

# **The Frick Collection**

**Financial Statements**

**June 30, 2006**

**The Frick Collection**  
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**June 30, 2006**

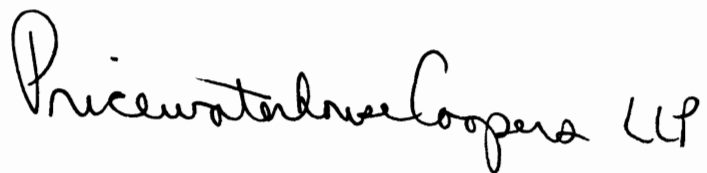
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**Report of Independent Auditors**

To the Board of Trustees of  
The Frick Collection

In our opinion, the accompanying statement of financial position and the related statements of activities and cash flows present fairly, in all material respects, the financial position of The Frick Collection (the "Collection") at June 30, 2006, and the changes in its net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Collection's management; our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Collection's fiscal 2005 financial statements, and in our report dated December 13, 2005, we expressed an unqualified opinion on those financial statements. We conducted our audit of these statements in accordance with auditing standards generally accepted in the United States of America, which 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 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, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.



November 29, 2006

**The Frick Collection**  
**Statement of Financial Position**  
**June 30, 2006 and 2005**

	2006	2005
<b>Assets</b>		
Cash and cash equivalents	\$ 3,600,393	\$ 2,888,890
Contributions receivable	1,623,866	1,338,849
Accrued interest and dividends	244,246	288,876
Due from broker for securities sold	595,514	377,762
Prepaid pension cost	58,893	284,589
Other assets	1,039,344	1,003,061
Inventory	748,998	793,322
Investments in real estate, at cost	2,661,298	2,657,820
Investments in securities, at fair value		
Museum	184,280,987	176,921,288
Library	49,964,579	49,118,430
Fixed assets, net		
Museum	15,311,005	15,165,707
Library	1,868,564	1,898,790
Total assets	<u>261,997,687</u>	<u>252,737,384</u>
<b>Liabilities and Net Assets</b>		
Accounts payable, accrued expenses and deferred income	2,093,327	2,042,953
Due to broker for securities purchased	-	51,723
Accrued postretirement health and other benefits	5,252,000	4,897,000
Total liabilities	<u>7,345,327</u>	<u>6,991,676</u>
<b>Net assets</b>		
Unrestricted	222,584,040	213,675,537
Temporarily restricted	5,208,526	5,811,844
Permanently restricted	26,859,794	26,258,327
Total net assets	<u>254,652,360</u>	<u>245,745,708</u>
Total liabilities and net assets	<u>\$ 261,997,687</u>	<u>\$ 252,737,384</u>

See accompanying notes.

**The Frick Collection  
Statement of Activities  
June 30, 2006 (With Comparative Totals for the Year Ended June 30, 2005)**

	General	Unrestricted Board Designated	Total	Temporarily Restricted	Permanently Restricted	Total	2006	2005
<b>Operating support and revenues</b>								
Net investment return - 4.5% spending policy	\$ 7,008,641	\$ 9,056	\$ 7,008,641	\$ 1,349,129		\$ 8,357,770	\$ 8,482,930	
Other interest income	36,915		45,971	41,322		87,293	19,563	
Contributions	2,388,467		2,388,467	2,485,484		4,873,951	4,020,774	
Admission fees	2,909,920		2,909,920			2,909,920	2,081,108	
Memberships	1,625,637		1,625,637			1,625,637	1,520,790	
Bookstore sales & miscellaneous	1,451,656		1,451,656			1,451,656	1,538,954	
	15,421,236	9,056	15,430,292	3,875,935		19,306,227	17,664,119	
	3,183,675		3,183,675	(3,183,675)		-	-	
<b>Net assets released from restrictions and revenues</b>								
Total operating support and revenues	18,604,911	9,056	18,613,967	692,260		19,306,227	17,664,119	
<b>Operating expenses</b>								
Museum programs								
Operations	4,562,648		4,562,648			4,562,648	4,226,653	
Special exhibitions, concerts and lectures	1,604,071		1,604,071			1,604,071	996,623	
Bookstore, including cost of sales	1,119,121		1,119,121			1,119,121	866,585	
Total museum programs	7,285,840		7,285,840			7,285,840	6,089,861	
Library programs								
Operations	3,275,492		3,275,492			3,275,492	2,992,267	
Special programs	317,547		317,547			317,547	291,207	
Total library programs	3,593,039		3,593,039			3,593,039	3,283,474	
Total programs	10,878,879		10,878,879			10,878,879	9,373,335	
Supporting services								
General and administrative	6,250,656		6,250,656			6,250,656	5,669,293	
Fundraising	1,365,482		1,365,482			1,365,482	1,326,915	
Total supporting services	7,616,138		7,616,138			7,616,138	6,996,208	
Total operating expenses	18,495,017		18,495,017			18,495,017	16,369,543	
<b>Excess (deficiency) of operating support and revenues over operating expenses</b>	109,894	9,056	118,950	692,260		811,210	1,294,576	
<b>Nonoperating support and revenues</b>								
Contributions					601,467	601,467	327,000	
Depreciation		(1,119,045)	(1,119,045)			(1,119,045)	(1,053,118)	
Acquisition of collection item		(1,203,937)	(1,203,937)			(1,203,937)	(400,000)	
Reduction in commitments	295,017		295,017			295,017	108,000	
Net investment return designated for long-term investment	4,159	9,613,359	9,617,518	(95,578)		9,521,940	12,686,904	
Net assets released from restrictions		1,200,000	1,200,000	(1,200,000)		-	-	
Total nonoperating support revenue and expenses	299,176	8,490,377	8,789,553	(1,295,578)	601,467	8,095,442	11,668,786	
Change in net assets	409,070	8,499,433	8,908,503	(603,318)	601,467	8,906,652	12,963,362	
<b>Net Assets</b>								
Beginning of year	5,191,188	208,484,349	213,675,537	5,811,844	26,258,327	245,745,708	232,782,346	
End of year	\$ 5,600,258	\$ 216,983,782	\$ 222,584,040	\$ 5,208,526	\$ 26,859,794	\$ 254,652,360	\$ 245,745,708	

See accompanying notes.

**The Frick Collection**  
**Statement of Cash Flows**  
**Year Ended June 30, 2006 and 2005**

	2006	2005
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 8,906,652	\$ 12,963,362
Adjustments to reconcile change in net assets to cash used in operating activities		
Depreciation	1,119,045	1,053,118
Realized gains on investments	(22,407,327)	(12,330,712)
Unrealized appreciation (depreciation) on investments	8,793,203	(4,756,726)
Changes in operating assets and liabilities		
Contributions receivable	(285,017)	(1,004,891)
Accrued interest and dividends	44,630	337,632
Other assets	(36,283)	(371,872)
Inventory	44,324	(48,065)
Prepaid pension cost	225,696	346,332
Accounts payable, accrued expenses and deferred income	50,374	(577,892)
Accrued postretirement health and other benefits	355,000	268,065
Permanently restricted contributions	<u>(601,467)</u>	<u>(327,000)</u>
Net cash used in operating activities	<u>(3,791,170)</u>	<u>(4,448,649)</u>
<b>Cash flows from investing activities</b>		
Investments in fixed assets	(1,234,117)	(880,995)
Investment in real estate assets	(3,478)	(18,375)
Cash held for purchases of investments	(5,000,000)	-
Purchases of investments	(196,708,391)	(163,643,662)
Proceeds from dispositions of investments	<u>206,847,192</u>	<u>170,025,705</u>
Net cash provided by investing activities	<u>3,901,206</u>	<u>5,482,673</u>
<b>Cash flows from financing activities</b>		
Permanently restricted contributions	<u>601,467</u>	<u>327,000</u>
Net cash provided by financing activities	<u>601,467</u>	<u>327,000</u>
Net increase in cash and cash equivalents	711,503	1,361,024
<b>Cash and cash equivalents</b>		
Beginning of year	<u>2,888,890</u>	<u>1,527,866</u>
End of year	<u>\$ 3,600,393</u>	<u>\$ 2,888,890</u>

See accompanying notes.

# The Frick Collection

## Notes to Financial Statements

### June 30, 2006

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#### 1. The Collection

The Frick Collection ("The Collection"), created in 1920 under the provisions of the will of Henry Clay Frick, operates an art museum (the "Museum") which is open to the public, and an art reference library (the "Library") which is available to fine arts scholars.

The Collection has been classified as a public charity as described in Sections 509(a)(1) and 170(b)(1)(A)(vi) of the Code and is exempt from federal income taxes. In addition, the State and City have classified the Collection as nonprofit in character and, as such, it is exempt from payment of income taxes to the State and City.

#### 2. Summary of Significant Accounting Policies

##### Net Asset Classifications

The Collection reports information regarding its financial position and activities according to three classes of net assets: permanently restricted, temporarily restricted, and unrestricted.

- Permanently restricted net assets contain donor-imposed restrictions that stipulate the resources be maintained permanently, but permit the Collection to use, or expend part or all of the income derived from the donated assets for either specified or unspecified purposes.
- Temporarily restricted net assets contain donor-imposed restrictions that permit the Collection to use or expend the assets as specified. The restrictions are satisfied either by the passage of time or by action of the Collection.
- Unrestricted net assets are not restricted by donors, or the donor-imposed restrictions have expired. The Collection's Board of Trustees has designated a portion of the unrestricted net assets for fixed assets and long-term investment.

##### Summarized Information

The financial statements include certain prior-year comparative information which does not include sufficient financial statements and footnote disclosures to constitute a presentation in conformity with accounting principles generally accepted in the United States. Accordingly, such information should be read in conjunction with the Collection's financial statements for the year ended June 30, 2005, from which the summarized information is derived.

##### Measure of Operations

The Collection includes in its definition of operations all revenues and expenses that are an integral part of its programs and supporting activities. The measure of operations includes investment income equal to the 4.5% spending rate (net of related fees and taxes) and excludes investment return in excess of, or less than, the 4.5% spending rate. The measure of operations also excludes depreciation of fixed assets, permanently restricted contributions, purchase and sale of collections' items, unsolicited, individual unrestricted contributions of \$50,000 or more, which contributions are board designated for long-term investment as funds functioning as endowment and releases of net assets from restrictions related to non-operating items.

##### Contributions

The Collection records as revenue, cash and promises to give from individuals, corporations, foundations and government agencies. Conditional contributions are recognized as revenue when the conditions on which they depend have been substantially met. Substantially all of the Collection's grants and membership revenues are considered to be contributions for purposes of

# The Frick Collection

## Notes to Financial Statements

### June 30, 2006

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applying revenue recognition policies. Contributions are recorded at fair value, net of estimated uncollectible amounts.

The Collection records contributions as temporarily restricted if they are received with donor stipulations that limit their use either through purpose or time restrictions. When donor restrictions expire, that is, when a purpose restriction is fulfilled or a time restriction ends, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions (see Note 8).

The Collection has volunteers who provide administrative support to Library programs. Such contributed services do not meet the criteria for recognition of contributed services contained in generally accepted accounting principles and, accordingly, are not reflected in the accompanying financial statements.

#### **Functional Allocation of Expenses**

The costs of providing museum and library services and other activities have been summarized in Note 9. Museum programs include costs of the exhibitions, curatorial activities, public education and concerts. Library programs include provision of library access and service, book conservation, the maintenance of the photo archive, and administration of Library programs. General and administrative services include executive and financial administration, and an allocable portion of building maintenance, and security.

Fundraising activities of the Collection include salaries and employee benefits of program staff who develop proposals for fundraising; solicit contributions for those needs and for endowment purposes from individuals, corporations, government agencies and foundations; and conduct special fundraising events. Fundraising costs are expensed as incurred.

#### **Collections**

The Museum and Library have extensive collections of art including: paintings, sculpture, furniture and decorative arts, books, rare books, photographs, historical auction catalogues and other items. The collections are maintained under the care of the curatorial and library staff and are held for research, education and public exhibition in furtherance of public service rather than for financial gain. As a matter of policy, proceeds from the sales of collections are used to acquire other items for collections. The Collection does not include either the cost or the value of its collections on the statement of financial position, nor does it recognize gifts of collection items as revenues in the statement of activities. Since items acquired for collection by purchase are not capitalized, the cost of those acquisitions are reported as decreases in net assets in the statement of activities.

#### **Cash and Cash Equivalents**

The Collection considers all highly liquid investments purchased with an original or remaining maturity of less than three months at the date of purchase to be cash equivalents, with the exception of those money market funds, which are included as investments (see Note 4).

#### **Investments**

Security transactions are recorded on a trade-date basis. Investments are presented in the financial statements at fair value. For investments in debt and equity securities, fair value is determined using published market quotations. Investments in funds are valued at fair value as reported by the fund managers. Investments in limited partnerships and hedge funds, representing alternative assets invested in both publicly traded securities and less liquid securities, some of which are valued by the limited partnership or hedge funds after considering pertinent factors, are carried in the aggregate at fair value, where fair value represents the Collection's share in the net



**The Frick Collection**  
**Notes to Financial Statements**  
**June 30, 2006**

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assets of those limited partnerships and hedge funds at the end of the Collection's fiscal year. The Collection believes that the carrying amount of its alternative investments is a reasonable estimate of fair value as of June 30, 2006. Because alternative investments do not have readily determinable market values, the estimated value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for the investment existed, and such difference could be material.

Investments denominated in non-U.S. dollar currencies are translated into U.S. dollar equivalents at year-end spot foreign exchange rates. Realized gains or losses are determined using the average-cost basis of securities sold.

The Collection's investments are pooled to facilitate their management. Investment income is allocated among the individual components of unrestricted and temporarily restricted net assets, based on donor restrictions or in the absence thereof, using the dollar value unit method.

The Collection manages its pooled investments on a total return basis. To preserve the investments' long-term purchasing power, the Collection makes available to be spent each year 4.5% of the investment portfolio's average market value for the twelve quarters ending the March prior to the beginning of the fiscal year, net of applicable investment and custodial fees, (the "spending rate").

**Fixed Assets**

Land, building, significant building improvement projects and equipment expenditures in excess of \$2,000 are capitalized. Depreciation and amortization of buildings, building improvements and equipment is provided over the estimated useful lives on the straight-line basis, and is recognized as an operating expense. The estimated useful lives are as follows:

	<b>Years</b>
Building and building additions	28 to 50
Security systems	15
Furniture and equipment	5 to 10

**Inventory**

Inventory consisting of publications, prints and cards, is valued at the lower of average cost or market.

**Estimates**

The preparation of financial statements in conformity with 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. The more significant estimates made related to the collectibility of contributions receivable, the actuarial assumptions used to calculate pensions and other postretirement benefits and the valuation of alternative asset investments. Actual results could differ from those estimates.

**Reclassifications**

Certain amounts in the comparative fiscal 2005 total column in the statement of activities have been reclassified to conform with the fiscal 2006 presentation.

**The Frick Collection**  
**Notes to Financial Statements**  
**June 30, 2006**

**3. Contributions Receivable**

Contributions receivable consisted of the following at June 30, 2006 and 2005:

	<b>2006</b>	<b>2005</b>
Unconditional promises to give	\$ 1,660,000	\$ 1,374,983
Less: Discount to present value at 3.7%	<u>36,134</u>	<u>36,134</u>
	1,623,866	1,338,849
Less: Allowance for uncollectibles	<u>-</u>	<u>-</u>
Net contributions receivable	<u>\$ 1,623,866</u>	<u>\$ 1,338,849</u>
Amounts due in		
Less than one year	\$ 1,385,000	\$ 604,849
One or two years	<u>238,866</u>	<u>734,000</u>
	<u>\$ 1,623,866</u>	<u>\$ 1,338,849</u>

**4. Investments**

The Collection's investment portfolio consisted of the following at June 30, 2006 and 2005.

	<b>2006</b>			
	<b>The Museum</b>		<b>The Library</b>	
	<b>Cost</b>	<b>Market</b>	<b>Cost</b>	<b>Market</b>
Money market fund of				
Federated Investors	\$ 4,772,981	\$ 4,772,981	\$ 1,294,111	\$ 1,294,111
Fixed income funds	39,314,876	38,167,764	10,659,544	10,348,524
Alternative asset hedge				
funds and limited				
partnerships	15,689,098	16,617,886	4,253,825	4,505,650
Cash held for purchase				
of equity securities	3,933,500	3,933,500	1,066,500	1,066,500
Equity securities	<u>105,826,445</u>	<u>120,788,856</u>	<u>28,692,997</u>	<u>32,749,794</u>
	<u>\$ 169,536,900</u>	<u>\$ 184,280,987</u>	<u>\$ 45,966,977</u>	<u>\$ 49,964,579</u>
	<b>2005</b>			
	<b>The Museum</b>		<b>The Library</b>	
	<b>Cost</b>	<b>Market</b>	<b>Cost</b>	<b>Market</b>
Money market fund of				
Federated Investors	\$ 1,228,808	\$ 1,228,808	\$ 341,152	\$ 341,152
Fixed income funds	50,490,803	51,478,669	14,017,697	14,291,957
Mutual fund - S&P 500 indexed	20,939,343	24,604,036	5,813,363	6,830,787
Mutual fund -				
Russel 1000 indexed	13,338,891	13,370,004	3,703,259	3,711,897
Equity securities	<u>69,371,883</u>	<u>86,239,771</u>	<u>19,259,627</u>	<u>23,942,637</u>
	<u>\$ 155,369,728</u>	<u>\$ 176,921,288</u>	<u>\$ 43,135,098</u>	<u>\$ 49,118,430</u>

**The Frick Collection**  
**Notes to Financial Statements**  
**June 30, 2006**

Investment return and its classification in the statement of activities for the year ended June 30, 2006, with comparative totals for 2005 were as follows:

	Unrestricted			Total	
	General	Board Designated	Temporarily Restricted	2006	2005
<b>Investment income</b>					
Dividends and interest	\$ 36,915	\$ 5,508,133	\$ 420,318	\$ 5,965,366	\$ 5,127,358
Realized gains/(losses), net	4,159	20,971,177	1,431,991	22,407,327	12,327,988
Unrealized appreciation	-	(8,295,974)	(497,229)	(8,793,203)	4,756,727
<b>Total investment return</b>	<b>41,074</b>	<b>18,183,336</b>	<b>1,355,080</b>	<b>19,579,490</b>	<b>22,212,073</b>
Transfers pursuant to spending policy*	7,008,641	(7,008,641)	-	-	-
Less: Investment fees	-	(1,552,280)	(60,207)	(1,612,487)	(1,022,676)
<b>Net investment return</b>	<b>\$ 7,049,715</b>	<b>\$ 9,622,415</b>	<b>\$ 1,294,873</b>	<b>\$ 17,967,003</b>	<b>\$ 21,189,397</b>

The investment return is reflected in the June 30, 2006 statement of activities as follows:

	Unrestricted			Total
	General	Board Designated	Temporarily Restricted	
Net investment return pursuant to spending policy*	\$ 7,008,641	\$ -	\$ 1,349,129	\$ 8,357,770
Designated for long-term investment	4,159	9,613,359	(95,578)	9,521,940
Other interest income	36,915	9,056	41,322	87,293
	<b>\$ 7,049,715</b>	<b>\$ 9,622,415</b>	<b>\$ 1,294,873</b>	<b>\$ 17,967,003</b>

\* The net investment return pursuant to the spending policy from pooled invested assets for fiscal 2006 consisted of \$9,163,588 gross investment return net of \$805,818 investment fees allocated to general operations.

**5. Fixed Assets**

Fixed asset balances at June 30, 2006 consisted of the following:

	Cost	Accumulated Depreciation	Net Book Value
<b>The Museum</b>			
Land	\$ 688,817	\$ -	\$ 688,817
Building	4,395,696	(4,395,696)	-
Building improvements	17,106,645	(6,154,401)	10,952,244
Equipment	6,281,474	(3,045,956)	3,235,518
Furniture and fixtures	1,158,925	(724,499)	434,426
	<b>\$ 29,631,557</b>	<b>\$ (14,320,552)</b>	<b>15,311,005</b>

**The Frick Collection**  
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	Cost	Accumulated Depreciation	Net Book Value
<b>The Library</b>			
Land	87,271	-	87,271
Building	1,266,470	(1,266,470)	-
Building improvements	1,928,619	(434,577)	1,494,042
Equipment, furniture and fixtures	1,043,071	(755,820)	287,251
	<u>4,325,431</u>	<u>(2,456,867)</u>	<u>1,868,564</u>
Total property and equipment	<u>\$ 33,956,988</u>	<u>\$ (16,777,419)</u>	<u>\$ 17,179,569</u>

Depreciation expense for the year ended June 30, 2006 amounted to \$1,119,045.

**6. Pension & Other Post Retirement Benefits:**

The Collection maintains a noncontributory defined benefit plan (the "Plan") covering substantially all employees. The Plan provides benefits based on salary and years of service. A participant who has five or more years of service is entitled to receive normal retirement benefits. In addition, any participant whose service is terminated and who has completed five or more years of service is entitled to a deferred vested benefit upon retirement based upon his final average compensation and credited service accrued to date of termination.

Plan assets are invested principally in mutual funds and corporate common stocks. The administrative costs of the Plan are borne by the Collection and amounted to \$242,150 for the year ended June 30, 2006. The Collection's funding policy is to contribute annually an amount that meets the minimum requirements of the Employee Retirement Income Security Act of 1974, under different assumptions from those used for financial-reporting purposes. In fiscal 2006, \$350,429 was contributed.

In addition to providing pension benefits, the Collection provides certain postretirement health and supplemental life insurance benefits for retired employees. Substantially all of the Collection's employees may become eligible for those benefits if they reach normal retirement age while working for the Collection. The Collection funds its postretirement benefits costs on a pay-as-you-go basis and provides for the expense on the accrual basis.

	Pension Benefits	Other Postretirement Benefits
Projected and accumulated benefit obligations at June 30, 2006	\$ (15,260,017)	\$ (4,249,000)
Fair value of plan assets at June 30, 2006	<u>15,035,552</u>	<u>-</u>
Funded status	<u>\$ (224,465)</u>	<u>\$ (4,249,000)</u>

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**Notes to Financial Statements**  
**June 30, 2006**

	<b>Pension Benefits</b>	<b>Other Postretirement Benefits</b>
<b>Measurement date</b>	<b>June 30, 2006</b>	
Prepaid (accrued) pension cost recognized in the statement of financial position	\$ 58,893	\$ (5,252,000)
Benefit cost	576,125	501,000
Benefits paid	701,536	145,660
<b>Weighted-average assumptions as of June 30</b>		
Discount rate used to determine benefit obligations	6.25 %	6.25 %
Discount rate used to determine net periodic pension cost	5.25 %	-
Expected long-term return on plan assets	8.00 %	-
Rate of compensation increase	4.25 %	-

For measurement purposes, a 10% percent annual rate of increase in the per capita cost of covered health care benefits for participants was assumed for 2006. The rates were assumed to decrease gradually to 4.75% for 2009 and remain at that level thereafter.

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A one-percentage-point change in assumed health care cost trend rates would have the following effects:

	<b>1% Point Increase</b>	<b>1% Point Decrease</b>
Increase (decrease) in APBO	\$ 722,000	\$ (606,000)
Increase (decrease) in sum of service and interest cost	129,000	(104,000)

**The pension plan's weighted-average asset allocation at June 30, 2006 was as follows**

Money market funds	2.23 %
Fixed income funds	33.13 %
Domestic equity securities	47.44 %
International equity funds	17.20 %
	<u>100.00 %</u>

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**Notes to Financial Statements**  
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The Collection expects to contribute approximately \$693,000 to the pension plan in fiscal 2007. The following benefit payments, which reflect expected future service, as appropriate are expected to be paid as follows:

<b>Fiscal Year Ending 6/30</b>	<b>Active*</b>	<b>Inactive</b>	<b>Total</b>
2007	\$ 108,874	\$ 679,380	\$ 788,254
2008	184,017	660,812	844,829
2009	198,604	634,762	833,366
2010	211,274	610,117	821,391
2011	249,959	579,627	829,586
2012-2016	2,491,052	2,616,064	5,107,116

\*Includes benefits attributable to estimated future employee service.

**The Frick Collection**  
**Notes to Financial Statements**  
**June 30, 2006**

**7. Net Assets**

Net assets consisted of the following at June 30, 2006 and 2005:

	<b>2006</b>	<b>2005</b>
<b>Unrestricted net assets</b>		
General	\$ (1,075,842)	\$ (207,663)
Designated for long-term investment	204,300,082	194,644,623
Invested in real estate	2,661,296	2,657,820
Designated for the purchase of art	295,023	292,348
Invested in fixed assets	16,403,481	16,288,409
	<u>222,584,040</u>	<u>213,675,537</u>
<b>Temporarily restricted net assets</b>		
<b>Museum</b>		
Purchase of art	100,112	1,172,894
Fragonard Room restoration	40,762	-
Education	25,000	10,000
Exhibit and other public programs	1,636,554	1,592,865
Mellon Curatorial fellow	841,711	226,323
Maintenance of clocks	118,813	79,831
Other restricted endeavors	21,969	25,919
<b>Library</b>		
Retrospective conversion project	190,428	197,020
Council lectures	-	11,000
Delmas project	17,618	17,137
History of Collecting	25,392	-
Artstor project	93,860	88,305
Mellon survey	-	4,757
HCCF Archive project	43,241	57,045
Digitization (Pforzheimer)	49,359	32,028
Department specific	2,003,707	2,296,720
Total temporarily restricted net assets	<u>5,208,526</u>	<u>5,811,844</u>
<b>Permanently restricted net assets</b>		
<b>Museum</b>		
Endowment funds, income unrestricted	15,000,000	15,000,000
Endowment funds, income restricted to clock maintenance	500,000	500,000
Endowment funds, income restricted to gallery flowers	339,467	-
Endowment funds, income restricted to conservation	25,000	-
Land	688,817	688,817
<b>Library</b>		
Endowment funds, income restricted for support of the Library	10,219,239	9,982,239
Land	87,271	87,271
Total permanently restricted net assets	<u>26,859,794</u>	<u>26,258,327</u>
Total net assets	<u>\$ 254,652,360</u>	<u>\$ 245,745,708</u>

**The Frick Collection**  
**Notes to Financial Statements**  
**June 30, 2006**

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**8. Net Assets Released from Restrictions**

Net assets were released from donor restrictions during the years ended June 30, 2006 and 2005 by the passage of time or by incurring expenses satisfying the restricted purposes specified by the donors as follows:

	<b>2006</b>	<b>2005</b>
<b>Museum program</b>		
Exhibition specified	\$ 1,216,611	\$ 248,239
Mellon Curatorial fellow	102,964	113,946
Education program	96,744	91,981
Architectural study	16,334	59,112
Clock maintenance	9,060	22,550
Other museum projects	45,512	76,645
<b>Library program</b>		
Retrospective conversion project	29,924	58,500
HCCF archives project	112,169	102,532
Artstor project	152,573	146,156
Pforzheimer project	24,044	33,167
General library support	800,000	500,000
Department specific	577,740	385,021
Subtotal operating	<u>3,183,675</u>	<u>1,837,849</u>
Purchase of collection item	<u>1,200,000</u>	<u>194,961</u>
Total	<u>\$ 4,383,675</u>	<u>\$ 2,032,810</u>

**9. Functional Classification of Expenses**

Expenses of the Collection for the years ended June 30, 2006 and 2005 are classified on a functional basis as follows:

	<b>2006</b>	<b>2005</b>
<b>Programs</b>		
Museum	\$ 7,771,345	\$ 6,565,053
Library	<u>3,714,866</u>	<u>3,412,991</u>
	<u>11,486,211</u>	<u>9,978,044</u>
<b>Supporting Services</b>		
General and administrative	6,740,664	6,096,458
Fundraising	<u>1,387,187</u>	<u>1,348,159</u>
	<u>8,127,851</u>	<u>7,444,617</u>
	<u>\$ 19,614,062</u>	<u>\$ 17,422,661</u>