



THE JEWISH MUSEUM

Financial Statements

June 30, 2017

(With Summarized Comparative Financial Information
as of and for the year ended June 30, 2016)

(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 (the Museum), which comprise the statement of financial position as of June 30, 2017 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 auditors consider 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, 2017, 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.



Report on Summarized Comparative Information

We have previously audited The Jewish Museum's 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 22, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

KPMG LLP

November 13, 2017

THE JEWISH MUSEUM

Statement of Financial Position

June 30, 2017

(with comparative financial information
as of June 30, 2016)

Assets	2017	2016
Cash and cash equivalents	\$ 1,694,478	2,875,153
Contributions and grants receivable, net (note 5)	2,688,361	2,148,075
Other assets	3,109,278	2,406,251
Investments (note 4)	108,787,234	95,222,053
Fixed assets, net (note 6)	18,506,267	18,816,383
Collection (notes 2 and 9)	—	—
Total assets	\$ 134,785,618	121,467,915
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 915,404	707,800
Accrued compensation payable	499,937	492,593
Line of Credit (note 7)	1,000,000	—
Annuities payable	1,249,604	1,318,718
Total liabilities	3,664,945	2,519,111
Net assets (note 11):		
Unrestricted:		
Operating	(677,641)	297,877
Plant	14,155,541	15,532,469
Board-designated	47,650,814	42,402,421
Total unrestricted	61,128,714	58,232,767
Temporarily restricted (note 10)	22,677,943	13,732,647
Permanently restricted (note 10)	47,314,016	46,983,390
Total net assets	131,120,673	118,948,804
Total liabilities and net assets	\$ 134,785,618	121,467,915

See accompanying notes to financial statements.

THE JEWISH MUSEUM

Statement of Activities

Year ended June 30, 2017

(with comparative summarized financial information for
the year ended June 30, 2016)

	Unrestricted				Temporarily restricted	Permanently restricted	Total	
	Operating	Plant	Board- designated	Total			2017	2016
Revenues, gains, and other support:								
Contributions and grants	\$ 4,976,899	—	—	4,976,899	5,293,066	330,626	10,600,591	6,883,384
Net investment return (note 4)	8,938	—	7,875,942	7,884,880	10,233,563	—	18,118,443	(9,109,119)
Admissions, tour fees, and ticket sales	653,349	—	—	653,349	—	—	653,349	599,510
Memberships	879,971	—	—	879,971	—	—	879,971	784,958
Fund-raising events, net of expenses of \$1,525,691 in 2017 and \$1,431,238 in 2016	1,012,169	—	—	1,012,169	—	—	1,012,169	900,667
Museum shop	1,514,776	—	—	1,514,776	—	—	1,514,776	1,395,772
Other revenues	355,800	—	—	355,800	—	—	355,800	247,757
Net assets released from restrictions and transfers	8,742,012	242,886	(2,627,549)	6,357,349	(6,357,349)	—	—	—
Total revenues, gains, and other support	18,143,914	242,886	5,248,393	23,635,193	9,169,280	330,626	33,135,099	1,702,929
Expenses:								
Program services:								
Curatorial, collections, and exhibitions	8,895,788	777,511	—	9,673,299	—	—	9,673,299	9,388,415
Education, media, and public programs	2,846,368	161,981	—	3,008,349	—	—	3,008,349	2,834,258
Museum shop	2,113,637	80,991	—	2,194,628	—	—	2,194,628	2,016,058
Other	44,236	—	—	44,236	—	—	44,236	28,087
Total program services	13,900,029	1,020,483	—	14,920,512	—	—	14,920,512	14,266,818
Supporting services:								
Management and general	2,478,489	421,151	—	2,899,640	—	—	2,899,640	3,048,416
Fund-raising:								
Development	1,910,900	113,387	—	2,024,287	—	—	2,024,287	1,852,833
Membership	830,014	64,793	—	894,807	—	—	894,807	821,292
Total fund-raising	2,740,914	178,180	—	2,919,094	—	—	2,919,094	2,674,125
Total supporting services	5,219,403	599,331	—	5,818,734	—	—	5,818,734	5,722,541
Total expenses	19,119,432	1,619,814	—	20,739,246	—	—	20,739,246	19,989,359
Change in net assets before changes related to collection items not capitalized	(975,518)	(1,376,928)	5,248,393	2,895,947	9,169,280	330,626	12,395,853	(18,286,430)
Collection items purchased but not capitalized (note 2)	—	—	—	—	(223,984)	—	(223,984)	(608,971)
Change in net assets	(975,518)	(1,376,928)	5,248,393	2,895,947	8,945,296	330,626	12,171,869	(18,895,401)
Net assets at beginning of year	297,877	15,532,469	42,402,421	58,232,767	13,732,647	46,983,390	118,948,804	137,844,205
Net assets at end of year	\$ (677,641)	14,155,541	47,650,814	61,128,714	22,677,943	47,314,016	131,120,673	118,948,804

See accompanying notes to financial statements.

THE JEWISH MUSEUM

Statement of Cash Flows

Year ended June 30, 2017

(with comparative financial information for
the year ended June 30, 2016)

	2017	2016
Cash flows from operating activities:		
Change in net assets	\$ 12,171,869	(18,895,401)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	1,619,813	1,625,252
Net realized and unrealized (gains) losses on investments	(17,984,874)	9,407,454
Purchase of collection items	223,984	608,971
Contribution revenue donor-restricted for endowments and capital projects	(330,626)	(3,708)
Change in actuarial value of annuities payable	126,824	117,487
Changes in other assets and liabilities:		
Contributions and grants receivable, excluding portions donor-restricted for endowments and capital projects	(562,160)	637,041
Other assets	(703,027)	(316,261)
Accounts payable and accrued expenses	207,604	(53,104)
Accrued compensation payable	7,344	(30,976)
Net cash used in operating activities	(5,223,249)	(6,903,245)
Cash flows from investing activities:		
Purchase of investments	(13,177,265)	(16,169,132)
Proceeds from sale of investments	17,596,958	25,892,531
Fixed asset acquisitions	(1,309,697)	(1,181,750)
Collection items purchased but not capitalized	(223,984)	(608,971)
Net cash provided by investing activities	2,886,012	7,932,678
Cash flows from financing activities:		
Proceeds from contributions donor-restricted for endowments and capital projects	352,500	22,500
Payment of annuities	(195,938)	(194,908)
Drawdown on line of credit	1,000,000	—
Net cash provided (used in) by financing activities	1,156,562	(172,408)
Net (decrease) increase in cash and cash equivalents	(1,180,675)	857,025
Cash and cash equivalents at beginning of year	2,875,153	2,018,128
Cash and cash equivalents at end of year	\$ 1,694,478	2,875,153

See accompanying notes to financial statements.

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Notes to Financial Statements

June 30, 2017

(with comparative financial information
as of and for the year ended June 30, 2016)

(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.

(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 by 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.

(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

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statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(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, 2017 and 2016.

(e) Functional Allocation of Expenses

The costs of providing services have been summarized on a functional basis. Accordingly, certain administrative and marketing 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 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

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.

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(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 investments 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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(with comparative financial information
as of and for the year ended June 30, 2016)

(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 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 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 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 as of and for the year ended June 30, 2016, from which the summarized financial information was derived.

(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.

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, 50% of the proceeds from the sale will be the property of the Museum.

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(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, 2017 and 2016:

	2017		
	Total	Level 1	Level 2
Short-term investments	\$ 1,201,893	1,201,893	—
Fixed income mutual funds	5,592	5,592	—
Corporate bonds	7,143,715	—	7,143,715
Mortgage- and asset-backed bonds	202,500	—	202,500
Domestic common stock	36,253,145	36,253,145	—
International common stock	1,187,263	1,187,263	—
Hedge funds	20,427,471	20,427,471	—
State of Israel bonds	1,000	1,000	—
Subtotal	<u>66,422,579</u>	<u>\$ 59,076,364</u>	<u>7,346,215</u>
Investments reported at net asset value:			
Hedge funds	33,081,639		
Distressed opportunities	<u>9,283,016</u>		
Total investments reported at net asset value	<u>42,364,655</u>		
Total investments	<u>\$ 108,787,234</u>		

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(with comparative financial information
as of and for the year ended June 30, 2016)

		2016	
	Total	Level 1	Level 2
Short-term investments	\$ 2,831,271	2,831,271	—
Fixed income mutual funds	5,575	5,575	—
Corporate bonds	7,440,498	—	7,440,498
Mortgage- and asset-backed bonds	205,000	—	205,000
Domestic common stock	27,807,163	27,807,163	—
International common stock	1,397,796	1,397,796	—
Hedge funds	17,816,336	17,816,336	—
State of Israel bonds	2,000	2,000	—
	<u>57,505,639</u>	<u>\$ 49,860,141</u>	<u>7,645,498</u>
Subtotal			
Investments reported at net asset value:			
Hedge funds	29,531,807		
Distressed opportunities	<u>8,184,607</u>		
Total investments reported at net asset value	<u>37,716,414</u>		
Total investments	\$ <u>95,222,053</u>		

There were no Level 3 investments in 2017 and 2016.

The Museum's investment's portfolio includes charitable gift annuities of \$1,328,725 and \$1,384,517 at June 30, 2017 and 2016, respectively.

At June 30, 2017, the Museum had no outstanding commitments to invest in any alternative investment funds.

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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, 2016)

The alternative investment funds included in the Museum's investment portfolio at June 30, 2017 and 2016 are redeemable based on the following terms and conditions:

	2017	2016
Hedge funds:		
Monthly redemption with 6–60 days' notice	\$ 19,442,220	16,738,052
Quarterly redemption with 30–60 days' notice	34,066,890	30,610,091
	53,509,110	47,348,143
Distressed opportunities:		
Annual redemption (on July 1) with 60 days' notice	9,283,016	8,184,607
	9,283,016	8,184,607
	\$ 62,792,126	55,532,750

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.

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

	2017			
	Unrestricted	Temporarily restricted	Total	2016
Dividends and interest	\$ 383,590	514,523	898,113	925,192
Net realized and unrealized gains (losses)	7,828,697	10,156,177	17,984,874	(9,407,454)
	8,212,287	10,670,700	18,882,987	(8,482,262)
Investment expenses	(327,407)	(437,137)	(764,544)	(626,857)
	\$ 7,884,880	10,233,563	18,118,443	(9,109,119)

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(5) Contributions and Grants Receivable

Contributions and grants receivable at June 30, 2017 and 2016 are scheduled to be collected as follows:

	<u>2017</u>	<u>2016</u>
Within one year	\$ 1,709,937	1,528,958
From one year to five years	450,000	110,000
More than five years	<u>1,002,841</u>	<u>1,027,841</u>
	3,162,778	2,666,799
Discount to present value at rates of 1.41% to 5%	(219,417)	(193,724)
Allowance for uncollectible	<u>(255,000)</u>	<u>(325,000)</u>
	<u>\$ 2,688,361</u>	<u>2,148,075</u>

Included in contributions receivable at June 30, 2017 and 2016 are pledges of \$2 million from seven donors and \$1.8 million from six donors, respectively.

(6) Fixed Assets

Fixed assets at June 30, 2017 and 2016 consist of the following:

	<u>2017</u>	<u>2016</u>
Land	\$ 883,750	883,750
Building	2,217,779	2,217,779
Building and leasehold improvements	34,402,889	34,370,279
Furniture and equipment	8,542,970	8,160,965
Permanent exhibition (design and construction)	7,206,242	7,206,242
Work in progress	<u>2,399,933</u>	<u>1,504,851</u>
	55,653,563	54,343,866
Accumulated depreciation and amortization	<u>(37,147,296)</u>	<u>(35,527,483)</u>
	<u>\$ 18,506,267</u>	<u>18,816,383</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

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purposes approved by the City. Through June 30, 2017, the City has granted the Museum approximately \$4,233,000.

(7) Line of Credit

In August 2016, the Museum entered into a line of credit agreement with JPMorgan of up to \$5,000,000 with interest at a variable Libor rate plus 1.50% (2.75% as of June 30, 2017), expiring October 31, 2018. At June 30, 2017, the Museum had \$1,000,000 outstanding on this line of credit.

(8) Employee Benefits Program

After meeting certain eligibility requirements, substantially all administrative personnel are participants in a defined-contribution retirement 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, 2017 and 2016 was approximately \$385,700 and \$452,200, respectively.

(9) 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 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.

(10) Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets as of June 30, 2017 and 2016 are available for the following purposes:

	<u>2017</u>	<u>2016</u>
Curatorial collections and exhibitions	\$ 10,134,853	7,769,827
Education, media, and public programs	2,511,140	2,792,608
Collection acquisitions	679,016	583,152
Time restricted	—	181,529
Unappropriated investment earnings	7,737,299	834,240
Other	1,615,635	1,571,291
	<u>\$ 22,677,943</u>	<u>13,732,647</u>

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Permanently restricted net assets as of June 30, 2017 and 2016 are restricted to investment in perpetuity, the income from which is expendable to support the following purposes:

	2017	2016
General operations:		
Curatorial collections and exhibitions	\$ 23,591,744	23,561,744
Education, media, and public programs	9,603,069	9,603,069
General purposes	13,108,789	12,808,163
Collection acquisitions	1,010,414	1,010,414
	\$ 47,314,016	46,983,390

(11) 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 permanently restricted net assets (a) the original value of gifts to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations of investment returns to the permanent endowment made in accordance with the direction of the applicable donor gift instrument, where applicable. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets to the extent the income earned on such endowments is restricted by the donor to a particular purpose or time, or until those amounts are appropriated for expenditure in a manner consistent with the standards of prudence prescribed by NYPMIFA. Such amounts recorded as temporarily restricted net assets are released from restriction when the Museum appropriates them, the donor-stipulated purpose has been fulfilled, and/or the required time period has elapsed.

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.

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 permanently restricted contributions. Deficiencies of this nature are reported in unrestricted net assets. Subsequent gains that restore the fair

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value of the assets of the donor-restricted endowment fund to the required level are classified as an increase in unrestricted net assets. There were no such deficiencies at June 30, 2017 or 2016.

Endowment net assets (excluding contributions receivable toward donor-restricted endowment funds and board-designated endowment funds of \$435,379 and \$441,822, respectively, at June 30, 2017) consist of the following at June 30, 2017:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ —	14,893,261	46,878,637	61,771,898
Board-designated endowment funds	<u>47,650,814</u>	<u>—</u>	<u>—</u>	<u>47,650,814</u>
Total endowment net assets	<u>\$ 47,650,814</u>	<u>14,893,261</u>	<u>46,878,637</u>	<u>109,422,712</u>

Endowment net assets (excluding contributions receivable toward donor-restricted endowment funds and board-designated endowment funds of \$457,253 and \$437,871, respectively, at June 30, 2016) consist of the following at June 30, 2016:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ —	8,081,570	46,526,137	54,607,707
Board-designated endowment funds	<u>42,384,260</u>	<u>—</u>	<u>—</u>	<u>42,384,260</u>
Total endowment net assets	<u>\$ 42,384,260</u>	<u>8,081,570</u>	<u>46,526,137</u>	<u>96,991,967</u>

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Changes in endowment net assets for the year ended June 30, 2017 are as follows:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Endowment net assets, June 30, 2016	\$ 42,384,260	8,081,570	46,526,137	96,991,967
Investment return:				
Dividends and interest	379,459	488,465	—	867,924
Net realized and unrealized gains	7,823,740	10,071,215	—	17,894,955
Investment expenses	<u>(327,257)</u>	<u>(421,266)</u>	—	<u>(748,523)</u>
Total investment return, net	7,875,942	10,138,414	—	18,014,356
Contributions	—	—	352,500	352,500
Appropriation of endowment assets for expenditures	<u>(2,609,388)</u>	<u>(3,326,723)</u>	—	<u>(5,936,111)</u>
Endowment net assets, June 30, 2017	<u>\$ 47,650,814</u>	<u>14,893,261</u>	<u>46,878,637</u>	<u>109,422,712</u>

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Changes in endowment net assets for the year ended June 30, 2016 are as follows:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Endowment net assets, June 30, 2015	\$ 48,868,277	16,323,809	46,503,637	111,695,723
Investment return:				
Dividends and interest	382,578	491,142	—	873,720
Net realized and unrealized losses	(4,096,587)	(5,259,048)	—	(9,355,635)
Investment expenses	(269,067)	(345,418)	—	(614,485)
Total investment return, net	(3,983,076)	(5,113,324)	—	(9,096,400)
Contributions	—	—	22,500	22,500
Appropriation of endowment assets for expenditures	(2,500,941)	(3,128,915)	—	(5,629,856)
Endowment net assets, June 30, 2016	\$ <u>42,384,260</u>	<u>8,081,570</u>	<u>46,526,137</u>	<u>96,991,967</u>

(12) 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, 2017 through November 13, 2017, which was the date the financial statements were available to be issued, and has concluded that there are no subsequent events for disclosure.