



THE JEWISH MUSEUM

Financial Statements

June 30, 2009

(With comparative financial information
as of and for the year ended June 30, 2008)

(With Independent Auditors' Report Thereon)



KPMG LLP
345 Park Avenue
New York, NY 10154

Independent Auditors' Report

The Board of Trustees
The Jewish Museum:

We have audited the accompanying statement of financial position of The Jewish Museum (the Museum) as of June 30, 2009, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Museum's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year's summarized comparative information has been derived from the Museum's 2008 financial statements, and in our report dated November 17, 2008, we expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Jewish Museum as of June 30, 2009, and the changes in its net assets and its cash flows for the year then ended, in conformity with U.S. generally accepted accounting principles.

KPMG LLP

November 9, 2009

THE JEWISH MUSEUM
Statement of Financial Position
June 30, 2009
(With comparative financial information
as of June 30, 2008)

Assets	2009	2008
Cash and cash equivalents	\$ 1,973,593	3,870,708
Investments (note 4)	80,550,139	93,999,077
Contributions and grants receivable, net (note 5)	5,733,431	8,257,248
Other current assets	2,178,822	2,504,591
Due from The Jewish Theological Seminary of America (note 3)	—	25,000
Fixed assets, net (note 6)	23,426,439	23,643,712
Collection (notes 2 and 8)		
Total assets	\$ 113,862,424	132,300,336
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 1,130,996	1,251,886
Accrued compensation payable	438,035	447,003
Annuities payable	1,433,283	1,488,842
Total liabilities	3,002,314	3,187,731
Net assets (note 10):		
Unrestricted:		
Operating	1,044,509	1,044,509
Plant	20,432,820	21,239,629
Board designated	31,780,268	49,513,809
Total unrestricted	53,257,597	71,797,947
Temporarily restricted (note 9)	11,903,810	12,056,654
Permanently restricted (note 9)	45,698,703	45,258,004
Total net assets	110,860,110	129,112,605
Total liabilities and net assets	\$ 113,862,424	132,300,336

See accompanying notes to financial statements.

THE JEWISH MUSEUM

Statement of Activities

Year ended June 30, 2009

(With comparative summarized financial information for
the year ended June 30, 2008)

	Unrestricted				Temporarily restricted	Permanently restricted	Total	
	Operating	Plant	Board designated	Total			2009	2008
Revenues, gains (losses), and other support:								
Contributions and grants	\$ 3,437,939	—	2,002,248	5,440,187	4,276,603	440,699	10,157,489	8,219,633
Net investment income (loss) (note 4)	2,365,397	—	(17,409,751)	(15,044,354)	(105,053)	—	(15,149,407)	(6,241,023)
Admissions, tour fees, and ticket sales	748,677	—	—	748,677	—	—	748,677	848,430
Memberships	832,441	—	—	832,441	—	—	832,441	1,000,505
Fund-raising events, net of expenses of \$862,970 in 2009 and \$980,084 in 2008	439,051	—	—	439,051	—	—	439,051	1,317,181
Museum shop	2,091,676	—	—	2,091,676	—	—	2,091,676	2,564,103
Other revenues	397,969	—	—	397,969	—	—	397,969	450,205
Net assets released from restrictions and transfers	5,647,550	564,982	(2,326,038)	3,886,494	(3,886,494)	—	—	—
Total revenues, gains (losses), and other support	15,960,700	564,982	(17,733,541)	(1,207,859)	285,056	440,699	(482,104)	8,159,034
Expenses:								
Program services:								
Curatorial, collections, and exhibitions	7,183,282	658,459	—	7,841,741	—	—	7,841,741	7,500,998
Education, media, and public programs	2,213,535	137,179	—	2,350,714	—	—	2,350,714	2,488,926
Museum shop	2,649,854	68,590	—	2,718,444	—	—	2,718,444	3,029,479
Other	25,076	—	—	25,076	—	—	25,076	47,795
Total program services	12,071,747	864,228	—	12,935,975	—	—	12,935,975	13,067,198
Supporting services:								
Management and general	1,784,421	356,665	—	2,141,086	—	—	2,141,086	2,181,208
Fund-raising:								
Development	1,421,038	96,026	—	1,517,064	—	—	1,517,064	1,733,413
Membership	683,494	54,872	—	738,366	—	—	738,366	752,051
Total fund-raising	2,104,532	150,898	—	2,255,430	—	—	2,255,430	2,485,464
Total supporting services	3,888,953	507,563	—	4,396,516	—	—	4,396,516	4,666,672
Total expenses	15,960,700	1,371,791	—	17,332,491	—	—	17,332,491	17,733,870
Change in net assets before changes related to collection items not capitalized	—	(806,809)	(17,733,541)	(18,540,350)	285,056	440,699	(17,814,595)	(9,574,836)
Collection items purchased but not capitalized (note 2)	—	—	—	—	(437,900)	—	(437,900)	(1,320,702)
Change in net assets	—	(806,809)	(17,733,541)	(18,540,350)	(152,844)	440,699	(18,252,495)	(10,895,538)
Net assets at beginning of year	1,044,509	21,239,629	49,513,809	71,797,947	12,056,654	45,258,004	129,112,605	140,008,143
Net assets at end of year	\$ 1,044,509	20,432,820	31,780,268	53,257,597	11,903,810	45,698,703	110,860,110	129,112,605

See accompanying notes to financial statements.

THE JEWISH MUSEUM

Statement of Cash Flows

Year ended June 30, 2009

(With comparative financial information for
the year ended June 30, 2008)

	2009	2008
Cash flows from operating activities:		
Change in net assets	\$ (18,252,495)	(10,895,538)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,371,790	1,363,043
Net realized and unrealized loss on investments	16,265,773	7,800,457
Purchase of collection items	437,900	1,320,702
Contributions restricted for long-term investment	(2,542,797)	(1,275,915)
Change in value of split-interest agreements	139,502	132,253
Changes in other assets and liabilities:		
Contributions and grants receivable	3,724,640	3,084,313
Other current assets	325,769	(875,517)
Accounts payable and accrued expenses	(4,043)	191,130
Accrued compensation payable	(8,968)	22,718
Due from The Jewish Theological Seminary of America	25,000	29,284
Net cash provided by operating activities	1,482,071	896,930
Cash flows from investing activities:		
Purchase of investments	(93,168,385)	(40,429,712)
Proceeds from sale of investments	90,351,550	39,449,502
Fixed asset acquisitions	(1,154,517)	(817,827)
Change in accounts payable related to capital improvements	(116,847)	151,966
Collection items purchased but not capitalized	(437,900)	(1,320,702)
Net cash used in investing activities	(4,526,099)	(2,966,773)
Cash flows from financing activities:		
Proceeds from contributions restricted for long-term investment	1,341,974	3,425,376
Proceeds from contributions restricted for investment subject to annuity obligations	10,000	10,000
Payment of annuities	(205,061)	(204,431)
Net cash provided by financing activities	1,146,913	3,230,945
Net (decrease) increase in cash and cash equivalents	(1,897,115)	1,161,102
Cash and cash equivalents at beginning of year	3,870,708	2,709,606
Cash and cash equivalents at end of year	\$ 1,973,593	3,870,708

See accompanying notes to financial statements.

THE JEWISH MUSEUM

Notes to Financial Statements

June 30, 2009

(With comparative financial information
as of and for the year ended June 30, 2008)

(1) Nature and Purpose of Organization

The Jewish Museum (the Museum), located at 1109 Fifth Avenue and One East 92nd Street, New York, New York, is dedicated to the enjoyment, understanding, and preservation of the artistic and cultural heritage of the Jewish people through its unparalleled collection, distinguished exhibitions, and related education programs. Using art and artifacts that embody the diversity of the Jewish experience from ancient to present times throughout the world, the Museum strives to be a source of inspiration and shared human values for people of all religious and cultural backgrounds, while serving as a special touchstone of identity for Jewish people. As a vital cultural resource for New York residents and visitors of all ages, the Museum also reaches out to national and international communities as it interprets and preserves Jewish art and culture for current and future generations. The Museum is an accredited member of the American Association of Museums.

The Museum is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (IRC).

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

The accompanying financial statements are prepared on the accrual basis of accounting.

(b) Basis of Presentation

The Museum classifies its net assets and revenues, gains, and losses based on the existence or absence of donor-imposed restrictions as follows:

Unrestricted net assets are not subject to any donor-imposed stipulations. However, the board of trustees may choose to designate such funds for particular uses.

Temporarily restricted net assets are subject to donor-imposed stipulations that will be met either by actions of the Museum and/or the passage of time.

Permanently restricted net assets are subject to donor-imposed stipulations that they be maintained permanently by the Museum. Generally, the donors of these assets permit the Museum to use all or part of the income earned on related investments for general or specific purposes.

Revenues are reported as increases in unrestricted net assets unless their use is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

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(c) *Use of Estimates*

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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 and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(d) *Functional Allocation of Expenses*

The costs of providing services have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

(e) *Cash and Cash Equivalents*

Cash and cash equivalents include investments in highly liquid debt instruments with original maturities of three months or less, excluding amounts whose use is limited under trust agreements and funds held by investment managers for long-term investment purposes.

(f) *New Accounting Pronouncements*

Adoption of Statement of Financial Accounting Standards (SFAS) No. 157, *Fair Value Measurements and Related Pronouncements*

Effective July 1, 2008, the Museum adopted SFAS No. 157. SFAS No. 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. This pronouncement does not require any new fair value measurements. In February 2008, the Financial Accounting Standards Board (FASB) issued FASB Staff Position (FSP) No. FAS 157-2, *Effective Date of FASB Statement No. 157*, which defers the effective date of SFAS No. 157 for one year for nonfinancial assets and nonfinancial liabilities that are not disclosed at fair value in the financial statements on a recurring basis. The FSP did not defer the recognition and disclosure requirements for financial or nonfinancial assets and liabilities that are measured at least annually.

Adoption of FASB Staff Position No. FAS 117-1 (FAS 117-1), *Endowments of Not-for-profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and Enhanced Disclosures for All Endowment Funds*

In August 2008, FAS 117-1 was issued, and its guidance is effective for fiscal years ending after December 15, 2008. A key component of FAS 117-1 is a requirement to classify the portion of a donor-restricted endowment fund that is not classified as permanently restricted net assets as temporarily restricted net assets until appropriated for expenditure. FAS 117-1 also improves the disclosures about an organization's endowment funds (both donor-restricted endowment funds and board-designated endowment funds). New York State has not yet adopted UPMIFA; however, for the year ended June 30, 2009, the Museum has adopted the disclosure requirements of FAS 117-1.

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Notes to Financial Statements

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(g) *Fair Value Measurements*

SFAS No. 157 defines fair value 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. SFAS No. 157 also establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

- Level 1 Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Museum has the ability to access at the measurement date
- Level 2 Inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active
- Level 3 Inputs that are unobservable

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

(h) *Investments*

Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value based upon quoted market prices with gains and losses included in the statement of activities.

Investments in alternative investments that are not readily marketable are reported in the financial statements based upon the underlying net asset value (or partner's capital) of each investment, which is estimated at fair value by the fund managers or general partners, respectively. The Museum reviews and evaluates the values provided by the fund managers and general partners and agrees with the valuation methods and assumptions used in determining the fair value of the underlying net assets (or partner's capital). In conjunction with the adoption of SFAS No. 157, the Museum elected to early adopt the measurement provisions of Accounting Standards Update No. 2009-12, *Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)* to certain investments in funds that do not have readily determinable fair values including private investments, hedge funds, real estate, and other funds. This guidance amends SFAS No. 157 and allows for the estimation of the fair value of investments in investment companies for which the investment does not have a readily determinable fair value using net asset value per share or its equivalent. Net asset value, in many instances may not equal fair value that would be calculated pursuant to SFAS No. 157.

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Notes to Financial Statements

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(With comparative financial information
as of and for the year ended June 30, 2008)

(i) Contributions

Contributions, which include unconditional promises to give, are reported at fair value at the date the contribution is received. Contributions to be received after one year are discounted to reflect the present value of future cash flows. Amortization of the discount is recorded as additional contribution revenue in accordance with the donor-imposed restrictions, if any, on the contributions.

(j) Fixed Assets

Fixed assets are stated at cost less accumulated depreciation or amortization, computed using the straight-line method. Leasehold improvements are amortized using the straight-line method over the life of the lease or useful life of the asset, whichever is shorter. All other fixed assets are depreciated using the straight-line method over the estimated useful lives of the assets, ranging from 4 to 40 years.

(k) Collection

Collection objects are not recognized as assets in the accompanying statement of financial position. Collection objects donated to the Museum are not recorded for financial accounting purposes and, accordingly, are not included as revenues on the statement of activities. Purchases of collection items are recorded as decreases in unrestricted net assets in the year in which the items are acquired if purchased with unrestricted funds, or as decreases in temporarily restricted net assets if the assets used to purchase the items are restricted by donors. Proceeds from deaccessions are reflected as increases in temporarily restricted net assets.

(l) Annuities Payable

Charitable gift annuities are recorded at the date the assets are received after recording liabilities for the actuarial present value of the estimated payments to be made to donors and/or other beneficiaries. Such contributions are recorded as increases in temporarily restricted net assets, if received with donor restrictions. The liabilities are adjusted annually for changes in the value of the assets and changes in the estimates for future benefits. The adjustments are recorded as a change in value of split-interest agreements and recorded in contributions in the accompanying statement of activities.

(m) Comparative Financial Information

The financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Museum's financial statements for the year ended June 30, 2008, from which the summarized financial information was derived.

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Notes to Financial Statements

June 30, 2009

(With comparative financial information
as of and for the year ended June 30, 2008)

(3) Affiliated Organization

The Museum was created as a separate legal entity in 1952; however, the Museum has retained an affiliation with The Jewish Theological Seminary of America (the Seminary), its founding organization.

In 1904, the Jewish Museum was established with a gift of Judaica made to the Seminary. In 1947, Museum operations were moved to the Warburg Mansion, a building at 1109 Fifth Avenue, New York, New York, which is owned by the Seminary and leased at an annual rate of \$1.00 to the Museum. It is the responsibility of the Museum to maintain and preserve the collection and the building. The agreement also indicates that if the expanded museum buildings are sold, 50% of the proceeds from the sale will be used exclusively for future Museum purposes.

The Seminary provides, at no cost, legal services to the Museum where applicable. The Seminary and the Museum have agreed that general management, programmatic, and artistic decision-making of the Museum resides with the Museum Board and its professional staff. No amounts have been recognized for these services, as they are considered immaterial to the financial statements.

(4) Investments

The carrying value of investments at June 30, 2009 and 2008 is summarized as follows:

	<u>2009</u>	<u>2008</u>
Short-term investments	\$ 11,182,839	10,236,430
U.S. Treasury bills	4,614,485	22,073,990
Fixed income securities	12,401,335	1,811,801
Common stocks	14,711,466	17,531,701
Alternative investments	37,637,014	42,342,155
State of Israel bonds	3,000	3,000
	<u>\$ 80,550,139</u>	<u>93,999,077</u>

The following table presents assets that are measured at fair value on a recurring basis at June 30, 2009. At June 30, 2009, 46.7% of the Museum's investment portfolio was classified as Level 3. Of this, approximately 63.5% of the underlying assets within these investments are exchange-traded marketable securities.

THE JEWISH MUSEUM

Notes to Financial Statements

June 30, 2009

(With comparative financial information
as of and for the year ended June 30, 2008)

	<u>June 30, 2009</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Financial assets:				
Investments:				
Short-term				
investments	\$ 11,182,839	11,182,839	—	—
U.S. Treasury bills	4,614,485	4,614,485	—	—
Fixed income				
securities	12,401,335	12,044,742	356,593	—
Common stocks	14,711,466	14,711,466	—	—
Alternative				
investments	37,637,014	—	—	37,637,014
State of Israel bonds	3,000	3,000	—	—
Total	<u>\$ 80,550,139</u>	<u>42,556,532</u>	<u>356,593</u>	<u>37,637,014</u>

The following table presents the Museum's activity for assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) as defined in SFAS No. 157 for the year ended June 30, 2009:

	<u>Level 3 assets</u>
Balance at July 1, 2008	\$ 42,342,155
Net depreciation in fair value	(8,332,834)
Purchases and redemptions, net	<u>3,627,693</u>
Balance at June 30, 2009	<u>\$ 37,637,014</u>

At June 30, 2009, the Museum had no outstanding commitments to invest in any private equity or venture capital limited partnerships.

THE JEWISH MUSEUM

Notes to Financial Statements

June 30, 2009

(With comparative financial information
as of and for the year ended June 30, 2008)

The alternative investment funds included in the Museum's investment portfolio at June 30, 2009 are redeemable based on the following terms and conditions:

Quarterly redemption with 45 days' notice	\$	3,783,413
Annual redemption with 30 days' notice		5,162,060
Annual redemption with 45 days' notice		5,096,240
Annual redemption with 60 days' notice		4,920,011
Annual redemption with 90 days' notice		1,981,626
Annual redemption with 180 days' notice		4,031,117
Recurring automatic three-year lockup, 30 days' notice		6,547,566
Recurring automatic three-year lockup, 90 days' notice		6,114,981
		\$ 37,637,014

The following summarizes the investment (loss) return presented in the statement of activities:

	2009	2008
Dividends and interest	\$ 1,556,263	2,399,781
Net realized and unrealized loss	(16,265,773)	(7,800,457)
	(14,709,510)	(5,400,676)
Less investment expenses	(439,897)	(840,347)
	\$ (15,149,407)	(6,241,023)

(5) Contributions and Grants Receivable

Contributions and grants receivable at June 30, 2009 and 2008 are scheduled to be collected as follows:

	2009	2008
Within one year	\$ 3,068,373	4,791,178
From one to five years	2,415,000	3,448,846
More than five years	859,195	752,386
	6,342,568	8,992,410
Less discount to present value at rates of 3.33% to 5.10%	(284,137)	(410,162)
Less allowance for uncollectibles	(325,000)	(325,000)
	\$ 5,733,431	8,257,248

Included in contributions receivable at June 30, 2009 and 2008 are pledges of \$5.1 million from 11 donors and \$7.2 million from 14 donors, respectively.

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(6) Fixed Assets

Fixed assets at June 30, 2009 and 2008 consist of the following:

	<u>2009</u>	<u>2008</u>
Land	\$ 883,750	883,750
Building	2,217,779	2,217,779
Building and leasehold improvements	33,501,624	31,658,022
Furniture and equipment	5,320,382	5,138,922
Permanent exhibition (design and construction)	7,206,242	7,206,242
Construction in progress	—	870,545
	<u>49,129,777</u>	<u>47,975,260</u>
Less accumulated depreciation and amortization	<u>(25,703,338)</u>	<u>(24,331,548)</u>
	<u>\$ 23,426,439</u>	<u>23,643,712</u>

Land and building represent the cost of real property located at One East 92nd Street, New York, New York, purchased by the Museum in July 1989. Renovation costs that were incurred on the building are included in building and leasehold improvements.

The City of New York (the City) has made grants to the Museum for capital purposes. The grant agreements require the Museum to operate the facility as a nonprofit entity, open to and used and maintained for the benefit of the people of the City for cultural, educational, or artistic uses and/or related purposes approved by the City. Through June 30, 2009, the City has granted the Museum approximately \$3,989,000.

(7) Employee Benefits Program

After meeting certain eligibility requirements, substantially all administrative personnel are participants in a defined contribution pension plan. The Museum contributes 3% for eligible employees and then matches employees' contributions ranging from 1% to 5%.

Other personnel, principally maintenance and security personnel, are participants in pension agreements as specified by union contracts, which govern their employment.

The cost of these pension plans for the years ended June 30, 2009 and 2008 was approximately \$409,000 and \$392,000, respectively.

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(8) Collection

The Museum's collection is comprised of approximately 28,000 objects related to Jewish religious and cultural history, including paintings, sculpture, works on paper, photographs, ethnographic material, archaeological artifacts, numismatics, ceremonial objects, and broadcast media materials. The collection is held for exhibition, education, and research and is administered and stored in accordance with a formal collection management policy approved by the American Association of Museums. The Museum maintains a policy that requires the proceeds from the sale of collection objects (deaccessions) be used to acquire other items for the collection.

(9) Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets as of June 30, 2009 and 2008 are available for the following purposes:

	2009	2008
Curatorial collections and exhibitions	\$ 2,693,956	3,140,483
Education, media, and public programs	878,561	1,008,945
Collection acquisitions	756,750	334,444
Centennial fund	4,003,826	4,089,352
Other	3,570,717	3,483,430
	\$ 11,903,810	12,056,654

Permanently restricted net assets as of June 30, 2009 and 2008 are restricted to investment in perpetuity, the income from which is expendable to support the following purposes:

	2009	2008
General operations:		
Curatorial, collections, and exhibitions	\$ 22,405,307	22,405,307
Education, media, and public programs	10,404,926	10,404,926
General purposes	11,878,056	11,437,357
Collection acquisitions	1,010,414	1,010,414
	\$ 45,698,703	45,258,004

In 2009, the Museum obtained permission from 12 donors with endowments totaling \$10 million to allow the Museum to apply the Museum's spending rate to the funds even if the application of such spending rate reduces the value of the funds to a value below historic dollar value and also does not require that the Museum restore such funds to historic value. As of June 30, 2009, the Museum has not acted on these agreements.

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(10) Endowment Funds

The Museum's endowment consists of approximately 58 funds established for a variety of purposes including both donor-restricted endowment funds and funds designated by the Museum to function as endowments. Net assets associated with endowment funds, including funds designated by the Museum to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Trustees of the Museum has interpreted Uniform Management of Institutional Funds Act (UMIFA) as requiring the preservation in perpetuity of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Museum classifies as permanently restricted net assets the original value of gifts donated to the permanent endowment, as well as the original value of subsequent gifts to the permanent endowment. Income earned on these assets is appropriated for expenditure in accordance with donor-imposed purpose restrictions, if any, on the use of such earned income.

The investment objective of the Museum's investment portfolio is to provide that future growth of the portfolio is sufficient to offset normal inflation plus reasonable spending, thereby preserving the constant dollar value and purchasing power of the endowment fund. The objective of the investment program is to enhance the portfolio's long-term viability by maximizing the value of the portfolio with prudent level of risk. The assets are managed on a total return basis. The Investment Committee of the Board of Trustees has adopted long-term asset allocation policy mid-range targets for equities, fixed income, and alternative investments (which consist of hedge funds and distressed debt).

The Museum has a spending policy of appropriating for distribution each year 5% of the endowment funds' average of the preceding 3 years through the 1st quarter of the year preceding the fiscal year in which the distribution is planned.

From time to time, the fair value of assets associated with donor-restricted endowment funds may fall below the level that the donor or UMIFA requires to retain as a fund of perpetual duration. Deficiencies of this nature that are reported in unrestricted net assets totaled \$4,076,422 as of June 30, 2009. This deficiency results from unfavorable market fluctuations subsequent to the investment of permanently restricted contributions. Subsequent gains that restore the fair value of the assets of the donor-restricted endowment fund to the required level will be classified as an increase in unrestricted net assets. There were no such deficiencies at June 30, 2008.

THE JEWISH MUSEUM

Notes to Financial Statements

June 30, 2009

(With comparative financial information
as of and for the year ended June 30, 2008)

Endowment net assets consist of the following at June 30, 2009:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ (3,455,705)	—	44,781,000	41,325,295
Board-designated endowment funds	<u>32,476,832</u>	<u>—</u>	<u>—</u>	<u>32,476,832</u>
Total endowment net assets	<u>\$ 29,021,127</u>	<u>—</u>	<u>44,781,000</u>	<u>73,802,127</u>

Endowment net assets consist of the following at June 30, 2008:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ 7,354,407	105,053	44,399,287	51,858,747
Board-designated endowment funds	<u>38,781,461</u>	<u>—</u>	<u>—</u>	<u>38,781,461</u>
Total endowment net assets	<u>\$ 46,135,868</u>	<u>105,053</u>	<u>44,399,287</u>	<u>90,640,208</u>

Changes in endowment net assets for the year ended June 30, 2009:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Endowment net assets, July 1, 2008	\$ 46,135,868	105,053	44,399,287	90,640,208
Investment return:				
Dividends and interest	1,413,341	—	—	1,413,341
Net realized and unrealized loss	(15,835,291)	(105,053)	—	(15,940,344)
Investment expenses	<u>(431,169)</u>	<u>—</u>	<u>—</u>	<u>(431,169)</u>
Total investment loss, net	(14,853,119)	(105,053)	—	(14,958,172)
Contributions	1,743,124	—	381,713	2,124,837
Appropriation of endowment assets for expenditures	(4,204,746)	—	—	(4,204,746)
Transfers to create board-designated funds	<u>200,000</u>	<u>—</u>	<u>—</u>	<u>200,000</u>
Endowment net assets, June 30, 2009	<u>\$ 29,021,127</u>	<u>—</u>	<u>44,781,000</u>	<u>73,802,127</u>

THE JEWISH MUSEUM

Notes to Financial Statements

June 30, 2009

(With comparative financial information
as of and for the year ended June 30, 2008)

Changes in endowment net assets for the year ended June 30, 2008:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Endowment net assets, July 1, 2007	\$ 55,029,607	132,233	41,677,571	96,839,411
Investment return:				
Dividends and interest	2,066,800	—	—	2,066,800
Net realized and unrealized loss	(7,787,970)	(27,180)	—	(7,815,150)
Investment expenses	(825,394)	—	—	(825,394)
Total investment loss, net	(6,546,564)	(27,180)	—	(6,573,744)
Contributions	2,292,759	—	2,721,716	5,014,475
Appropriation of endowment assets for expenditures	(4,639,934)	—	—	(4,639,934)
Endowment net assets, June 30, 2008	<u>\$ 46,135,868</u>	<u>105,053</u>	<u>44,399,287</u>	<u>90,640,208</u>

(11) Adoption of SFAS No. 165 (SFAS 165), *Subsequent Events*

In connection with the preparation of the financial statements and in accordance with the recently issued SFAS 165, the Museum evaluated subsequent events after the statement of financial position date of June 30, 2009 through November 9, 2009, which was the date the financial statements were issued and has concluded that there are no subsequent events for disclosure.