The Frick Collection

Financial Statements

June 30, 2008

O'Connor Davies Munns & Dobbins, llp
ACCOUNTANTS AND CONSULTANTS

Independent Auditors' Report

Board of Trustees
The Frick Collection

We have audited the accompanying statement of financial position of The Frick Collection (the "Collection") as of June 30, 2008, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Organization'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 2007 financial statements and was audited by other auditors whose report dated January 9, 2008, expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Collection's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Frick Collection as of June 30, 2008, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

O'Connor Davies Munns & Dobbins, LLP

New York, New York
November 17, 2008

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The Frick Collection

Statement of Financial Position

June 30, 2008
(with comparative amounts for 2007)

	2008	2007
ASSETS		
Cash and cash equivalents	$ 1,598,364	$ 4,137,218
Contributions receivable	3,865,444	3,287,537
Due from broker for securities sold	728,573	631,744
Prepaid pension cost	694,274	1,273,334
Inventory	701,384	831,646
Other prepaid expenses, receivables and other assets	1,013,607	1,062,067
Investments in real estate, at cost	3,033,855	2,661,298
Investments in securities	248,047,092	271,134,070
Property and equipment, net	18,222,171	17,808,244
Total Assets	$ 277,904,764	$ 302,827,158
LIABILITIES AND NET ASSETS		
Accounts payable, accrued expenses and deferred income	$ 1,993,944	$ 2,244,644
Accrued postretirement health and other benefits	4,725,500	4,555,000
Total Liabilities	6,719,444	6,799,644
NET ASSETS		
Unrestricted	$ 231,841,324	257,369,644
Temporarily restricted	5,273,252	7,052,871
Permanently restricted	34,070,744	31,604,999
Total Net Assets	271,185,320	296,027,514
Total Liabilities and Net Assets	$ 277,904,764	$ 302,827,158

See notes to financial statements

The Frick Collection

Statement of Activities

Year Ended June 30, 2008
(with summarized totals for the year ended June 30, 2007)

	Unrestricted					Total	
	General	Board Designated	Total	Temporarily Restricted	Permanently Restricted	2008	2007
OPERATING SUPPORT AND REVENUES							
Net investment return - 4.25% spending policy	$ 10,002,582	$ -	10,002,582	$ -	$ -	$ 10,002,582	$ 9,458,642
Other interest income	(23,891)	15,563	(8,328)	81,228	-	72,900	205,750
Contributions	3,628,867	-	3,628,867	2,362,552	-	5,991,419	4,625,019
Admission fees	2,681,745	-	2,681,745	-	-	2,681,745	2,588,892
Membership	1,638,564	-	1,638,564	-	-	1,638,564	1,882,592
Bookstore sales and miscellaneous	1,345,725	-	1,345,725	-	-	1,345,725	1,214,946
	19,273,592	15,563	19,289,155	2,443,780	-	21,732,935	19,975,841
Net assets released from restrictions	2,672,301	-	2,672,301	(2,672,301)	-	-	-
Total Operating Support and Revenues	21,945,893	15,563	21,961,456	(228,521)	-	21,732,935	19,975,841
OPERATING EXPENSES							
Programs							
Museum programs							
Operations	5,097,824	-	5,097,824	-	-	5,097,824	4,870,668
Special exhibitions, concerts and lectures	2,120,118	-	2,120,118	-	-	2,120,118	1,360,406
Bookstore, including cost of sales	1,274,695	-	1,274,695	-	-	1,274,695	1,121,942
Total Museum Programs	8,492,637	-	8,492,637	-	-	8,492,637	7,353,016
Library programs							
Operations	3,613,599	-	3,613,599	-	-	3,613,599	3,379,621
Special programs	764,466	-	764,466	-	-	764,466	408,002
Total Library Programs	4,378,065	-	4,378,065	-	-	4,378,065	3,787,623
Total Programs	12,870,702	-	12,870,702	-	-	12,870,702	11,140,639
Supporting services							
General and administrative	6,440,409	-	6,440,409	-	-	6,440,409	6,200,878
Fundraising	1,557,612	-	1,557,612	-	-	1,557,612	1,457,897
Total Supporting Services	7,998,021	-	7,998,021	-	-	7,998,021	7,658,775
Total Operating Expenses	20,868,723	-	20,868,723	-	-	20,868,723	18,799,414
Excess (Deficiency) of Operating Support and Revenues Over Operating Expenses	1,077,170	15,563	1,092,733	(228,521)	-	864,212	1,176,427
NONOPERATING CHANGES TO NET ASSETS							
Contributions	-	-	-	-	2,465,745	2,465,745	5,164,753
Depreciation	-	(1,387,596)	(1,387,596)	-	-	(1,387,596)	(1,172,681)
Acquisition of collection item	(55,639)	-	(55,639)	-	-	(55,639)	(1,745)
Reduction in commitments	-	-	-	-	-	-	33,000
Net investment return designated for long-term investment	-	(24,508,672)	(24,508,672)	(730,839)	-	- (25,239,511)	34,191,746
Pension benefit adjustments	(1,489,405)		(1,489,405)	-	-	(1,489,405)	-
Net assets released from restrictions for investment	-	820,259	820,259	(820,259)	-	-	-
Total Nonoperating Expenses	(1,545,044)	(25,076,009)	(26,621,053)	(1,551,098)	2,465,745	(25,706,406)	38,215,073
Change in net assets before adoption of accounting principle	(467,874)	(25,060,446)	(25,528,320)	(1,779,619)	2,465,745	(24,842,194)	39,391,500
Change due to effect of adoption of SFAS 158	-	-	-	-	-	-	1,983,654
Change in Net Assets	(467,874)	(25,060,446)	(25,528,320)	(1,779,619)	2,465,745	(24,842,194)	41,375,154
NET ASSETS							
Beginning of year	7,683,172	249,686,472	257,369,644	7,052,871	31,604,999	296,027,514	254,652,360
End of year	$ 7,215,298	$ 224,626,026	$ 231,841,324	$ 5,273,252	$ 34,070,744	$ 271,185,320	$ 296,027,514

See notes to financial statements

The Frick Collection

Statement of Cash Flows

Year Ended June 30, 2008
(with comparative amounts for 2007)

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (24,842,194)	$ 41,375,154
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation	1,387,596	1,172,681
Realized gains on investments	(7,658,293)	(16,789,671)
Unrealized loss (appreciation) on investments	26,114,889	(22,910,732)
Contributions restricted for capital improvements	-	(263,300)
Contributions restricted for permanent endowment	(2,495,811)	(745,000)
Changes in operating assets and liabilities		
Contributions receivable	(577,907)	(1,663,671)
Prepaid expenses, receivables and other assets	48,460	221,523
Inventory	130,262	(82,648)
Prepaid pension cost	579,060	(1,214,441)
Accounts payable, accrued expenses and deferred income	(250,700)	151,317
Accrued postretirement health and other benefits	170,500	(697,000)
Net Cash Used in Operating Activities	(7,394,138)	(1,445,788)
CASH FLOWS FROM INVESTING ACTIVITIES		
Property and equipment purchases	(1,801,523)	(1,801,356)
Real estate investment purchases	(372,557)	-
Cash held for purchase of investments	-	5,000,000
Purchases of securities investments	(120,392,552)	(128,175,904)
Proceeds from dispositions of securities investments	124,926,105	125,951,573
Net Cash Provided by Investing Activities	2,359,473	974,313
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions restricted for capital improvements	-	263,300
Contributions restricted for permanent endowment	2,495,811	745,000
Net Cash Provided by Financing Activities	2,495,811	1,008,300
Net Change in Cash and Cash Equivalents	(2,538,854)	536,825
CASH AND CASH EQUIVALENTS		
Beginning of year	4,137,218	3,600,393
End of year	$ 1,598,364	$ 4,137,218

See notes to financial statements

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 city income taxes.

2. Summary of Significant Accounting Policies

Net Asset Classifications

Information regarding financial position and activities is reported 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 Board of Trustees has designated a portion of the unrestricted net assets for property and equipment 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, 2007, from which the summarized information is derived.

2. Summary of Significant Accounting Policies (*continued)*

Measure of Operations

Operations include 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 4.25% spending rate (net of related fees and taxes) and excludes investment return in excess of, or less than the spending rate. 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.

Contributions

Conditional contributions are recognized as revenue when the conditions on which they depend have been substantially met. Substantially all 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.

Contributions are recorded 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).

Volunteers provide administrative support to Museum and 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.

2. Summary of Significant Accounting Policies (*continued)*

Functional Allocation of Expenses (continued)

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

Collections

The Museum and Library have extensive collections 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

All highly liquid investments purchased with an original or remaining maturity of less than three months at the date of purchase are considered to be cash equivalents, with the exception of those money market funds, which are included as investments (see Note 4). The Collection maintains several cash balances in excess of $100,000 in demand deposits, savings accounts, and money market accounts at various financial institutions. The funds at each financial institution are insured by the Federal Deposit Insurance Corporation, or similar Federal agency, to an aggregate maximum of $100,000. Subsequent to June 30, 2008 and effective October 3, 2008, Congress has temporarily increased FDIC deposit insurance from $100,000 to $250,000 per depositor through December 31, 2009.

Investments and Investment Income

Investments include traditional money market funds, mutual funds and debt and equity security investments that are traded in an active market and other non-traditional investments "Alternative Investments" which typically are not quoted on an active exchange and consequently, tend to be less liquid than traditional investments. The Collection's accounting policy for valuation of investment is as follows:

2. Summary of Significant Accounting Policies (*continued)*

Investments and Investment Income (continued)

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.

Alternative asset funds consist of investments in venture capital funds, hedge funds, private equity funds and common trust funds. The underlying investments of such funds, whether stock or other securities, are generally not currently traded in a public market and typically are subject to restrictions on resale. 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 based on audited financial statements, where fair value represents the Collection's share in the net assets of these alternative asset funds at the end of the fiscal year. In addition, the financial statements of each alternative asset fund generally are audited annually by independent auditors; however, those audited financial statements may not always coincide with the year end of the Collection. For those alternative asset funds for which independently audited financial statements in accordance with U.S. GAAP are not provided or for which the year end of the audited investee does not coincide with the year end of the Collection, the Collection bases its estimate of fair value on the unaudited information calculated by the respective fund managers or general partners which amounts have been reported to the Collection. 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.

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.

2. Summary of Significant Accounting Policies (*continued)*

Investments and Investment Income (continued)

Pooled investments are managed on a total return basis. To preserve the investments' long-term purchasing power, 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") is available to be spent each year. The spending rate was 4.25% for fiscal year 2008 and 2007.

Property and Equipment

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.

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, 2008, the Collection has not yet determined what effect the adoption of FAS 157 will have on the amounts reported in the financial statements.

2. Summary of Significant Accounting Policies (*continued)*

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 and the actuarial assumptions used to calculate pensions and other postretirement benefits. Actual results could differ from those estimates.

3. Contributions Receivable

Contributions receivable consisted of the following at June 30:

	2008	2007
Unconditional promises to give	$ 3,875,391	$ 3,344,000
Less: Discount to present value at 2.75% and 5%	9,947	56,463
	3,865,444	3,287,537
Less: Allowance for uncollectibles	-	-
Net contributions receivable	$ 3,865,444	$ 3,287,537
Amounts due in		
Less than one year	$ 3,503,725	$ 2,444,000
Two to four years	361,719	843,537

4. Investments

The Collection's investment portfolio consisted of the following at June 30, 2008:

	Cost	Recorded Value
Money market funds, at fair value	$ 2,740,380	$ 2,740,380
Fixed income mutual funds, at fair value	42,990,589	42,576,602
Equity mutual funds, at fair value	42,969,510	48,153,601
Equity securities, at fair value	63,034,861	65,278,861
Non-Marketable alternative asset funds, at cost	5,784,672	5,784,672
Marketable alternative asset funds, at fair value	74,989,549	83,512,976
Total	$ 232,509,561	$ 248,047,092

4. Investments (*continued)*

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

	Cost	Recorded Value
Money market funds, 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

At June, 2008, the Collection had uncalled non-marketable alternative asset subscription commitments aggregating $10,859,033. 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, 2008, with comparative totals for 2007 were as follows:

	Unrestricted			Total	
	General	Board Designated	Temporarily Restricted	2008	2007
Investment income:					
Dividends and interest	$ (12,359)	$ 4,418,290	$ 403,741	$ 4,809,672	$ 5,613,210
Realized gains/(losses), net	(8,062)	7,166,735	499,620	7,658,293	16,789,672
Unrealized appreciation/(loss)	(3,470)	(24,623,025)	(1,488,394)	(26,114,889)	22,910,732
Total Investment Return	(23,891)	(13,038,000)	(585,033)	(13,646,924)	45,313,614
Transfers pursuant to spending policy	10,002,582	(10,002,582)	-	-	-
Less: Investment fees	-	(1,452,527)	(64,578)	(1,517,105)	(1,457,476)
Net Investment Return	$ 9,978,691	$ (24,493,109)	$ (649,611)	$ (15,164,029)	$ 43,856,138
Net investment return pursuant to spending policy	$ 10,002,582	$ -	$ -	$ 10,002,582	$ 9,458,642
Designated for long-term investment	-	(24,508,672)	(730,839)	(25,239,511)	34,191,746
Other interest income	(23,891)	15,563	81,228	72,900	205,750
	$ 9,978,691	$ (24,493,109)	$ (649,611)	$ (15,164,029)	$ 43,856,138

5. Property and Equipment

Property and equipment, net of accumulated depreciation and amortization, at June 30, consisted of the following:

	2008	2007
Land	$ 776,088	$ 776,088
Building	5,662,166	5,662,166
Building improvements	20,532,637	19,774,516
Equipment, furniture and fixtures	10,588,959	9,545,558
	37,559,850	35,758,328
Less accumulated depreciation and amortization	19,337,679	17,950,084
	$ 18,222,171	$ 17,808,244

Depreciation expense for the year ended June 30, 2008 and 2007 amounted to $1,387,596 and $1,172,681.

6. Pension and Other Post Retirement Benefits

A noncontributory defined benefit plan (the "Plan") covers substantially all employees. The Plan provides benefits based on salary and years of service.

Plan assets are invested principally in mutual funds and corporate common stocks. The administrative cost of the Plan are borne by the Collection and amounted to $328,545 for the year ended June 30, 2008. 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 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.

6. Pension and Other Post Retirement Benefits *(continued)*

As of June 30, 2007, the Collection adopted the provisions of SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plan". SFAS No. 158 requires recognition in the statement of financial position of the difference between the benefit obligations and any plan assets of the non-contributory defined benefit pension and health and supplemental life insurance benefit plans. In addition, SFAS No. 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.

The net cumulative effect reflected amounts not previously recognized in periodic benefit cost is as follows:

	Pension Benefits	Other Postretirement Benefits	Total
Prior service cost (credit)	$ 450,208	$ (1,739,300)	$ (1,289,092)
Net actuarial loss (gain)	61,043	733,800	794,843
Cumulative effect at 6/30/08	511,251	(1,005,500)	(494,249)
Cumulative effect at 6/30/07	(1,050,654)	(933,000)	(1,983,654)
Net Current Year Adjustment	$ (1,561,905)	$ 72,500	$ (1,489,405)

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, 2008 and a statement of the funded status at June 30, 2008:

	Pension Benefits	Other Postretirement Benefits
Benefit obligation	$ (16,953,750)	$ (4,725,500)
Fair value of plan assets	17,648,024	-
Funded Status - prepaid (liability)	$ 694,274	$ (4,725,500)

6. Pension and Other Post Retirement Benefits *(continued)*

Measurement date	June 30, 2008	June 30, 2008
Prepaid (accrued) pension cost recognized in the statement of financial position	$ 694,274	$ (4,725,500)
Employer contributions during the year	1,301,443	104,753
Benefits paid	760,008	104,753
Weighted-average assumptions as of June 30		
Discount rate used to determine benefit obligations	6.75%	6.75%
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

For measurement purposes, a 7% 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 obligation	873,000	(729,000)
Increase (decrease) in sum of service and interest cost	115,000	(102,000)

	Pension Benefits	Other Postretirement Benefits
Net periodic benefit cost recognized in the statement of activities		
Service cost	$ 695,921	$ 270,756
Interest cost	1,002,022	277,914
Expected return on plan assets	(1,438,983)	-
Recognized prior service cost (credit)	59,638	(240,094)
Recognized actuarial loss	-	39,406
	$ 318,598	$ 347,982

6. Pension and Other Post Retirement Benefits *(continued)*

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
2009	$ 823,628	$ 225,961
2010	837,356	233,029
2011	908,075	241,754
2012	986,527	267,242
2013	982,825	272,383
Years 2014-2018	6,580,011	1,758,454

Employer Contributions

The Collection expects to contribute $467,000 to the pension plan during fiscal year 2009. 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.

7. Net Assets

	2008	2007
Unrestricted net assets		
General	$ (3,832,525)	$ 197,183
Designated for long-term investment	213,819,775	236,002,348
Designated for capital improvements	900,309	1,000,000
Invested in real estate	3,033,856	2,661,298
Designated for Chief Curator expenses	153,417	170,405
Designated for the purchase of art	320,409	306,254
Invested in Property & Equipment	17,446,083	17,032,156
	231,841,324	257,369,644
Temporarily restricted net assets		
Museum		
Purchase of Art	130,366	121,763
Fragonard Room restoration	-	207,069
Exhibit and other public programs	599,283	934,670
Mellon Curatorial fellow	694,693	774,060
Maintenance of clocks	190,257	237,700
Other Department specific	282,493	202,110
Library		
Book Funds	1,333,952	1,167,849
New York Art Reference Consortium	405,497	644,158
Center for the History of Collecting	648,241	296,230
Other Department Specific	988,470	2,467,262
Total Temporarily Restricted Net Assets	5,273,252	7,052,871
Permanently restricted net assets		
Endowment funds, income unrestricted	15,000,000	15,000,000
Endowment funds, income restricted for support of the Library	10,219,513	10,094,667
Endowment funds, income restricted to chief curator expenses	2,209,538	1,470,659
Endowment receivables, income restricted to chief curator expenses	1,641,971	2,335,988
Endowment funds, income restricted to decorative arts curator	1,594,537	-
Endowment receivables, income restricted to decorative arts curator	1,055,500	250,000
Endowment funds, income restricted to clock maintenance	500,000	500,000
Endowment funds, income restricted to acquisitions	383,130	382,130
Endowment funds, income restricted to gallery flowers	340,467	340,467
Endowment funds, income restricted to Lectures	250,000	250,000
Endowment receivables, book funds	75,000	180,000
Endowment funds, income restricted to conservation	25,000	25,000
Land	776,088	776,088
Total Permanently Restricted Net Assets	34,070,744	31,604,999
Total Net Assets	$ 271,185,320	$ 296,027,514

8. Net Assets released from Restrictions

	2008	2007
Museum program		
Exhibition specified	$ 1,725,320	$ 1,299,006
Mellon Curatorial fellow	104,715	105,440
Education program	55,777	64,050
Other museum projects	87,412	60,047
Purchase of property and equipment	211,823	109,428
Library program		
Book Acquisitions	108,736	105,624
Center for the History of Collecting	172,403	8,207
New York Art Reference Consortium	257,903	36,654
General library support	382,998	637,900
Department specific library support	385,473	663,579
	$ 3,492,560	$ 3,089,935

9. Functional Classification of Expenses

Expenses of the Collection for the year ended June 30, are classified on a functional basis as follows:

	2008	2007
Programs		
Museum	$ 9,033,847	$ 7,859,438
Library	4,500,288	3,910,951
	13,534,135	11,770,389
Supporting Services		
General and administrative	7,140,564	6,721,168
Fundraising	1,581,809	1,480,538
	8,722,373	8,201,706
	$ 22,256,508	$ 19,972,095

10. Subsequent Event

Subsequent to year end, the credit and liquidity crisis in the United States has resulted in substantial volatility in the global financial markets. As a result, the Collection's investment portfolio has incurred a decline in fair value since June 30, 2008. However, because the values of the Collection's individual investments have and will fluctuate in response to changing market conditions, the amount of losses, if any, that will be recognized in subsequent periods, cannot be determined.