

The Frick Collection

Financial Statements

June 30, 2007

The Frick Collection
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June 30, 2007 with Comparative Totals for 2006

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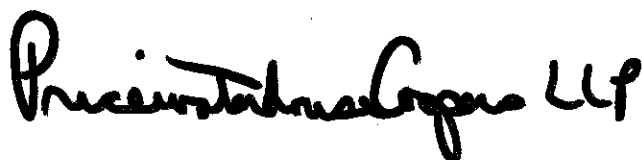
PricewaterhouseCoopers LLP
PricewaterhouseCoopers Center
300 Madison Avenue
New York NY 10017
Telephone (646) 471 3000
Facsimile (813) 286 6000

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, 2007, 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. 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.

As discussed in Note 6 of the financial statements, effective June 30, 2007, the Collection applied the provisions of FASB Statement No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans".



January 9, 2008

The Frick Collection
Statement of Financial Position
June 30, 2007 with Comparative Totals for 2006

	Year ended June 30,	
	2007	2006
Assets		
Cash and cash equivalents	\$ 4,137,218	\$ 3,600,393
Contributions receivable	3,287,537	1,623,866
Due from broker for securities sold	631,744	595,514
Prepaid pension cost	1,273,334	58,893
Inventory	831,646	748,998
Other prepaid expenses, receivables and other assets	1,062,067	1,283,590
Investments in real estate, at cost	2,661,298	2,661,298
Investments in securities	271,134,070	234,245,566
Fixed assets, net	17,808,244	17,179,569
Total assets	<u>302,827,158</u>	<u>261,997,687</u>
Liabilities and Net Assets		
Accounts payable and accrued expenses	2,244,644	2,093,327
Accrued postretirement health and other benefits	4,555,000	5,252,000
Total liabilities	<u>6,799,644</u>	<u>7,345,327</u>
Net assets		
Unrestricted	257,369,644	222,584,040
Temporarily restricted	7,052,871	5,208,526
Permanently restricted	31,604,999	26,859,794
Total net assets	<u>296,027,514</u>	<u>254,652,360</u>
Total liabilities and net assets	<u>\$ 302,827,158</u>	<u>\$ 261,997,687</u>

See accompanying notes.

The Frick Collection
Statement of Activities
Year Ended June 30, 2007 with Comparative Totals for 2006

	Unrestricted			Temporarily Restricted	Permanently Restricted	Total	
	General	Board Designated	Total			2007	2006
Operating support and revenues							
Net investment return – 4.25% and 4.5% spending policy for 2007 and 2006	\$ 9,458,642	\$	\$ 9,458,642			\$ 9,458,642	\$ 8,357,770
Other interest income	68,327	22,373	90,700	\$ 115,050		205,750	87,293
Contributions	2,826,028		2,826,028	1,798,991		4,625,019	4,873,951
Admission fees	2,588,892		2,588,892			2,588,892	2,909,920
Membership	1,882,592		1,882,592			1,882,592	1,625,637
Bookstore sales & miscellaneous	1,214,946		1,214,946			1,214,946	1,451,656
	18,039,427	22,373	18,061,800	1,914,041		19,975,841	19,306,227
Net assets released from restrictions	1,827,992		1,827,992	(1,827,992)		-	-
Total operating support and revenues	19,867,419	22,373	19,889,792	86,049		19,975,841	19,306,227
Operating expenses							
Museum programs							
Operations	4,870,668		4,870,668			4,870,668	4,562,648
Special exhibitions, concerts and lectures	1,360,406		1,360,406			1,360,406	1,604,071
Bookstore, including cost of sales	1,121,942		1,121,942			1,121,942	1,119,121
Total museum programs	7,353,016		7,353,016			7,353,016	7,285,840
Library programs							
Operations	3,379,621		3,379,621			3,379,621	3,275,492
Special programs	408,002		408,002			408,002	317,547
Total library programs	3,787,623		3,787,623			3,787,623	3,593,039
Total programs	11,140,639		11,140,639			11,140,639	10,878,879
Supporting services							
General and administrative	6,200,878		6,200,878			6,200,878	6,250,656
Fundraising	1,457,897		1,457,897			1,457,897	1,365,482
Total supporting services	7,658,775		7,658,775			7,658,775	7,616,138
Total operating expenses	18,799,414		18,799,414			18,799,414	18,495,017
Excess of operating support and revenues over operating expenses	1,068,005	22,373	1,090,378	86,049	-	1,176,427	811,210
Nonoperating support and revenues							
Contributions		156,248	156,248	263,300	4,745,205	5,164,753	601,467
Depreciation		(1,172,681)	(1,172,681)			(1,172,681)	(1,119,045)
Acquisition of collection item	(1,745)		(1,745)			(1,745)	(1,203,937)
Reduction in commitments	33,000		33,000			33,000	295,017
Net investment return designated for long-term investment		31,434,807	31,434,807	2,756,939		34,191,746	9,521,940
Assets designated for renewal and replacement reserves	(1,000,000)	1,000,000	-				
Net assets released from restrictions		1,261,943	1,261,943	(1,261,943)		-	-
Total nonoperating support revenue and expenses	(968,745)	32,680,317	31,711,572	1,758,296	4,745,205	38,215,073	8,095,442
Change in net assets before cumulative effect of change in accounting principle	99,260	32,702,690	32,801,950	1,844,345	4,745,205	39,391,500	8,906,652
Cumulative effect of adoption of FASB Statement No. 158	1,983,654	-	1,983,654	-	-	1,983,654	-
Change in net assets	2,082,914	32,702,690	34,785,604	1,844,345	4,745,205	41,375,154	8,906,652
Net Assets							
Beginning of year	5,600,258	216,983,782	222,584,040	5,208,526	26,859,794	254,652,360	245,745,708
End of year	\$ 7,683,172	\$ 249,686,472	\$ 257,369,644	\$ 7,052,871	\$ 31,604,999	\$ 296,027,514	\$ 254,652,360

See accompanying notes.

The Frick Collection
Statement of Cash Flows
Year Ended June 30, 2007 with Comparative Totals for 2006

	2007	2006
Cash flows from operating activities		
Change in net assets	\$ 41,375,154	\$ 8,906,652
Adjustments to reconcile change in net assets to cash used in operating activities		
Depreciation	1,172,681	1,119,045
Realized gains on investments	(16,789,671)	(22,407,327)
Unrealized appreciation/(loss) on investments	(22,910,732)	8,793,203
Contributions restricted for capital improvements	(263,300)	-
Contributions restricted for permanent endowment	(745,000)	(601,467)
Changes in operating assets and liabilities		
Contributions receivable	(1,663,671)	(285,017)
Prepaid expenses, receivables and other assets	221,523	8,347
Inventory	(82,648)	44,324
Prepaid pension cost	(1,214,441)	225,696
Accounts payable, accrued expenses and deferred income	151,317	50,374
Accrued postretirement health and other benefits	(697,000)	355,000
Net cash used in operating activities	<u>(1,445,788)</u>	<u>(3,791,170)</u>
Cash flows from investing activities		
Investments in fixed assets	(1,801,356)	(1,234,117)
Investment in real estate assets	-	(3,478)
Cash held for purchases of investments	5,000,000	(5,000,000)
Purchases of investments	(128,175,904)	(196,708,391)
Proceeds from dispositions of investments	<u>125,951,573</u>	<u>206,847,192</u>
Net cash provided by investing activities	<u>974,313</u>	<u>3,901,206</u>
Cash flows from financing activities		
Contributions restricted for capital improvement	263,300	-
Contributions restricted for permanent endowment	<u>745,000</u>	<u>601,467</u>
Net cash provided by financing activities	<u>1,008,300</u>	<u>601,467</u>
Net increase in cash and cash equivalents	536,825	711,503
Cash and cash equivalents		
Beginning of year	<u>3,600,393</u>	<u>2,888,890</u>
End of year	<u>\$ 4,137,218</u>	<u>\$ 3,600,393</u>

See accompanying notes.

The Frick Collection

Notes to Financial Statements

June 30, 2007 with Comparative Totals for 2006

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, principally for fixed assets, renewal and replacement reserves and long-term investment.

Summarized 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 generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Collection's financial statements for the year ended June 30, 2006, 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 a spending rate (net of related fees and taxes) and excludes investment return in excess of, or less than, the spending rate. The spending rate was 4.25% and 4.50% for fiscal years 2007 and 2006, respectively. The measure of operations also excludes 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, depreciation of fixed assets and releases of net assets from restrictions related to non-operating items.

The Frick Collection

Notes to Financial Statements

June 30, 2007 with Comparative Totals for 2006

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 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 7).

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 & 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).

The Frick Collection

Notes to Financial Statements

June 30, 2007 with Comparative Totals for 2006

Investments

Security transactions are recorded on a trade-date basis. Investments are presented in the financial statements at fair value. Short-term investments with a remaining maturity of sixty days or less are valued at amortized cost which approximates fair value. For investments in debt and equity securities, fair value is determined using published market quotations. Investments in registered investment companies (mutual funds) are valued at fair value as reported by the fund managers.

Investments in non-marketable alternative asset funds, representing assets invested in less liquid securities, are carried at cost. Investments in marketable alternative asset funds, representing alternative assets invested in both publicly traded securities and less liquid securities, some of which are valued by the limited partnerships or fund managers after considering pertinent factors, are carried in the aggregate at fair value, where fair value represents the Collection's share in the net assets of these alternative asset funds at the end of the fiscal year. Management believes that the carrying amount of its marketable alternative asset funds is a reasonable estimate of fair value. Because alternative asset funds 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 a percentage 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"). The spending rate was 4.25% for fiscal year 2007 and 4.5% for fiscal year 2006.

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:

	Years
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.

The Frick Collection
Notes to Financial Statements
June 30, 2007 with Comparative Totals for 2006

New Accounting Pronouncement

In September 2006, the FASB issued *Statement on Financial Accounting Standards No. 157, "Fair Value Measurements" (FAS 157)*. This standard clarifies the definition of fair value for financial reporting, establishes a framework for measuring fair value and requires additional disclosures about the use of fair value measurements. FAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. As of June 30, 2007, the Collection has not yet determined what effect the adoption of FAS 157 will have on the amounts reported in the financial statements.

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 funds. Actual results could differ from those estimates.

Reclassifications

Certain amounts for fiscal 2006 have been reclassified to conform with the fiscal 2007 presentation.

3. Contributions Receivable

Contributions receivable consisted of the following at June 30, 2007:

	2007
Unconditional promises to give	\$ 3,344,000
Less: Discount to present value at 5.0%	<u>56,463</u>
	3,287,537
Less: Allowance for uncollectibles	<u>-</u>
Net contributions receivable	<u>\$ 3,287,537</u>
Amounts due in	
Less than one year	\$ 2,444,000
Two or four years	<u>843,537</u>
	<u>\$ 3,287,537</u>

At June 30, 2007, the Collection had not recorded the \$500,000 balance of a \$750,000 conditional grant for permanent endowment because the matching requirements had not yet been met.

The Frick Collection
Notes to Financial Statements
June 30, 2007 with Comparative Totals for 2006

4. Investments

The Collection's investment portfolio consisted of the following at June 30, 2007.

	Cost	Market
Money market fund, at fair value	\$ 7,132,811	\$ 7,132,811
Fixed income mutual funds, at fair value	47,880,300	46,790,668
Equity mutual funds, at fair value	36,246,655	49,894,316
Equity securities, at fair value	65,345,055	79,291,957
Non-marketable alternative asset funds, at cost	1,637,278	1,637,278
Marketable alternative asset funds, at fair value	71,239,551	86,387,040
Total	\$ 229,481,650	\$ 271,134,070

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

	Cost	Market
Money market fund of Federated Investors	\$ 6,067,092	\$ 6,067,092
Fixed income mutual funds	49,974,420	48,516,288
Equity mutual funds	47,261,473	54,802,251
Equity securities	70,947,489	81,506,966
Marketable alternative asset funds	36,253,403	38,352,969
Cash held for purchase of equity securities	5,000,000	5,000,000
	\$ 215,503,877	\$ 234,245,566

At June 30, 2007, the Collection had un-called non-marketable alternative asset subscription commitments aggregating \$9,364,141. The sale, assignment, pledge and transfer of interest in the marketable and non-marketable alternative asset funds are subject to the approval of the General Partner or Board of Directors in accordance with the terms of the respective agreements.

Investment return and its classification in the statement of activities for the year ended June 30, 2007, with comparative totals for 2006, were as follows:

	<u>Unrestricted</u>			<u>Temporarily Restricted</u>	<u>Total</u>	
	<u>General</u>	<u>Board Designated</u>			<u>2007</u>	<u>2006</u>
Investment income						
Dividends and interest	\$ 65,146	\$ 5,098,262	\$ 449,802	\$ 5,613,210	\$ 5,965,366	
Realized gains (losses), net	3,181	15,777,516	1,008,975	16,789,672	22,407,327	
Unrealized appreciation (depreciation)	-	21,482,062	1,428,670	22,910,732	(8,793,203)	
Total investment return	68,327	42,357,840	2,887,447	45,313,614	19,579,490	
Transfers pursuant to spending policy	9,458,642	(9,458,642)	-	-	-	
Less: Investment fees	-	(1,442,018)	(15,458)	(1,457,476)	(1,612,487)	
Net investment return	\$ 9,526,969	\$ 31,457,180	\$ 2,871,989	\$ 43,856,138	\$ 17,967,003	

The Frick Collection
Notes to Financial Statements
June 30, 2007 with Comparative Totals for 2006

The investment return is reflected in the June 30, 2007 statement of activities as follows:

	<u>Unrestricted</u>		Temporarily Restricted	Total
	General	Board Designated		
Net investment return pursuant to spending policy	\$ 9,458,642	\$ -	\$ -	\$ 9,458,642
Designated for long-term investment	-	31,434,807	2,756,939	34,191,746
Other interest income	68,327	22,373	115,050	205,750
	<u>\$ 9,526,969</u>	<u>\$ 31,457,180</u>	<u>\$ 2,871,989</u>	<u>\$ 43,856,138</u>

5. Fixed Assets

Fixed asset balances at June 30, 2007 consisted of the following:

	Cost	Accumulated Depreciation	Net Book Value
Land	\$ 776,088	\$ -	\$ 776,088
Building	5,662,166	(5,662,166)	-
Building improvements	19,774,516	(7,194,003)	12,580,513
Equipment, Furniture and fixtures	9,545,558	(5,093,915)	4,451,643
	<u>\$ 35,758,328</u>	<u>\$ (17,950,084)</u>	<u>\$ 17,808,244</u>

Depreciation expense for the year ended June 30, 2007 amounted to \$1,172,681.

6. Pension and Other Post Retirement Benefits:

The Collection maintains a noncontributory defined benefit pension 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 credited 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 credited 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 \$282,495 for the year ended June 30, 2007. 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 2007, \$702,565 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 full-time 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.

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As of June 30, 2007, the Collection adopted the provisions of FASB Statement No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans" (FAS 158). FAS 158 requires recognition on the statements of financial position of the difference between the benefit obligations and any plan assets of the Collection's non-contributory defined benefit pension and health and supplemental life insurance benefit plans. In addition, FAS 158 requires unrecognized amounts (e.g., net actuarial gains or losses and prior service costs or credits) to be recognized as changes to unrestricted net assets and that these amounts be adjusted as they are subsequently recognized as components of net periodic benefit cost based on the current requirements of FAS 87 and 106. Upon application, the incremental effect of applying FAS 158 was an addition in unrestricted net assets of \$1,983,654 reported on the statement of activities as a cumulative effect of change in accounting principle. The cumulative effect reflected amounts not previously recognized in periodic benefit costs as follows:

	Pension Benefits	Other Postretirement Benefits	Total
Prior service cost (credit)	\$ 509,846	\$ (1,979,000)	\$ (1,469,154)
Net actuarial loss (gain)	<u>(1,560,500)</u>	<u>1,046,000</u>	<u>(514,500)</u>
Cumulative effect	<u>\$ (1,050,654)</u>	<u>\$ (933,000)</u>	<u>\$ (1,983,654)</u>

The following tables provide a reconciliation of the changes in the plans' benefit obligations and fair value of assets for the year ended June 30, 2007 and a statement of the funded status at June 30, 2007.

	Pension Benefits	Other Postretirement Benefits
Benefit obligation at June 30, 2007	\$ (16,652,096)	\$ (4,555,000)
Fair value of plan assets at June 30, 2007	<u>17,925,430</u>	<u>-</u>
Funded status - prepaid (liability)	<u>\$ 1,273,334</u>	<u>\$ (4,555,000)</u>
Measurement date	June 30, 2007	June 30, 2007
Prepaid (accrued) pension cost recognized in the statement of financial position	\$ 1,273,334	\$ (4,555,000)
Employer contributions during the year prior to measurement date	702,565	90,545
Benefits paid	694,699	90,545
Weighted-average assumptions as of June 30		
Discount rate used to determine benefit obligations	6.25 %	6.25 %
Discount rate used to determine net periodic pension cost	6.25 %	-
Expected long-term return on plan assets	8.00 %	-
Rate of compensation increase	4.25 %	-
Mortality table	RP2000	RP2000

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For measurement purposes, an 8% percent annual rate of increase in the per capita cost of covered health care benefits was assumed for 2008. The rates were assumed to decrease gradually to 4.75% for 2012 and remain at that level thereafter.

Effect of Change in Health Care Trend Rate

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

	1% Point Increase	1% Point Decrease
Increase (decrease) in accumulated plan benefit obligations	835,000	(697,000)
Increase (decrease) in sum of service and interest cost	107,000	(95,000)
	Pension Benefits	Other Postretirement Benefits
Net periodic benefit cost recognized in the statement of activities		
Service cost	\$ 725,985	\$ 255,000
Interest cost	953,703	259,000
Expected return on plan assets	(1,200,548)	-
Recognized prior service cost (credit)	59,638	(240,000)
Recognized actuarial loss	-	52,000
	<u>\$ 538,778</u>	<u>\$ 326,000</u>

Expected benefit payments

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid in future fiscal years as follows:

	Pension Benefits	Other Postretirement Benefits
2008	\$ 864,668	\$ 217,661
2009	851,688	225,961
2010	859,133	233,029
2011	915,789	241,754
2012	986,515	267,242
Years 2013 - 2017	5,818,045	1,620,837

Employer contributions

The Collection expects to contribute \$1,302,000 to the pension plan during fiscal year 2008. Funding requirements for subsequent years are uncertain and will significantly depend on the actual return on plan assets, any plan amendments and any legislative or regulatory changes affecting plan funding requirements.

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The Collection expects to contribute \$217,661 to the other postretirement benefit plan during fiscal year 2008. Funding requirements for subsequent years are uncertain and will significantly depend on plan experience.

Amortization of actuarial gains/losses and prior service cost/credits

Estimated amounts that will be amortized from accumulated unrestricted net assets into net periodic benefit cost in fiscal 2008 are as follows:

	Pension Benefits	Other Postretirement Benefits
Actuarial (gain) loss	\$ -	\$ 37,000
Prior service costs (credit)	59,638	(240,000)
Total	<u>\$ 59,638</u>	<u>\$ (203,000)</u>

The pension plan's asset allocation at June 30, 2007 was as follows:

Money market funds	1.56 %
Fixed income funds	22.26 %
Domestic equity securities	49.40 %
International equity funds	17.91 %
Alternative asset hedge funds	8.87 %
	<u>100.00 %</u>

7. Net Assets Released from Restrictions

Net assets were released from donor restrictions during the years ended June 30, 2007 and 2006 by incurring expenses satisfying the restricted purposes specified by the donors as follows:

	2007	2006
Museum program		
Exhibition specified	\$ 1,299,006	\$ 1,216,611
Mellon Curatorial fellow	105,440	102,964
Education program	64,050	96,744
Architectural study	-	16,334
Clock maintenance	-	9,060
Other museum projects	60,047	45,512
Purchase capital asset	109,428	-
Purchase of collection item	-	1,200,000
Library program		
Book acquisitions	105,624	95,367
Center for History of Collecting	8,207	-
New York Art Reference Consortium	36,654	-
General library support	637,900	800,000
Department specific library support	663,579	801,083
Total	<u>\$ 3,089,935</u>	<u>\$ 4,383,675</u>

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8. Net Assets

Net assets consisted of the following at June 30, 2007 and 2006:

	2007	2006
Unrestricted net assets		
General	\$ 197,183	\$ (1,075,844)
Designated for long-term investment	236,002,348	204,300,082
Designated for renewal and replacement reserves	1,000,000	-
Invested in real estate	2,661,298	2,661,298
Designated for Chief Curator expenses	170,405	-
Designated for the purchase of art	306,254	295,023
Invested in fixed assets	17,032,156	16,403,481
	<u>257,369,644</u>	<u>222,584,040</u>
Temporarily restricted net assets		
Museum		
Purchase of art	121,763	100,112
Fragonard Room restoration	207,069	40,762
Exhibit and other public programs	934,670	1,636,554
Mellon Curatorial fellow	774,060	841,711
Maintenance of clocks	237,700	118,813
Other department specific	202,110	46,969
Library		
Book funds	1,167,849	978,229
New York Art Reference Consortium	644,158	-
Center for the History of Collecting	296,230	25,392
Other department specific	2,467,262	1,419,984
Total temporarily restricted net assets	<u>7,052,871</u>	<u>5,208,526</u>
Permanently restricted net assets		
Museum		
Endowment funds, income unrestricted	15,000,000	15,000,000
Endowment funds, income restricted to chief curator expenses	3,806,647	-
Endowment funds, income restricted to decorative arts curator	250,000	-
Endowment funds, income restricted to clock maintenance	500,000	500,000
Endowment funds, income restricted to acquisitions	382,130	-
Endowment funds, income restricted to gallery flowers	340,467	339,467
Endowment funds, income restricted to Lectures	250,000	-
Endowment funds, income restricted to conservation	25,000	25,000
Land	688,817	688,817
Library		
Endowment funds, income restricted for support of the Library	10,274,667	10,219,239
Land	87,271	87,271
Total permanently restricted net assets	<u>31,604,999</u>	<u>26,859,794</u>
Total net assets	<u>\$ 296,027,514</u>	<u>\$ 254,652,360</u>

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9. Functional Classification of Expenses

Expenses of the Collection for the years ended June 30, 2007 and 2006 are classified on a functional basis as follows:

	2007	2006
Programs		
Museum	\$ 7,859,438	\$ 7,771,345
Library	<u>3,910,951</u>	<u>3,714,866</u>
	<u>11,770,389</u>	<u>11,486,211</u>
Supporting Services		
General and administrative	6,721,168	6,740,864
Fundraising	<u>1,480,538</u>	<u>1,387,187</u>
	<u>8,201,706</u>	<u>8,127,851</u>
	<u>\$ 19,972,095</u>	<u>\$ 19,614,062</u>