inflation and deflation.
e. The expected total return from income and the appreciation of endowment investments.
f. Other resources of the Museum.
g. The investment policies of the Museum.

Endowment Funds with Deficits

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the value of the initial and subsequent donor gift amounts (deficit) required to be retained as a fund of perpetual duration. As of June 30, 2025, no donor-restricted endowment funds fell below the original amount of the gift. At June 30, 2024, deficits existed in various donor-restricted endowment funds, with an aggregate original gift value of $94,700,000 and fair value of $84,349,000, resulting in a deficiency of $10,351,000. In accordance with the terms of donor gift instruments, the Museum is permitted to reduce the balance of the respective restricted endowments below the original amount of the gift.

Return Objectives and Risk Parameters

The Museum has adopted endowment investment and spending policies that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchase power of endowment assets. Under this policy, the return objective for the endowment assets shall be to maximize the return based on the endowment’s target allocation applied to the appropriate individual benchmarks. The Museum’s objective for its endowment funds over time is to provide an average rate of return that exceeds the spending rate plus inflation and related investment costs. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Investment Objectives

To achieve its long-term rate of return objectives, the Museum relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized gains) and current yield (interest and dividends). The Museum targets a diversified asset allocation that places greater emphasis on equity-based investments to achieve its long-term objectives within prudent risk constraints.

Endowment Spending Allocation and Relationship of Spending Policy to Investment Objectives

The Board of Trustees of the Museum determines the method to be used to appropriate endowment earnings for expenditure to support annual operations. The spending of endowment earnings (interest, dividends, realized gains and changes in unrealized appreciation) for operations is set at 5.0% of the average fair value of the endowment funds over the twelve quarters ended on the last day of December 2023 for the fiscal year ended June 30, 2025 and 5.0% of the average fair value of the endowment funds over the twelve quarters ended on the last day of March 2023 for the fiscal year ended June 30, 2024. In accordance with the spending rate, endowment spending distribution amounted to $34,507,000 and $33,771,000 for the years ended June 30, 2025 and 2024, respectively. Income earned in excess of the spending amount is reinvested, and any shortfall of investment income under this spending amount is funded from previous year's unspent accumulated gains.

The Board considers the expected long-term rate of return on its endowment and retains the discretion to modify its spending beyond the originally budgeted amount of spending if deemed prudent. Accordingly, over the long-term, the Museum's objective is for the current spending policy to allow its endowment to grow at the rate of inflation or greater, consistent with its intention to maintain the purchasing power of the endowment assets as well as to provide additional real growth through new gifts.

The following tables summarize the changes in managed endowment net assets:

	2025		
(in thousands of dollars)	Without Donor Restrictions	With Donor Restrictions	Total
Endowment investments as of June 30, 2024, as previously reported	$ 61,035	$ 722,382	$ 783,417
Reclassifications**			
Board-designated funds for other purposes	(31,520)	331	(31,189)
Other	(15,148)	929	(14,219)
Endowment investments as of June 30, 2024, after reclassifications*	14,367	723,642	738,009
Investment return, net	2,774	86,597	89,371
Contributions	262	35,862	36,124
Appropriation of endowment assets for expenditure	(1,551)	(32,956)	(34,507)
Donor-redesignation and transfers	-	4,295	4,295
Endowment investments as of June 30, 2025*	15,852	817,440	833,292
Pledges receivable donor-restricted for endowment	-	29,718	29,718
Funds held in perpetual trust by others	-	25,660	25,660
Endowment net assets as of June 30, 2025	$ 15,852	$ 872,818	$ 888,670

* Endowment investments are comprised of the Museum's managed pooled investments of $830,241,000 and $738,298,000 at June 30, 2025 and 2024, respectively, plus adjustments for cash in transit to/(from) the endowment of $3,051,000 and ($289,000) at June 30, 2025 and 2024, respectively.

	2024		
(in thousands of dollars)	Without Donor Restrictions	With Donor Restrictions	Total
Endowment investments as of June 30, 2023	$ 63,413	$ 668,225	$ 731,638
Investment return, net	1,571	43,965	45,536
Contributions	3,524	18,522	22,046
Appropriation of endowment assets for expenditure	-	(11,350)	(11,350)
Donor redesignation and transfers	-	3,020	3,020
Other	(7,473)	-	(7,473)
Endowment investments as of June 30, 2024	61,035	722,382	783,417
Pledges receivable donor-restricted for endowment	-	25,142	25,142
Funds held in perpetual trust by others	-	24,580	24,580
Endowment net assets as of June 30, 2024	$ 61,035	$ 772,104	$ 833,139

Reclassifications**

In fiscal year 2025, management conducted a review of the net assets historically reported as part of its endowment funds. As a result, certain board-designated net assets totaling $31,520,000, which were included as part of the quasi-endowment and invested alongside the managed pooled investments, have now been separately presented (see Note 13).

Additionally, the Museum recorded another adjustment of $14,219,000 to align the endowment disclosure with the corresponding underlying managed pooled investment balances. Such adjustments, which represent declines in the underlying managed pooled investment balances pertaining to prior years, impact the endowment disclosure only and are considered by management to be immaterial to the consolidated financial statements.

NOTE 6 - LIQUIDITY

The Museum's financial assets and resources available to meet cash needs for general expenditures within one year of the date of the consolidated statement of financial position are as follows:

(in thousands of dollars)	2025	2024
Financial assets		
Cash and cash equivalents	$ 42,299	$ 65,972
Short-term investments	116,976	81,684
Receivables	1,036	1,105
Endowment investments appropriated for spending in the subsequent fiscal year	28,558	26,799
Total financial assets available within one year	$ 188,869	$ 175,560

As part of the Museum's liquidity management strategy, the Museum structures its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, the Museum invests cash in excess of daily requirements in short-term working capital investments. Cash withdrawals from the managed investment pool normally coincide with the endowment spending distribution, but may be adjusted higher or lower based on the timing of gift receipts, capital calls, income and capital distributions, operating expenses and other factors affecting available cash. Endowment funds appropriated for spending are distributed to Museum departments for spending, subject to donor restrictions where applicable; however, cash withdrawals from the investment pool are available for general liquidity purposes.

Additionally, the Museum has board-designated endowment funds totaling $15,852,000 and $29,515,000, as reclassified and prior to other adjustments, as of June 30, 2025 and 2024, respectively. Although the Museum does not intend to spend from its board-designated endowment funds, other than amounts appropriated for expenditure as part of its annual budget approval process, such amounts could be made available.

On May 15, 2020, the Museum entered into a one-year revolving credit agreement in the amount of up to $20,000,000 to ensure a sufficient level of liquidity. On May 14, 2021, the line of credit was renewed for a one-year period with amended terms and bore interest on outstanding balances at a floating rate equal to 65 basis points above LIBOR through May 13, 2022. On May 13, 2022, the line of credit was renewed for a one-year period with amended terms and bore interest on outstanding balances at a floating rate equal to 45 basis points above the Bloomberg Short-term Bank Yield (BSBY) rate through May 13, 2023. On January 19, 2023, the line of credit was increased to $50,000,000 with interest on outstanding balances at a floating rate of 70 basis points above BSBY through May 13, 2025. On January 31, 2023, drawings of $18,000,000 were made to fund the purchase of a building and certain interest payments on the Line of Credit (see also Note 8). Subsequently, on April 10, 2023 the line of credit was reduced to $30,000,000. The revolving credit agreement requires a fee of 0.10% per year on any unused available commitments, respectively, for the years ended June 30, 2025 and 2024. The amount available on the line of credit was $9,525,000 and $10,637,000 at June 30, 2025 and 2024, respectively.

NOTE 7 - PROPERTY, PLANT AND EQUIPMENT, NET

Property, plant and equipment, net, are reported at cost and consist of the following at June 30, 2025 and 2024:

(in thousands of dollars)	2025	2024
Land	$ 23,663	$ 23,663
Land improvements	6,771	6,771
Buildings and improvements	592,515	582,123
Equipment	74,196	70,996
Leased real estate assets	7,456	7,456
	704,601	691,009
Less: accumulated depreciation	(449,202)	(426,672)
	255,399	264,337
Construction in progress	21,391	18,969
Net property, plant and equipment	$ 276,790	$ 283,306

Depreciation expense was approximately $24,186,000 and $24,199,000 for the years ended June 30, 2025 and 2024, respectively. The Museum disposed of equipment with an asset cost of $1,344,000 and $1,998,000 and corresponding accumulated depreciation of $845,000 and $1,998,000 during the years ended June 30, 2025 and 2024, respectively.

During fiscal year 2023, the Museum began depreciating a building that had not yet been placed into service. As of June 30, 2024, accumulated depreciation related to this building totaled $811,000. Additionally, the Museum recorded capitalizable interest related to this same building project as interest expense. As of June 30, 2024, interest expense that should have been capitalized totaled $1,245,000. During fiscal year 2025, the Museum reversed the cumulative impact of the overstatement of prior period depreciation and interest expense, which totaled $2,056,000. This amount is included in non-operating transfers on the 2025 consolidated statement of activities.

NOTE 8 - DEBT OUTSTANDING

Bonds payable consist of the following at June 30, 2025 and 2024:

(in thousands of dollars)	2025	2024
MHEFA Museum Revenue Bonds Series A-1 and Series A-2* dated October 11, 2007 with principal payments due on December 1, 2037, at a variable interest rate. The variable interest rate for the Series A-1 was 4.15% at June 30, 2025 and 4.86% at June 30, 2024.	$ 100,000	$ 100,000
Less: bond issuance cost, net of accumulated amortization	(135)	(146)
Total bonds payable	$ 99,865	$ 99,854

* As discussed below, the Series A-2 bonds were extinguished on June 2, 2021.

On December 13, 2007, The Massachusetts Health and Education Facilities Authority (the "Issuer") issued $100,000,000 of Revenue Bonds, Museum of Fine Arts Issue Auction Rate Securities Series A-1 (2007) and $85,000,000 of Revenue Bonds, Museum of Fine Arts Issue, Series A-2 (2007), pursuant to a Loan and Trust Agreement dated October 11, 2007 among the Issuer, the Museum and the Trustee. The mode of the Series A-1 (2007) and Series A-2 (2007) was converted from auction rate securities to variable rate demand bonds on April 3, 2008 and April 2, 2008, respectively. The bonds bear interest at a variable rate and are remarketed on a daily basis. The final principal payment of $5,000,000 on the Series A-2 (2007) was made on June 2, 2021. The final maturity date of the Series A-1 (2007) is December 1, 2037. No payment of principal is due until that date. For the Museum's variable rate debt, the carrying value is equal to the fair value.

On February 18, 2020, the Museum entered into a new Standby Bond Purchase Agreement (the Agreement), for both the Series A-1 (2007) and Series A-2 (2007) bonds, with a bank and the Trustee to purchase tendered bonds. The Agreement had an available commitment amount of $105,000,000 plus an available interest commitment equal to 35 days of interest payments. That Agreement was to expire on July 23, 2023. On June 15, 2022, the Agreement was extended to expire on July 15, 2025. On July 16, 2024, the Agreement was extended again to expire on July 15, 2027. The Museum pays a commitment fee of 0.33% based on the amount of available commitment under the Agreement on the Series A-1 (2007) bonds and paid 1.00% on the amount of available commitment under the Agreement on the Series A-2 (2007) bonds until these bonds were extinguished in June 2021. The Agreement requires the Museum to maintain certain credit ratings. Under the Agreement, repayment of tendered bonds occurs ratably over a term defined in the Agreement beginning eighteen months after tender.

On December 19, 2003, the Museum obtained a separate uncollateralized bank line-of-credit in the amount of $5,000,000 to support its retail store inventory with a $500,000 sub-limit for issuance of letters of credit. On September 18, 2009, the line of credit was reduced to $2,500,000. On March 29, 2016, the line-of-credit was reduced to $2,000,000. On June 21, 2023, the line of credit was amended to bear interest at a floating rate equal to the Bloomberg Short-term Bank Yield ("BSBY") plus the BSBY rate margin of 100 basis points. Prior to June 21, 2022, this line-of-credit bore interest at a floating rate equal to 100 basis points above LIBOR. At both June 30, 2025 and 2024, $0 was outstanding under this line-of-credit. At both June 30, 2025 and 2024, no letters of credit were outstanding under the letters of credit sub-limit of the line. This line-of-credit was closed on September 27, 2024.

On May 15, 2020, the Museum entered into a one-year revolving credit agreement in the amount of up to $20,000,000 to ensure liquidity. On May 14, 2021, the line of credit was renewed for a one-year period with amended terms and bore interest on outstanding balances at a floating rate equal to 65 basis points above LIBOR through May 13, 2022. On May 13, 2022, the line of credit was renewed for a one-year period with amended terms and bore interest on outstanding balances at a floating rate equal to 45 basis points above BSBY through May 13, 2023. On January 19, 2023, the line of credit was increased to $50,000,000 with interest on outstanding balances at a floating rate of 70 basis points above BSBY through May 13, 2025.On January 31, 2023, drawings of $18,000,000 were made to fund the purchase of a building and certain interest payments on the Line of Credit (see also Note 6). On April 10, 2023, the line of credit was reduced to $30,000,000. The agreement requires a fee of 0.10% per year on any unused available commitments, respectively, at June 30, 2025 and 2024. On July 16, 2024, an Amendment was made to change all references of BSBY to Term SOFR. On May 8, 2025, an Amendment was made to extend the maturity date to May 13, 2027, with interest on outstanding balances at Term SOFR plus 80 basis points, and requires a fee of 0.15% on any unused available commitments. At June 30, 2025 and 2024, the outstanding balance under the line of credit was $20,475,000 and $19,363,000, respectively.

Effective April 2006, the Museum entered into an interest rate swap in the notional amount of $100,000,000 under which the Museum would pay a fixed rate equal to 3.892%, receive a variable rate equal to 67% of the 1-month LIBOR rate. The swap agreement was entered into in anticipation of future borrowings to finance its Master Plan which occurred in December 2007. On December 4, 2007, the swap agreement was amended to decrease the fixed rate to 3.854%. The agreement will terminate December 2028. Effective with LIBOR cessation on June 30, 2023, the Museum adopted the ISDA 2020 IBOR Fallbacks Protocol for its legacy 67% payer swap. The Museum converted to receive a variable rate equal to 67% of the Fallback Rate, which is 1-month USD based SOFR-Compound plus a spread of 11.448 basis points. Payments of $3,854,000 and $3,251,000 have been made and received, respectively, under the swap agreement during the year ended June 30, 2025. Payments of $3,854,000 and $3,693,000 have been made and received, respectively, under the swap agreement during the year ended June 30, 2024. The estimated fair value of the interest rate swap was $(4,982,000) and $(4,212,000) at June 30, 2025 and 2024, respectively, and has been separately presented on the accompanying consolidated statement of financial position.

The swap agreement does not contain provisions that require the Museum to post additional collateral to its counter-party. The swap agreement does contain provisions that if either the Museum or its counter-party does not maintain a certain minimum credit rating then the swap agreement will terminate, requiring an immediate settlement of the agreement.

The estimated fair value of the interest rate swap agreement at June 30, 2025 and 2024 was determined by the counterparty using the net present value of fixed and floating future cash flows estimated through the use of various forward interest rate yield curves, and reviewed by the Museum. The Museum utilized the provisions of fair value accounting guidance to assess the risk of nonperformance. These financial instruments involve counterparty credit exposure. The counterparty for the interest rate swap agreement is a major financial institution that meets the Museum's criteria for financial stability and creditworthiness.

NOTE 9 - BENEFICIAL INTEREST IN PERPETUAL TRUSTS

For the years ended June 30, 2025 and 2024, the Museum received approximately $1,213,000 and $1,223,000, respectively, in investment income from trusts held by outside third parties, for which the Museum is the beneficiary. The fair value of the Museum's share of these perpetual trusts is approximately $25,660,000 and $24,580,000 at June 30, 2025 and 2024, respectively. These funds are designated to continue in trust with income to be received by the Museum. The changes in the fair value in the Museum's interest in these trusts is reported in the consolidated statements of activities.

NOTE 10 - SPLIT-INTEREST AGREEMENTS

Assets received under split-interest agreements are recorded at fair value and in the appropriate net asset category based on donor stipulation. Related contributions are recognized as contribution revenue equal to the present value of future benefits less the liability for income payable to the donor or the donor's designee. Liabilities have been established for those split-interest agreements for which the Museum is the trustee. During the term of these agreements, changes in the value of split-interest agreements are recognized in the statement of activities based on accretion of the discounted amount of the contribution, revaluations of the expected future benefits to be received by the Museum and revaluations of the expected future payment to other beneficiaries, based on changes in life expectancy and other actuarial assumptions.

The Museum has recorded approximately $16,582,000 and $13,893,000 at June 30, 2025 and 2024, respectively, as assets of various split-interest agreements in its statements of financial position. In addition, related liabilities of approximately $2,964,000 and $3,118,000 were recorded at June 30, 2025 and 2024, respectively. Discount rates ranging from 1.9% to 7.9% were used in determination of net asset values at June 30, 2025 and 2024.

NOTE 11 - RETIREMENT PLAN

The Museum has a defined contribution retirement plan with Teachers' Insurance and Annuity Association of America and College Retirement Equities Fund and Fidelity Investments covering substantially all active employees. The Museum's contributions to the retirement plan are based on a percentage of employee annual earnings.

The Museum's policy is to currently fund retirement plan cost accrued. Total retirement plan expense charged to operations was approximately $2,562,000 and $2,255,000 for the years ended June 30, 2025 and 2024, respectively.

The Museum has also entered into a savings plan under Section 457 of the Internal Revenue Code which allows certain employees to defer tax on amounts paid into the plan by the employees.

Assets and liabilities of this plan total $2,251,000 and $1,999,000 at June 30, 2025 and 2024, respectively, and are recorded in assets and other liabilities on the accompanying the statements of financial position.

NOTE 12 - LEASES

The Museum has leases of real estate primarily for various art and other storage spaces and office equipment. The Museum determines if an arrangement is a lease at inception of the contract.

When evaluating contracts for embedded leases, the Museum exercises judgement to determine if there is an explicit or implicit identified asset in the contract and if the Museum controls the use of that asset. Embedded leases are immaterial to the consolidated financial statements.

In fiscal year 2023, the Museum renewed the options on three real estate leases. These renewals became effective on September 1, 2022. The total value of these extensions totaled $7,455,000. The value of these extensions have been included in assets and liabilities and will be amortized consistent with the Museum's established policies.

Lease expense for lease payments is recognized on a straight-line basis over the term of the lease. Lease assets and liabilities are recognized based on the present value of lease payments due over the lease term. The majority of the Museum's leases do not have a readily determinable implicit discount rate and in those cases, the Museum uses its incremental borrowing rate to calculate the present value of lease payments. As a practical expedient, the Museum has made an accounting policy election for all asset classes not to separate lease components from nonlease components in the event that the agreement contains both. The Museum includes both lease and nonlease components for purposes of calculating the right-of-use ("ROU") asset and related lease liability. For finance leases, interest expense on the lease liability is recognized using the effective interest method and amortization of the ROU asset is recognized on a straight-line basis over the lease term, which approximates useful life.

Operating leases

Supplemental statement of financial position information related to operating leases at June 30, 2025 and 2024 follows:

(in thousands of dollars)	2025	2024
ROU assets*	$ 7,456	$ 7,456
Less: accumulated amortization	(4,225)	(2,734)
	$ 3,231	$ 4,722

* ROU assets are included within property, plant and equipment, net, on the statement of financial position.

Weighted-average remaining lease term	2.2 years	3.2 years
Weighted-average discount rate	3.99%	3.99%

(in thousands of dollars)

Year Ended June 30:	
2026	$ 1,647
2027	1,647
2028	275
Total lease obligations, gross	3,569
Less: amounts representing interest at 3.99%	(154)
Total lease obligations	$ 3,415
Total current lease obligations	$ 1,539
Total noncurrent lease obligations	$ 1,876

The components of lease cost for the years ended June 30, 2025 and 2024 are as follows:

(in thousands of dollars)	2025	2024
Rent expense	$ 1,647	$ 1,647

Supplemental cash flow information related to leases for the years ended June 30, 2025 and 2024 follows:

(in thousands of dollars)	2025	2024
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows	$ 1,647	$ 1,647

Finance leases

Supplemental statement of financial position information related to finance leases at June 30, 2025 and 2024 follows:

(in thousands of dollars)	2025	2024
ROU assets*	$ 220	$ 220
Less: accumulated amortization	(110)	(47)
	$ 110	$ 173

* ROU assets are included within property, plant and equipment, net, on the statement of financial position.

Weighted-average remaining lease term	1.6 years	2.5 years
Weighted-average discount rate	5.58%	5.58%

(in thousands of dollars)

Year Ended June 30:		
2026	$	72
2027		45
Total lease obligations, gross		117
Less: amounts representing interest with rates ranging from 0.85% to 6.12%		(6)
Total lease obligations	$	111
Total current lease obligations	$	67
Total noncurrent lease obligations	$	44

The components of lease cost for the years ended June 30, 2025 and 2024 are as follows:

(in thousands of dollars)	2025	2024
Amortization of ROU assets		
Interest on lease obligations	$ 1,647	$ 1,647

Supplemental cash flow information related to leases for the years ended June 30, 2025 and 2024 follows:

(in thousands of dollars)	2025	2024
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows	$ 1,647	$ 1,647

The Museum has entered into operating lease agreements with two separate parties to lease two buildings owned by the Museum.

On August 6, 2010, the Museum entered into an agreement to lease a building owned by the Museum to an external party. This lease was amended on March 8, 2017 extending the term to June 30, 2031. The lease has two extension options of 10 years each. The lease agreement includes escalation clauses as well as rental holidays. The impact of the lease escalation of $3,908,000 and $4,115,000 at June 30, 2025 and 2024, respectively, is included in Other Assets and is being amortized on a straight-line basis over the initial term of the lease. The Museum has recorded rental revenue of $5,133,000 during each of the years ended June 30, 2025 and 2024 on a straight-line basis. Rental revenue of $5,133,000 will be recorded each of the fiscal years 2026 through 2031.

Additionally, lease acquisition costs of $950,000 were incurred for this building lease and are included in other assets in the statement of financial position. These costs are amortized over the term of the lease. Amortization expense of $27,000 has been recorded for each of the years ended June 30, 2025 and 2024.

The accumulated amortization on lease acquisition costs is $787,000 and $760,000 at June 30, 2025 and 2024, respectively.

The Museum entered into an agreement to lease two buildings in Boston near the Museum campus to an external party. Both properties will be leased for a 12-year term commencing July 1, 2016 through June 30, 2028 with five options to extend the lease for five years each. The lease agreements include escalation clauses. The impact of the lease escalation of $2,576,000 and $3,435,000 at June 30, 2025 and 2024, respectively, is included in other assets and is being amortized on a straight line basis over the initial term of the lease. The Museum has also agreed to fund certain capital expenditures at each building in accordance with the terms of the respective leases. On March 31, 2023, the Museum sold one of the two buildings under these lease agreements.

The Museum has recorded rental revenue of $1,788,000 for each of the years ended June 30, 2025 and 2024. Rental revenue of $1,788,000 will be recorded each of the fiscal years 2026 through 2028.

NOTE 13 - NET ASSETS

The Museum classifies all financial transactions into two net asset categories: without donor restrictions and with donor restrictions. Net assets without donor restrictions include resources available for general operations, board-designated funds, and net investment in property, plant and equipment, net of related debt. Net assets with donor restrictions represent contributions subject to donor-imposed stipulations, and restrictions are released when the stipulated time or purpose has been fulfilled.

The composition of net assets is as follows as of June 30:

	2025				
		With Donor Restrictions			
(in thousands of dollars)	Without Donor Restrictions	Restricted Time or Purpose	Restricted Endowment	Total	Total Net Assets
Operating and other	$ 35,236	$ -	$ -	$ -	$ 35,236
Board-designated reserves	9,704	-	-	-	9,704
Board-designated endowment	15,852	-	-	-	15,852
Net investment in plant	124,591	-	-	-	124,591
Donor restricted for:					
Art acquisition	-	17,955	194,771	212,726	212,726
Capital projects	-	33,650	-	33,650	33,650
Debt service and other	-	258,816	-	258,816	258,816
Corpus and accumulated earnings subject to appropriation	-	-	604,167	604,167	604,167
Support of other Museum programs	-	13,582	18,502	32,084	32,084
Pledges receivable, net	-	43,803	29,718	73,521	73,521
Funds held in perpetual trust by others	-	-	25,660	25,660	25,660
Total net assets	$ 185,383	$ 367,806	$ 872,818	$ 1,240,624	$ 1,426,007

	2024				
		With Donor Restrictions			
(in thousands of dollars)	Without Donor Restrictions	Restricted Time or Purpose	Restricted Endowment	Total	Total Net Assets
Operating and other	$ 9,710	$ -	$ -	$ -	$ 9,710
Board-designated reserves	31,520	-	-	-	31,520
Board-designated endowment	29,515	-	-	-	29,515
Net investment in plant	109,524	-	-	-	109,524
Donor restricted for:					
Art acquisition	-	17,849	150,724	168,573	168,573
Capital projects	-	41,715	-	41,715	41,715
Debt service and other	-	224,211	-	224,211	224,211
Learning and community engagement	-	14,119	195,029	209,148	209,148
Corpus and accumulated earnings subject to appropriation	-	-	362,502	362,502	362,502
Support of other Museum programs	-	9,132	14,458	23,590	23,590
Pledges receivable, net	-	42,806	25,142	67,948	67,948
Funds held in perpetual trust by others	-	-	24,580	24,580	24,580
Total net assets	$ 180,269	$ 349,832	$ 772,435	$ 1,122,267	$ 1,302,536

Board-Designated Reserves

The Board of Trustees of the Museum has designated certain net assets without donor restrictions to support strategic initiatives, including a Campaign fund to provide resources for campaign activities to generate future campaign gifts, and an operating reserve intended to provide liquidity in the event of operating shortfalls or unforeseen circumstances. These designations reflect internal decisions and are not legally restricted; they may be modified or removed at the discretion of the Board.

The board-designated net assets consist of the following:

(in thousands of dollars)	2025	2024
Board-designated endowment	$ 15,852	$ 29,515*
Campaign funding	6,993	5,123
Other operating reserves	2,711	26,397
Total board-designated net assets	$ 25,556	$ 61,035

* As reclassified and prior to other adjustments (see Note 5).

NOTE 14 - FUNCTIONAL EXPENSES

Expenses are presented by functional classification in accordance with the mission of the Museum. Each functional classification displays all expenses related to the underlying operations by natural classification. Building and grounds, depreciation and interest expenses are directly allocated to the function categories directly and/or based on square footage occupancy.

Museum of Fine Arts

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2025 and 2024
(in thousands)

For the year ended June 30, 2025:

(in thousands of dollars)	Collections and Curatorial	Exhibitions	Learning & Community Engagement	Membership, Visitor, and Protective Services	Ancillary Operations	Other Program Services	Total Program Services	General & Administrative	Fundraising	2025 Total
Operating expenses										
Salaries and wages	$ 13,185	4,776	4,420	$ 7,146	1,849	$ 1,390	32,766	8,081	$ 4,913	45,760
Employee benefits	3,818	1,355		1,800	475	410	8,943	1,433	1,451	11,827
Space and occupancy	2,544 $	5,464 $	465	1,117 $		214 $	10,309 $		261 $	11,508
Professional services	728	1,682	861	2,974		692	7,944		234	10,660
Supplies, materials and equipment	677	1,005	342	326	2,819	274	5,443	494		6,205
Other expenses	2,067	1,266 1,085	454	1,119	617	185	5,708	5,198	1,244	12,150
				505 1,007			938 2,482			
Total operating expenses before capital, related and interest expenses	23,019	15,548	7,627	14,482	7,272	3,165	71,113	18,626 268	8,371	98,110
Capital and related expenses	1,777	416	51	375	146	45	2,810	21,366	42	24,218
Interest on debt	808	1,939	162	364	283	79	3,635	323	81	4,039
Total operating expenses	$ 25,604	$ 17,903	$ 7,840	$ 15,221	$ 7,701	$ 3,289	$ 77,558	$ 40,315	$ 8,494	$ 126,367

For the year ended June 30, 2024:

(in thousands of dollars)	Collections and Curatorial	Exhibitions	Learning & Community Engagement	Membership, Visitor, and Protective Services	Ancillary Operations	Other Program Services	Total Program Services	General & Administrative	Fundraising	2024 Total
Operating expenses										
Salaries and wages	$ 11,582	4,327	3,364	$ 7,062	1,778	$ 1,253	29,366	6,921	$ 4,538	40,825
Employee benefits	3,355	1,231	792	1,678	458	436	7,950		1,221	10,329
Space and occupancy	2,059 $	5,005 $	335	$	990	128 $	9,515 $	979	97 $	10,591
Professional services	925	2,584	746	2,534	921	411	8,121		408	9,418
Supplies, materials and equipment	493			209	2,937	777	5,384	156	92	5,632
Other expenses	2,223	2,977	691	992	684	178	7,745 1,158	4,728	891	13,364
			998				889			
Total operating expenses before capital, related and interest expenses	20,637 670	16,794 298	6,226	13,473	7,768		68,081	14,831		90,159
Capital and related expenses	6,099	10,690	931	2,315	1,667	373	22,075	1,881	275	24,231
Interest on debt	1,043	2,469	208	468	364	80	4,632	435	59	5,126
Total operating expenses	$ 27,779	$ 29,953	$ 7,365	$ 16,256	$ 9,799 3,183	$ 3,636	$ 94,788	$ 17,147 7,247	$ 7,581	$ 119,516

(in thousands)

NOTE 15 - REVENUE RECOGNITION FROM EXCHANGE TRANSACTIONS

During the years ended June 30, 2025 and 2024, the Museum recognized revenue from exchange transactions of approximately $3,614,000 and $1,548,000, respectively, from amounts that were included in deferred revenue at the beginning of the fiscal years ended June 30, 2025 and 2024, respectively.

At June 30, 2025, deferred revenue totaled $2,026,000, of which $926,000 pertained to performance obligations not yet satisfied under exchange transactions. Performance obligations related to this deferred revenue are expected to be satisfied in the subsequent fiscal year, as follows:

Admissions	$ 673,000
Ancillary services	2,000
Other revenue	251,000
	$ 926,000

NOTE 16 - COMMITMENTS AND CONTINGENCIES

The Museum is committed to purchase certain works of art under agreements that call for payments to be made in installments. Under such agreements, title passes in increments equal to the installment payment amounts. The total unpaid portion of the commitment as of June 30, 2025 is $3,259,000.

The Museum has made various commitments to fund certain investments as further disclosed in Note 4.

The Museum is subject to claims which have risen in the normal course of business. In management's opinion, the ultimate resolution of such claims at June 30, 2025, would not have a material effect on the consolidated financial statements of the Museum. Management believes it has adequate insurance to cover these claims.

NOTE 17 - SUBSEQUENT EVENTS

The Museum has assessed the impact of subsequent events through November 21, 2025, which is the date the financial statements were issued, and concluded that there were no such events that require adjustment to the accompanying consolidated financial statements or disclosures.