



THE JEWISH MUSEUM

Financial Statements

June 30, 2019

(With Summarized Comparative Financial Information
as of and for the year ended June 30, 2018)

(With Independent Auditors' Report Thereon)



KPMG LLP
345 Park Avenue
New York, NY 10154-0102

Independent Auditors' Report

The Board of Trustees
The Jewish Museum:

We have audited the accompanying financial statements of The Jewish Museum, which comprise the statement of financial position as of June 30, 2019, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Jewish Museum as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

As discussed in note 2(m) to the financial statements, in 2019, The Jewish Museum adopted new accounting guidance, Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* (ASU 2016-14). Our opinion is not modified with respect to this matter.



Report on Summarized Comparative Information

We have previously audited The Jewish Museum's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 30, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived before the adjustments to adopt ASU 2016-14. As part of our audit of the 2019 financial statements, we also audited the adjustments described in note 2(m) that were applied to adopt ASU 2016-14 retrospectively in the 2018 financial statements. In our opinion, such adjustments are appropriate and have been properly applied.

KPMG LLP

December 20, 2019

THE JEWISH MUSEUM

Statement of Financial Position

June 30, 2019

(with comparative financial information
as of June 30, 2018)

Assets	2019	2018
Cash and cash equivalents	\$ 2,510,205	2,424,503
Contributions and grants receivable, net (note 6)	6,411,896	3,081,486
Other assets	2,102,500	2,462,688
Investments (note 4)	108,849,644	108,456,550
Fixed assets, net (note 8)	20,145,366	20,209,140
Collection (notes 2 and 11)		
Total assets	\$ 140,019,611	136,634,367
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 837,788	1,253,842
Accrued compensation payable	534,975	540,263
Line of credit (note 9)	1,000,000	1,000,000
Annuities payable	1,129,585	1,174,215
Total liabilities	3,502,348	3,968,320
Net assets (notes 12 and 13):		
Without donor restrictions	58,566,949	60,469,637
With donor restrictions	77,950,314	72,196,410
Total net assets	136,517,263	132,666,047
Total liabilities and net assets	\$ 140,019,611	136,634,367

See accompanying notes to financial statements.

THE JEWISH MUSEUM

Statement of Activities

Year ended June 30, 2019

(with comparative summarized financial information for
the year ended June 30, 2018)

	Without Donor Restrictions			With Donor Restrictions	Total	
	Operating	Plant	Board-designated	Total	2019	2018
Revenues, gains, and other support:						
Contributions and grants	5,205,826	—	35,000	5,240,826	13,695,128	11,516,602
Net investment return	50,887	—	1,058,041	1,108,928	1,561,380	7,417,771
Admissions, tour fees, and ticket sales	872,019	—	—	872,019	—	710,411
Memberships	877,512	—	—	877,512	—	899,256
Fund-raising events, net of expenses of \$1,600,714 in 2019 and \$1,538,072 in 2018	1,735,379	—	—	1,735,379	—	1,649,314
Museum shop	1,496,825	—	—	1,496,825	—	1,511,885
Other revenues	298,746	—	—	298,746	—	376,355
Net assets released from restrictions and transfers	10,328,265	2,394,797	(3,660,760)	9,062,302	(9,062,302)	—
Total revenues, gains, and other support	20,865,459	2,394,797	(2,567,719)	20,692,537	6,194,206	24,081,594
Expenses (note 7):						
Program services:						
Curatorial, collections, and exhibitions	9,865,731	916,776	—	10,782,507	—	10,524,738
Education, media, and public programs	3,404,258	172,977	—	3,577,235	—	3,684,399
Museum shop	1,994,357	86,488	—	2,080,845	—	2,116,242
Other	36,935	—	—	36,935	—	58,797
Total program services	15,301,281	1,176,241	—	16,477,522	—	16,384,176
Supporting services:						
Management and general	3,104,654	363,251	—	3,467,905	—	3,241,565
Fund-raising:						
Development	1,773,101	138,381	—	1,911,482	—	1,868,776
Membership	686,423	51,893	—	738,316	—	766,738
Total fund-raising	2,459,524	190,274	—	2,649,798	—	2,635,514
Total supporting services	5,564,178	553,525	—	6,117,703	—	5,877,079
Total expenses	20,865,459	1,729,766	—	22,595,225	—	22,261,255
Change in net assets before changes related to collection items not capitalized	—	665,031	(2,567,719)	(1,902,688)	6,194,206	1,820,339
Collection items purchased but not capitalized (note 2)	—	—	—	—	(440,302)	(274,965)
Change in net assets	—	665,031	(2,567,719)	(1,902,688)	5,753,904	1,545,374
Net assets at beginning of year	(666,709)	13,296,655	47,839,691	60,469,637	72,196,410	131,120,673
Net assets at end of year	(666,709)	13,961,686	45,271,972	58,566,949	77,950,314	132,666,047

See accompanying notes to financial statements.

THE JEWISH MUSEUM

Statement of Cash Flows

Year ended June 30, 2019
(with comparative financial information for
the year ended June 30, 2018)

	2019	2018
Cash flows from operating activities:		
Change in net assets	\$ 3,851,216	1,545,374
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	1,729,766	1,636,771
Net realized and unrealized gains on investments	(1,891,790)	(7,340,523)
Purchase of collection items	440,302	274,965
Contribution revenue donor-restricted for endowments and capital projects	(5,285,000)	(415)
Change in actuarial value of annuities payable	155,308	119,596
Changes in other assets and liabilities:		
Contributions and grants receivable, excluding portions donor-restricted for endowments and capital projects	(3,350,410)	(392,710)
Other assets	360,188	646,590
Accounts payable and accrued expenses	(416,054)	338,438
Accrued compensation payable	(5,288)	40,326
Net cash used in operating activities	(4,411,762)	(3,131,588)
Cash flows from investing activities:		
Purchase of investments	(53,824,159)	(24,701,726)
Proceeds from sale of investments	55,322,855	32,372,933
Fixed asset acquisitions	(1,665,992)	(3,339,644)
Collection items purchased but not capitalized	(440,302)	(274,965)
Net cash (used in) provided by investing activities	(607,598)	4,056,598
Cash flows from financing activities:		
Proceeds from contributions donor-restricted for endowments and capital projects	5,305,000	—
Payment of annuities	(199,938)	(194,985)
Net cash provided by (used in) financing activities	5,105,062	(194,985)
Net increase in cash and cash equivalents	85,702	730,025
Cash and cash equivalents at beginning of year	2,424,503	1,694,478
Cash and cash equivalents at end of year	\$ 2,510,205	2,424,503

See accompanying notes to financial statements.

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Notes to Financial Statements

June 30, 2019

(with comparative financial information
as of and for the year ended June 30, 2018)

(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 Alliance of Museums.

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

(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:

Without donor restricted net assets are not subject to any donor-imposed stipulations. However, the board of trustees may choose to designate such funds for particular uses. The change in operating without donor restrictions net assets excludes depreciation on buildings and equipment investment return allocated to board designated and net asset release from restrictions.

With donor restricted net assets are subject to donor-imposed stipulations. Some donor restrictions are temporary in nature; those restrictions will be met either by actions of the Museum and/or by the passage of time. Other donor restrictions are subject to 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 net assets without donor restrictions unless their use is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on assets or liabilities are reported as increases or decreases in net assets without donor restrictions 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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(with comparative financial information
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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. The most significant estimate is the valuation of investments.

(d) Income Taxes

The Museum recognizes the effect of income tax positions only if such positions are more likely than not of being sustained. The Museum believes it has taken no significant uncertain tax positions and does not have any material unrelated business income tax liability for the years ended June 30, 2019 and 2018.

(e) Functional Allocation of Expenses

The costs of providing services have been summarized on a functional basis. Accordingly, certain administrative, marketing and building costs have been allocated among the programs and supporting services benefited. Marketing is primarily allocated to program activities. Expenses for plant, equipment and building depreciation are allocated based on square footage used to support each function. Salary and administrative expenses are allocated based on direct conduct or direct supervision of programmatic purposes.

(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 or published values per share 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

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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 are reported at fair value based upon quoted market prices or published net asset value (NAV) if invested in funds similar to mutual funds.

Investments in debt securities are measured using quoted market prices where available. If quoted market prices are not available, the fair value for investments in debt securities is determined using an income approach valuation technique that considers among other factors, rates currently observed in publicly traded markets for debt of similar terms to issuers with comparable credit risk, the issuer's credit spread, and illiquidity by sector and maturity.

The Museum's alternative investments, which do not have readily determined value, are reported in the financial statements based upon the underlying NAV per share or its equivalent as a practical expedient, which is estimated at fair value by the fund manager or general partner in a manner consistent with U.S. generally accepted accounting principles for investment companies. 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 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.

(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.

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(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 in the statement of activities. Purchases of collection items are recorded as decreases in net assets without donor restrictions in the year in which the items are acquired if purchased with without donor restricted funds, or as decreases net assets with donor restrictions 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, net assets with donor restrictions).

(l) Annuities Payable

Charitable gift annuities are recorded in contribution revenue 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 net assets without donor restrictions, 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) New Accounting Pronouncement

The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958), Presentation of Financial Statements of Not-for-Profit Entities*, which among other things, changes how not-for-profit entities report net asset classes, expenses and liquidity in their financial statements. The significant requirements of ASU 2016-14 include reduction in the number of net asset classes from three to two: with donor restrictions, previously reported as temporarily restricted net assets of \$24,881,979 and permanently restricted net assets of \$47,314,431, in 2018, and without donor restrictions, previously reported as unrestricted net assets of \$60,469,637, in 2018; the presentation of expenses by their function and their natural classification in one location; and quantitative and qualitative information about the management of liquid resources and availability of financial assets to meet cash needs within one year of the date of the statement of financial position. The Museum has adopted ASU 2016-14 for the year ending June 30, 2019, and retroactively applied the provisions to 2018.

(n) New Accounting Pronouncements Not Yet Adopted

The FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which clarifies and improves the guidance for contributions received and contribution made. The amendments in this ASU should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, *Not-for-Profit Entities*, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. The Museum plans to adopt ASU 2018-08 for the year ending June 30, 2020. The Museum is continuing to evaluate the impact of adopting this guidance on its financial statements.

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Notes to Financial Statements

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as of and for the year ended June 30, 2018)

The FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, ASU 2014-09 provides guidance based on the principle that revenue is recognized at the amount expected to be collected which the entity expects to be entitled in exchange for the transfer of goods or services. The guidance can be adopted either retrospectively or with cumulative-effect adjustment as of the date of adoption. The Museum plans to adopt ASU 2014-09 for the year ending June 30, 2020. The Museum is continuing to evaluate the impact of adopting this guidance on its financial statements.

The FASB issued ASU No. 2016-18, *Statement of Cash Flows: Restricted Cash*, the amendments in this update require that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. In many cases, the end-of-period total per the statement of cash flows may no longer agree to the cash and cash equivalents line item on the face of the statement of financial position. The Museum plans to adopt ASU 2016-18 for the year ending June 30, 2020. The Museum is continuing to evaluate the impact of adopting this guidance on its financial statements.

The FASB issued ASU No. 2016-02, *Leases (Topic 842)*: This guidance, effective for the Museum's fiscal year ending June 30, 2021 is designed to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements. The Museum is currently evaluating the impact of this ASU and expects to apply it using the modified retrospective approach for the year ending June 30, 2021.

(o) 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 as of and for the year ended June 30, 2018, from which the summarized financial information was derived.

(p) Reclassifications

Certain prior year financial statement amounts have been reclassified to be consistent with the current year financial statement presentation.

(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. 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.

THE JEWISH MUSEUM

Notes to Financial Statements

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It is the responsibility of the Museum to maintain and preserve the collection and the building. The current agreement indicates that if the expanded museum buildings are sold, proceeds from the sale would be split evenly between the Museum and the Seminary.

(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, 2019 and 2018:

		2019	
	Total	Level 1	Level 2
Short-term investments	\$ 15,073,235	15,073,235	—
Fixed income mutual funds	5,826	5,826	—
U.S. government and agency bonds	12,322,576	12,322,576	—
Corporate bonds	650,617	—	650,617
Mortgage and asset backed bonds	230,250	—	230,250
Domestic common stock	27,072,099	27,072,099	—
International common stock	1,060,803	1,060,803	—
Hedge funds	13,942,277	13,942,277	—
Subtotal	70,357,683	\$ 69,476,816	880,867
Investments reported at net asset value:			
Hedge funds	33,733,687		
Distressed opportunities	4,758,274		
Total investments reported at net asset value	38,491,961		
Total investments	\$ 108,849,644		

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June 30, 2019

(with comparative financial information
as of and for the year ended June 30, 2018)

		2018	
	Total	Level 1	Level 2
Short-term investments	\$ 437,770	437,770	—
Fixed income mutual funds	5,589	5,589	—
Corporate bonds	15,483,920	—	15,483,920
Mortgage and asset backed bonds	230,250	—	230,250
Domestic common stock	33,524,402	33,524,402	—
International common stock	1,171,883	1,171,883	—
Hedge funds	17,290,308	17,290,308	—
Subtotal	<u>68,144,122</u>	<u>\$ 52,429,952</u>	<u>15,714,170</u>
Investments reported at net asset value:			
Hedge funds	32,238,863		
Distressed opportunities	<u>8,073,565</u>		
Total investments reported at net asset value	<u>40,312,428</u>		
Total investments	<u>\$ 108,456,550</u>		

There were no Level 3 investments in 2019 or 2018.

The Museum's investment's portfolio includes charitable gift annuities of \$1,227,600 and \$1,193,266 at June 30, 2019 and 2018, respectively.

At June 30, 2019, the Museum had no outstanding commitments to invest in any alternative investment funds.

The alternative investment funds included in the Museum's investment portfolio at June 30, 2019 and 2018 are redeemable based on the following terms and conditions:

	2019	2018
Hedge funds:		
Monthly redemption with 6–60 days' notice	\$ 14,760,526	17,661,043
Quarterly redemption with 30–60 days' notice	<u>32,915,438</u>	<u>31,868,128</u>
	<u>47,675,964</u>	<u>49,529,171</u>
Distressed opportunities:		
Annual redemption (on July 1) with 60 days' notice	<u>4,758,274</u>	<u>8,073,565</u>
	<u>4,758,274</u>	<u>8,073,565</u>
	<u>\$ 52,434,238</u>	<u>57,602,736</u>

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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.

(5) Liquidity and Availability

The Jewish Museum develops its budget each year with the goal of operating with a balanced budget. A substantial portion of annual revenue is contributed income that is raised during the current year and revenue from other sources earned during the year. The Museum considers its general expenditures to consist of all expenses related to its ongoing program activities (curatorial, collections and exhibitions, education, media and public programs and shop) and expenses related to management and general and fundraising activities undertaken to support these activities.

The Museum regularly monitors liquidity to meet its operating needs and other commitments and obligations while seeking to maximize the investment of its available funds. Management reviews cash flow requirements on an ongoing basis to monitor general expenditures as well as funds required for special purposes. Financial assets for operating results are held in checking accounts as well as money market funds.

The Museum's financial assets as of June 30, 2019 comprised the following:

Financial assets at year-end:

Cash and cash equivalents	\$	2,510,205
Contributions and grants receivable, net		6,411,896
Accounts receivable, included in other assets		742,398
Investments		<u>108,849,644</u>
Total financial assets	\$	<u><u>118,514,143</u></u>

The Museum's financial assets as of June 30, 2019 available to meet cash needs for general expenditures within one year are summarized as follows:

Cash and cash equivalents	\$	253,943
Contributions and grants receivable, net due within one year or less		81,823
Accounts receivable		742,398
Subsequent year's payout on donor restricted endowments – board approved		3,248,835
Subsequent year's payout on board designated endowments – board approved		<u>2,702,089</u>
Total financial assets available to meet cash needs for general expenditures within one year	\$	<u><u>7,029,088</u></u>

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In addition to these financial assets available within one year, the Museum also has a Line of Credit of \$4,000,000 available through October 2021. The Museum maintains board designated endowment funds of \$44,999,961, which are invested for long-term appreciation and current income. However, these amounts could be made available at any time to meet cash needs for general expenditures at the discretion of the Board.

(6) Contributions and Grants Receivable

Contributions and grants receivable at June 30, 2019 and 2018 are scheduled to be collected as follows:

	<u>2019</u>	<u>2018</u>
Within one year	\$ 1,722,754	1,694,972
From one year to five years	225,000	850,000
More than five years	<u>5,452,187</u>	<u>977,124</u>
	7,399,941	3,522,096
Discount to present value at rates of 1.41% to 5.00%	(733,045)	(185,610)
Allowance for uncollectible	<u>(255,000)</u>	<u>(255,000)</u>
	<u>\$ 6,411,896</u>	<u>3,081,486</u>

Included in contributions receivable at June 30, 2019 and 2018 are pledges of \$5.7 million from six donors and \$2.7 million from seven donors, respectively.

Conditional pledges are not included as support until the condition are substantially met. In 2018, the Museum received a \$900,000 conditional pledge for certain attendance and demographic target goals to be met by December 31, 2020, of which, \$500,000 was recognized in the statement of activities during fiscal 2019. There was no new conditional pledge in 2019.

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(7) Functional Expense Classification

Operating expenses by natural and functional classification for the years ended June 30, 2019 and 2018 were as follows:

	Program				Support		Total	
	Curatorial, collections, and exhibitions and other	Education, media and public programs	Museum shop and other	Total	Management and general	Fund-raising	2019	2018
Salaries , payroll taxes and fringe benefits	\$ 5,377,720	2,232,634	896,198	8,506,552	2,063,100	1,951,503	12,521,155	12,336,086
Professional fees and contracted services	736,839	373,732	35,319	1,145,890	158,127	95,754	1,399,771	1,379,082
Advertising and promotions	285,072	228,057	28,507	541,636	30,489	71,152	643,277	633,769
Office expense, postage, shipping and printing	1,248,951	123,061	35,220	1,407,232	55,499	74,386	1,537,117	1,514,398
Occupancy and utilities	972,321	128,071	129,603	1,229,995	693,203	49,950	1,973,148	1,943,983
Amortization and depreciation	960,020	207,572	90,813	1,258,405	276,763	194,598	1,729,766	1,636,771
Miscellaneous	1,201,584	284,108	902,120	2,387,812	190,724	212,455	2,790,991	2,817,166
Total expenses, excluding special events	<u>10,782,507</u>	<u>3,577,235</u>	<u>2,117,780</u>	<u>16,477,522</u>	<u>3,467,905</u>	<u>2,649,798</u>	<u>22,595,225</u>	<u>22,261,255</u>
Special events*	—	—	—	—	—	1,600,714	1,600,714	1,538,072
Total expenses	<u>\$ 10,782,507</u>	<u>3,577,235</u>	<u>2,117,780</u>	<u>16,477,522</u>	<u>3,467,905</u>	<u>4,250,512</u>	<u>24,195,939</u>	<u>23,799,327</u>

* Special events expenses are netted with special events revenue in the accompanying statement of activities.

Expenses directly attributable to a specific functional area of the Museum are reported as expenses of those functional areas. Other natural expenses attributable to more than one functional area are allocated based on time survey or headcount. The primary operating expenses of the Museum are program services which aligns with the broad mission of the Museum.

(8) Fixed Assets

Fixed assets at June 30, 2019 and 2018 consist of the following:

	<u>2019</u>	<u>2018</u>
Land	\$ 883,750	883,750
Building	2,217,779	2,217,779
Building and leasehold improvements	35,605,891	35,591,435
Furniture and equipment	8,705,840	8,599,613
Permanent exhibition (design and construction)	9,530,421	7,206,242
Work in progress	<u>3,715,518</u>	<u>4,494,388</u>
	60,659,199	58,993,207
Accumulated depreciation and amortization	<u>(40,513,833)</u>	<u>(38,784,067)</u>
	<u>\$ 20,145,366</u>	<u>20,209,140</u>

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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, 2019, the City has granted the Museum approximately \$4.2 million. There were no such grants awarded in 2019 or 2018.

(9) Line of Credit

In August 2016, the Museum entered into a line of credit agreement with a financial institution of up to \$5,000,000 with interest at a variable Libor rate plus 1.50% (3.93% as of June 30, 2019), which expired on October 31, 2019. The line of credit note dated October 31, 2019 was amended and extended through October 31, 2021. At June 30, 2019, the Museum had \$1,000,000 outstanding on this line of credit.

(10) Employee Benefits Program

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

Other personnel, principally maintenance and security personnel, are participants in a defined-contribution retirement plan as specified by union contracts, which govern their employment.

The cost of these pension plans for the years ended June 30, 2019 and 2018 was approximately \$505,000 and \$438,800, respectively.

(11) Collection

The Museum's collection is comprised of approximately 25,000 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 Alliance 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. There were no deaccessions during the fiscal year ended June 30, 2019 and 2018.

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(12) Net Assets with Donor Restrictions

Net assets with donor restrictions as of June 30, 2019 and 2018 are available for the following purposes:

	<u>2019</u>	<u>2018</u>
Curatorial collections and exhibitions	\$ 36,017,348	35,077,287
Education, media, and public programs	12,049,229	11,702,240
Collection acquisitions	3,687,340	1,763,004
Unappropriated investment earnings	8,141,966	9,257,117
General purposes	13,359,204	13,109,204
Time or restricted	4,500,000	—
Other	195,227	1,287,558
	<u>\$ 77,950,314</u>	<u>72,196,410</u>

Total net assets restricted for time or purpose were \$25,350,883 and \$24,881,979, in 2019 and 2018 respectively. Total net assets perpetually restricted (corpus) were \$52,599,431 and \$47,314,431, in 2019 and 2018 respectively.

(13) Endowment Funds

The Museum's endowment consists of approximately 60 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 Museum is subject to the provisions of New York Prudent Management of Institutional Funds Act (NYPMIFA) and has interpreted NYPMIFA as allowing the Museum to appropriate for expenditure or accumulate so much of a donor-restricted endowment fund as the Museum deems prudent for the uses, benefits, purposes, and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument absent explicit donor stipulations to the contrary.

As a result of the interpretation of NYPMIFA and relevant accounting guidance, the Museum classifies as net assets with donor restrictions that are perpetual in nature (a) the original value of gifts to the donor restricted endowment, (b) the original value of subsequent gifts to the donor restricted endowment, and (c) accumulations of investment returns to the donor restricted endowment made in accordance with the direction of the applicable donor gift instrument, where applicable.

The Museum has a spending policy of appropriating for distribution each year 5% of the endowment funds' average of the preceding twenty quarters through the first quarter of the year preceding 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 the law requires to retain as a fund of perpetual duration due to unfavorable market fluctuations subsequent to the investment of endowment contributions. Deficiencies of this nature are reported in net assets with donor restrictions. There were no such deficiencies at June 30, 2019 or 2018. At June 30, 2019, the Museum had temporarily borrowed approximately \$1,000,000 from its endowment. The Museum subsequently repaid the borrowing in fiscal year 2020.

Endowment net assets consist of the following at June 30, 2019:

	<u>Without</u> <u>Donor restrictions</u>	<u>With</u> <u>Donor restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ —	67,306,233	67,306,233
Board-designated endowment funds	<u>44,999,961</u>	<u>—</u>	<u>44,999,961</u>
Total endowment net assets	\$ <u>44,999,961</u>	<u>67,306,233</u>	<u>112,306,194</u>

Endowment net assets consist of the following at June 30, 2018:

	<u>Without</u> <u>Donor restrictions</u>	<u>With</u> <u>Donor restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ —	63,327,485	63,327,485
Board-designated endowment funds	<u>47,532,680</u>	<u>—</u>	<u>47,532,680</u>
Total endowment net assets	\$ <u>47,532,680</u>	<u>63,327,485</u>	<u>110,860,165</u>

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Changes in endowment net assets for the year ended June 30, 2019 are as follows:

	<u>Without Donor restrictions</u>	<u>With Donor restrictions</u>	<u>Total</u>
Endowment net assets, June 30, 2018	\$ 47,532,680	63,327,485	110,860,165
Total investment return, net	1,093,041	1,502,108	2,595,149
Contributions	35,000	5,270,000	5,305,000
Appropriation of endowment assets for expenditures	(3,362,824)	(2,793,360)	(6,156,184)
Board approved transfer	<u>(297,936)</u>	<u>—</u>	<u>(297,936)</u>
Endowment net assets, June 30, 2019	\$ <u>44,999,961</u>	<u>67,306,233</u>	<u>112,306,194</u>

Changes in endowment net assets for the year ended June 30, 2018 are as follows:

	<u>Without Donor restrictions</u>	<u>With Donor restrictions</u>	<u>Total</u>
Endowment net assets, June 30, 2017	\$ 47,650,814	61,771,898	109,422,712
Total investment return, net	3,187,825	4,132,523	7,320,348
Appropriation of endowment assets for expenditures	<u>(3,305,959)</u>	<u>(2,576,936)</u>	<u>(5,882,895)</u>
Endowment net assets, June 30, 2018	\$ <u>47,532,680</u>	<u>63,327,485</u>	<u>110,860,165</u>

(14) Subsequent Events

In connection with the preparation of the financial statements, the Museum evaluated events after the statement of financial position date of June 30, 2019 through December 20, 2019, which was the date the financial statements were available to be issued, and has concluded that there are no subsequent events for disclosure, except as disclosed in footnote 5 and 9.