



THE JEWISH MUSEUM

Financial Statements

June 30, 2010

(With comparative financial information
as of and for the year ended June 30, 2009)

(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, 2010, 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 2009 financial statements, and in our report dated November 9, 2009, 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, 2010, 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

October 27, 2010

THE JEWISH MUSEUM
Statement of Financial Position
June 30, 2010
(With comparative financial information
as of June 30, 2009)

Assets	2010	2009
Cash and cash equivalents	\$ 1,154,806	1,973,593
Investments (note 4)	91,676,343	80,550,139
Contributions and grants receivable, net (note 5)	5,022,271	5,733,431
Other assets	2,002,398	2,178,822
Fixed assets, net (note 6)	22,139,021	23,426,439
Collection (notes 2 and 8)		
Total assets	\$ 121,994,839	113,862,424
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 1,052,407	1,130,996
Accrued compensation payable	457,237	438,035
Annuities payable	1,317,832	1,433,283
Total liabilities	2,827,476	3,002,314
Net assets (note 10):		
Unrestricted:		
Operating	1,044,509	1,044,509
Plant	19,352,657	20,432,820
Board designated	40,381,592	31,780,268
Total unrestricted	60,778,758	53,257,597
Temporarily restricted (note 9)	12,673,934	11,903,810
Permanently restricted (note 9)	45,714,671	45,698,703
Total net assets	119,167,363	110,860,110
Total liabilities and net assets	\$ 121,994,839	113,862,424

See accompanying notes to financial statements.

THE JEWISH MUSEUM

Statement of Activities

Year ended June 30, 2010

(With comparative summarized financial information for
the year ended June 30, 2009)

	Unrestricted				Temporarily restricted	Permanently restricted	Total	
	Operating	Plant	Board designated	Total			2010	2009
Revenues, gains (losses), and other support:								
Contributions and grants	\$ 3,497,158	—	1,690,477	5,187,635	3,344,288	15,968	8,547,891	10,157,489
Net investment income (loss) (note 4)	1,918,253	—	7,086,578	9,004,831	2,338,072	—	11,342,903	(15,149,407)
Admissions, tour fees, and ticket sales	601,907	—	—	601,907	—	—	601,907	748,677
Memberships	820,018	—	—	820,018	—	—	820,018	832,441
Fund-raising events, net of expenses of \$793,466 in 2010 and \$862,970 in 2009	711,976	—	—	711,976	—	—	711,976	439,051
Museum shop	1,929,584	—	—	1,929,584	—	—	1,929,584	2,091,676
Other revenues	357,678	—	—	357,678	—	—	357,678	397,969
Net assets released from restrictions and transfers	4,207,528	304,146	(175,731)	4,335,943	(4,335,943)	—	—	—
Total revenues, gains (losses), and other support	14,044,102	304,146	8,601,324	22,949,572	1,346,417	15,968	24,311,957	(482,104)
Expenses:								
Program services:								
Curatorial, collections, and exhibitions	6,249,928	664,471	—	6,914,399	—	—	6,914,399	7,841,741
Education, media, and public programs	1,905,322	138,431	—	2,043,753	—	—	2,043,753	2,350,714
Museum shop	2,323,045	69,215	—	2,392,260	—	—	2,392,260	2,718,444
Other	18,368	—	—	18,368	—	—	18,368	25,076
Total program services	10,496,663	872,117	—	11,368,780	—	—	11,368,780	12,935,975
Supporting services:								
Management and general	1,713,076	359,919	—	2,072,995	—	—	2,072,995	2,141,086
Fund-raising:								
Development	1,187,547	96,901	—	1,284,448	—	—	1,284,448	1,517,064
Membership	646,816	55,372	—	702,188	—	—	702,188	738,366
Total fund-raising	1,834,363	152,273	—	1,986,636	—	—	1,986,636	2,255,430
Total supporting services	3,547,439	512,192	—	4,059,631	—	—	4,059,631	4,396,516
Total expenses	14,044,102	1,384,309	—	15,428,411	—	—	15,428,411	17,332,491
Change in net assets before changes related to collection items not capitalized	—	(1,080,163)	8,601,324	7,521,161	1,346,417	15,968	8,883,546	(17,814,595)
Collection items purchased but not capitalized (note 2)	—	—	—	—	(576,293)	—	(576,293)	(437,900)
Change in net assets	—	(1,080,163)	8,601,324	7,521,161	770,124	15,968	8,307,253	(18,252,495)
Net assets at beginning 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
Net assets at end of year	\$ 1,044,509	19,352,657	40,381,592	60,778,758	12,673,934	45,714,671	119,167,363	110,860,110

See accompanying notes to financial statements.

THE JEWISH MUSEUM

Statement of Cash Flows

Year ended June 30, 2010

(With comparative financial information for
the year ended June 30, 2009)

	2010	2009
Cash flows from operating activities:		
Change in net assets	\$ 8,307,253	(18,252,495)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,384,308	1,371,790
Net realized and unrealized (gain) loss on investments	(10,947,583)	16,265,773
Purchase of collection items	576,293	437,900
Contributions restricted for long-term investment	(15,968)	(2,542,797)
Change in value of split-interest agreements	84,438	139,502
Changes in other assets and liabilities:		
Contributions and grants receivable	667,128	3,724,640
Other current assets	176,424	325,769
Accounts payable and accrued expenses	(43,470)	(4,043)
Accrued compensation payable	19,202	(8,968)
Due from The Jewish Theological Seminary of America	—	25,000
Net cash provided by operating activities	208,025	1,482,071
Cash flows from investing activities:		
Purchase of investments	(52,176,106)	(93,168,385)
Proceeds from sale of investments	51,997,485	90,351,550
Fixed asset acquisitions	(96,890)	(1,154,517)
Change in accounts payable related to capital improvements	(35,119)	(116,847)
Collection items purchased but not capitalized	(576,293)	(437,900)
Net cash used in investing activities	(886,923)	(4,526,099)
Cash flows from financing activities:		
Proceeds from contributions restricted for long-term investment	60,000	1,341,974
Proceeds from contributions restricted for investment subject to annuity obligations	—	10,000
Payment of annuities	(199,889)	(205,061)
Net cash (used in) provided by financing activities	(139,889)	1,146,913
Net decrease in cash and cash equivalents	(818,787)	(1,897,115)
Cash and cash equivalents at beginning of year	1,973,593	3,870,708
Cash and cash equivalents at end of year	\$ 1,154,806	1,973,593

See accompanying notes to financial statements.

THE JEWISH MUSEUM

Notes to Financial Statements

June 30, 2010

(With comparative financial information
as of and for the year ended June 30, 2009)

(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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as of and for the year ended June 30, 2009)

(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) Income Taxes

In fiscal 2010, the Museum adopted Accounting Standards Update (ASU) No. 2009-06, *Implementation Guidance on Accounting for Uncertainty in Income Taxes and Disclosure Amendments for Nonpublic Entities* (ASU 2009-06), in conjunction with its adoption of Financial Accounting Standards Board (FASB) Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* (now included in Accounting Standards Codification (ASC) Subtopic 740-10, *Income Taxes – Overall*). Beginning with the adoption of ASU 2009-06 and FASB Interpretation No. 48, the Museum recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Prior to the adoption of FASB Interpretation No. 48, the Museum recognized the effect of income tax positions only if such positions were probable of being sustained. There was no impact to the Museum's financial statements as a result of the adoption of FASB Interpretation No. 48 or ASU 2009-06. Income generated from activities unrelated to the Museum's exempt purpose is subject to tax. The Museum did not have any material unrelated business income tax liability for the years ended June 30, 2010 and 2009.

(e) 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.

(f) Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Fair value is a market-based measurement, not an entity-specific measurement, and sets out a fair value hierarchy with the highest priority being quoted prices in active markets. The Museum discloses fair value measurements by level within that hierarchy. The fair value hierarchy maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Museum. Unobservable inputs reflect the Museum's assumptions about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. Fair value measurements are categorized into three levels based on the inputs as follows:

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

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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.

(g) *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.

(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.

In fiscal 2009, the Museum early adopted the measurement provisions of ASU No. 2009-12, *Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)* (ASU 2009-12), relating to certain investments in funds that do not have readily determinable fair values, including private equities, hedge funds, real estate, and other funds (alternative investments). ASU 2009-12 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, as provided by the investment managers. The Museum reviews and evaluates the values provided by the investment managers and agrees with the valuation methods and assumptions used in determining the net asset values of these investments. These estimated fair values may differ significantly from the values that would have been used had a ready market for these securities existed. In fiscal 2010, the Museum adopted the disclosure provisions of ASU 2009-12 (note 4).

Most investments classified in Levels 2 and 3 consist of shares or units in investment funds as opposed to direct interests in the funds' underlying holdings, which may be marketable. Because the net asset value reported by each fund is used as a practical expedient to estimate fair value of the Museum's interest therein, its classification in Level 2 or 3 is based on the Museum's ability to redeem its interest at or near June 30. If the interest can be redeemed in the near term, the investment is classified as Level 2. The classification of investments in the fair value hierarchy is not necessarily an indication of the risks, liquidity, or degree of difficulty in estimating the fair value of each investment's underlying assets and liabilities.

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as of and for the year ended June 30, 2009)

(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 the appropriate net asset class (generally 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 unrestricted net assets, unless 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, 2009, from which the summarized financial information was derived.

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Notes to Financial Statements

June 30, 2010

(With comparative financial information
as of and for the year ended June 30, 2009)

(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 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 current agreement also indicates that if the expanded museum buildings are sold, 50% of the proceeds from the sale will be the property of the Museum.

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 following tables present the fair value hierarchy of investments, the only financial instruments that are measured at fair value on a recurring basis at June 30, 2010 and 2009:

		2010			
		Total	Level 1	Level 2	Level 3
Financial assets:					
Investments:					
Short-term investments	\$	5,856,402	5,856,402	—	—
Fixed income mutual funds		10,064,550	10,064,550	—	—
U.S. Government and agency bonds		2,293,976	2,293,976	—	—
Corporate bonds		1,019,338	1,019,338	—	—
Mortgage and asset-backed bonds		1,085,134	—	1,085,134	—
Domestic common stock		18,660,085	18,660,085	—	—
International common stock		97,216	97,216	—	—
Alternative investments:					
Hedge funds		40,700,505	—	19,018,583	21,681,922
Distressed opportunities		11,896,637	—	11,896,637	—
State of Israel bonds		2,500	2,500	—	—
Total	\$	91,676,343	37,994,067	32,000,354	21,681,922

THE JEWISH MUSEUM

Notes to Financial Statements

June 30, 2010

(With comparative financial information
as of and for the year ended June 30, 2009)

		2009			
		Total	Level 1	Level 2	Level 3
Financial assets:					
Investments:					
Short-term investments	\$	11,182,839	11,182,839	—	—
U.S. Treasury bills		4,614,485	4,614,485	—	—
Fixed income mutual funds		12,044,742	12,044,742	—	—
Mortgage and asset-backed bonds		356,593	—	356,593	—
Domestic common stock		14,414,492	14,414,492	—	—
International common stock		296,974	296,974	—	—
Alternative investments:					
Hedge funds		28,685,886	—	—	28,685,886
Distressed opportunities		8,951,128	—	—	8,951,128
State of Israel bonds		3,000	3,000	—	—
Total	\$	80,550,139	42,556,532	356,593	37,637,014

The following table presents the Museum's activity for assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) at June 30:

	2010	2009
Beginning balance	\$ 37,637,014	42,342,155
Transfer to Level 2 due to adoption of ASU 2009-12	(22,992,841)	—
Net appreciation (depreciation) in fair value	5,037,749	(8,332,834)
Purchases and redemptions, net	2,000,000	3,627,693
Ending balance	\$ 21,681,922	37,637,014

At June 30, 2010, the Museum had no outstanding commitments to invest in any alternative investment funds.

THE JEWISH MUSEUM

Notes to Financial Statements

June 30, 2010

(With comparative financial information
as of and for the year ended June 30, 2009)

The alternative investment funds included in the Museum's investment portfolio at June 30, 2010 are redeemable based on the following terms and conditions:

Hedge funds:

Monthly redemption with 30 days' notice	\$	2,092,197
Quarterly redemption with 45 days' notice		2,209,975
Quarterly redemption with 60 days' notice		5,291,162
Quarterly redemption with 65 days' notice		4,049,295
Annual redemption with 45 days' notice		5,375,954
One-year initial lockup with 45 days' notice, quarterly		5,114,905
Recurring automatic three-year lockup, 30 days' notice		7,272,577
Recurring automatic three-year lockup, 90 days' notice		7,068,099
Five-year initial lockup, recurring automatic lockup*		2,226,341
		<u>40,700,505</u>

Distressed opportunities:

Annual redemption with 60 days' notice		6,124,700
Annual redemption with 90-180 days' notice		5,771,937
		<u>11,896,637</u>
	\$	<u>52,597,142</u>

*On July 12, 2010, the manager of this alternative investment fund sent notification to the Museum that as of January 1, 2011, this lock-up provision will be amended, with the fund then having redemptions allowed once per calendar year at any quarter-end upon 60 days notice after June 30, 2011.

Hedge funds: These hedge funds invest in equity, fixed income, and derivative investments and vary their investment strategies in response to changing market opportunities.

Distressed opportunities: These funds invest in debt, equity, or other securities or obligations of misvalued, leveraged, or financially distressed companies and in event-oriented and other special situations.

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

	2010			2009
	Unrestricted	Temporarily restricted	Total	
Dividends and interest	\$ 771,375	200,285	971,660	1,556,263
Net realized and unrealized gains (losses)	8,690,997	2,256,586	10,947,583	(16,265,773)
	9,462,372	2,456,871	11,919,243	(14,709,510)
Less investment expenses	(457,541)	(118,799)	(576,340)	(439,897)
	\$ <u>9,004,831</u>	<u>2,338,072</u>	<u>11,342,903</u>	<u>(15,149,407)</u>

(5) Contributions and Grants Receivable

Contributions and grants receivable at June 30, 2010 and 2009 are scheduled to be collected as follows:

	2010	2009
Within one year	\$ 2,615,246	3,068,373
From one to five years	2,092,777	2,415,000
More than five years	865,231	859,195
	5,573,254	6,342,568
Less discount to present value at rates of 1.79% to 5.10%	(225,983)	(284,137)
Less allowance for uncollectibles	(325,000)	(325,000)
	\$ <u>5,022,271</u>	<u>5,733,431</u>

Included in contributions receivable at June 30, 2010 and 2009 are pledges of \$4.1 million from 12 donors and \$5.1 million from 11 donors, respectively.

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(6) Fixed Assets

Fixed assets at June 30, 2010 and 2009 consist of the following:

	<u>2010</u>	<u>2009</u>
Land	\$ 883,750	883,750
Building	2,217,779	2,217,779
Building and leasehold improvements	33,527,655	33,501,624
Furniture and equipment	5,391,241	5,320,382
Permanent exhibition (design and construction)	7,206,242	7,206,242
	<u>49,226,667</u>	<u>49,129,777</u>
Accumulated depreciation and amortization	<u>(27,087,646)</u>	<u>(25,703,338)</u>
	<u>\$ 22,139,021</u>	<u>23,426,439</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, 2010, 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 2%.

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, 2010 and 2009 was approximately \$268,000 and \$409,000, 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, 2010 and 2009 are available for the following purposes:

	2010	2009
Curatorial collections and exhibitions	\$ 3,281,262	2,693,956
Education, media, and public programs	1,349,287	878,561
Collection acquisitions	494,816	756,750
Centennial fund	2,505,318	4,003,826
Other	5,043,251	3,570,717
	\$ 12,673,934	11,903,810

Permanently restricted net assets as of June 30, 2010 and 2009 are restricted to investment in perpetuity, the income from which is expendable to support the following purposes:

	2010	2009
General operations:		
Curatorial collections and exhibitions	\$ 22,415,307	22,405,307
Education, media, and public programs	10,404,926	10,404,926
General purposes	11,884,024	11,878,056
Collection acquisitions	1,010,414	1,010,414
	\$ 45,714,671	45,698,703

In 2010, 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, 2010, the Museum has not acted on these agreements.

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(10) Endowment Funds

The Museum's endowment consists of 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 classified as unrestricted unless a purpose restriction is imposed by the donor. Income with purpose restrictions is classified as temporarily restricted and appropriated for expenditure in accordance with the donor-imposed purpose restrictions, on the use of such earned income.

In 2006, the Uniform Law Commission approved the model act, Uniform Prudent Management of Institutional Funds Act (UPMIFA), which serves as a guideline to states to use in enacting legislation. Among UPMIFA's most significant changes is the elimination of UMIFA's important concept of historic dollar-value threshold, the amount below which an organization could not spend from the fund in favor of a more robust set of guidelines about what constitutes prudent spending. On September 17, 2010, the State of New York enacted its version of UPMIFA, the provisions of which apply to funds existing on or established after that date. It will be adopted by the Museum in fiscal 2011. Under FASB ASC Subtopic 958-205, *Not-for-Profit Entities – Presentation of Financial Statements*, once UPMIFA is effective, the portion of a donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until appropriated for expenditure. Management does not believe that any resulting net asset reclassifications from unrestricted to temporarily restricted net assets in fiscal 2011 will be operationally significant to the Museum.

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 proceeding the fiscal year in which the distribution is planned.

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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 \$497,857 and \$4,076,422 as of June 30, 2010 and 2009, respectively. 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.

Endowment net assets consist of the following at June 30, 2010:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ 82,239	2,274,274	44,791,000	47,147,513
Board-designated endowment funds	<u>36,017,166</u>	<u>—</u>	<u>—</u>	<u>36,017,166</u>
Total endowment net assets	<u>\$ 36,099,405</u>	<u>2,274,274</u>	<u>44,791,000</u>	<u>83,164,679</u>

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	\$ (3,851,977)	396,272	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>\$ 28,624,855</u>	<u>396,272</u>	<u>44,781,000</u>	<u>73,802,127</u>

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Changes in endowment net assets for the year ended June 30, 2010:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Endowment net assets, July 1, 2009	\$ 28,624,855	396,272	44,781,000	73,802,127
Investment return:				
Dividends and interest	864,084	163,691	—	1,027,775
Net realized and unrealized gain	8,671,673	2,040,224	—	10,711,897
Investment expenses	<u>(558,343)</u>	<u>(105,772)</u>	<u>—</u>	<u>(664,115)</u>
Total investment gain, net	8,977,414	2,098,143	—	11,075,557
Contributions	—	—	10,000	10,000
Appropriation of endowment assets for expenditures	(1,902,864)	(220,141)	—	(2,123,005)
Transfers to create board-designated funds	<u>400,000</u>	<u>—</u>	<u>—</u>	<u>400,000</u>
Endowment net assets, June 30, 2010	\$ <u>36,099,405</u>	<u>2,274,274</u>	<u>44,791,000</u>	<u>83,164,679</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	\$ 45,739,596	501,325	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>28,624,855</u>	<u>396,272</u>	<u>44,781,000</u>	<u>73,802,127</u>

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(11) Subsequent Events

In connection with the preparation of the financial statements, the Museum evaluated subsequent events after the statement of financial position date of June 30, 2010 through October 27, 2010, which was the date the financial statements were available to be issued and has concluded that there are no subsequent events for disclosure.