

The Frick Collection

Financial Statements

June 30, 2009



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, 2009, and the related statements of activities and cash flows for the year then ended. 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 2008 financial statements and, in our report dated November 17, 2008, we 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 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, 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, 2009, and the changes in its net assets and its cash flows for the year 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, 2009

The Frick Collection

Statement of Financial Position

June 30, 2009

(with comparative amounts for 2008)

	<u>2009</u>	<u>2008</u>
ASSETS		
Cash and cash equivalents	\$ 2,682,055	\$ 1,598,364
Contributions receivable	4,717,317	3,865,444
Due from broker for securities sold	111,722	728,573
Prepaid pension cost	-	694,274
Inventory	662,312	701,384
Other prepaid expenses, receivables and other assets	936,182	1,013,607
Investments in real estate, at cost	3,101,573	3,033,855
Investments in securities	195,396,237	248,047,092
Property and equipment, net	<u>18,004,325</u>	<u>18,222,171</u>
Total Assets	<u>\$ 225,611,723</u>	<u>\$ 277,904,764</u>
LIABILITIES AND NET ASSETS		
Accounts payable, accrued expenses and deferred income	\$ 1,536,132	\$ 1,993,944
Accrued postretirement health and other benefits	5,117,893	4,725,500
Accrued pension benefits	<u>2,290,857</u>	<u>-</u>
Total Liabilities	<u>8,944,882</u>	<u>6,719,444</u>
NET ASSETS		
Unrestricted	\$ 176,622,195	\$ 231,841,324
Temporarily restricted	4,467,960	5,273,252
Permanently restricted	<u>35,576,686</u>	<u>34,070,744</u>
Total Net Assets	<u>216,666,841</u>	<u>271,185,320</u>
Total Liabilities and Net Assets	<u>\$ 225,611,723</u>	<u>\$ 277,904,764</u>

See notes to financial statements

The Frick Collection
Statement of Activities
Year Ended June 30, 2009
(with summarized totals for the year ended June 30, 2008)

	Unrestricted			Temporarily Restricted	Permanently Restricted	Total	
	General	Board Designated	Total			2009	2008
OPERATING SUPPORT AND REVENUES							
Net investment return	\$ 10,540,130	\$ -	\$ 10,540,130	\$ -	\$ -	\$ 10,540,130	\$ 10,002,582
Other interest income	5,130	145,227	150,357	(3,582)	-	146,775	72,900
Contributions	3,242,080	-	3,242,080	4,738,994	-	7,981,074	5,991,419
Admission fees	2,821,937	-	2,821,937	-	-	2,821,937	2,681,745
Membership	1,201,421	-	1,201,421	-	-	1,201,421	1,638,564
Bookstore sales and miscellaneous	1,246,146	-	1,246,146	-	-	1,246,146	1,345,725
	19,056,844	145,227	19,202,071	4,735,412	-	23,937,483	21,732,935
Net assets released from restrictions	1,978,868	-	1,978,868	(1,978,868)	-	-	-
Total Operating Support and Revenues	21,035,712	145,227	21,180,939	2,756,544	-	23,937,483	21,732,935
OPERATING EXPENSES							
Museum programs							
Operations	5,285,423	-	5,285,423	-	-	5,285,423	5,097,824
Special exhibitions, concerts and lectures	1,345,104	-	1,345,104	-	-	1,345,104	2,120,118
Bookstore, including cost of sales	1,178,091	-	1,178,091	-	-	1,178,091	1,274,695
Total Museum Programs	7,808,618	-	7,808,618	-	-	7,808,618	8,492,637
Library programs							
Operations	3,765,644	-	3,765,644	-	-	3,765,644	3,613,599
Special programs	842,160	-	842,160	-	-	842,160	764,466
Total Library Programs	4,607,804	-	4,607,804	-	-	4,607,804	4,378,065
Total Programs	12,416,422	-	12,416,422	-	-	12,416,422	12,870,702
Supporting services							
General and administrative	6,430,154	-	6,430,154	-	-	6,430,154	6,440,409
Fundraising	1,589,696	-	1,589,696	-	-	1,589,696	1,557,612
Total Supporting Services	8,019,850	-	8,019,850	-	-	8,019,850	7,998,021
Total Operating Expenses	20,436,272	-	20,436,272	-	-	20,436,272	20,868,723
Excess (Deficiency) of Operating Support and Revenues Over Operating Expenses	599,440	145,227	744,667	2,756,544	-	3,501,211	864,212
NONOPERATING CHANGES TO NET ASSETS							
Contributions	-	-	-	-	1,505,942	1,505,942	2,465,745
Depreciation	-	(1,445,756)	(1,445,756)	-	-	(1,445,756)	(1,387,596)
Acquisition of collection item	(4,800)	-	(4,800)	-	-	(4,800)	(55,639)
Net investment return designated for long-term investment	-	(51,732,654)	(51,732,654)	(3,518,844)	-	(55,251,498)	(25,239,511)
Pension and postretirement benefit plan liability adjustments	(2,823,578)	-	(2,823,578)	-	-	(2,823,578)	(1,489,405)
Net assets released from restrictions for investment	-	42,992	42,992	(42,992)	-	-	-
Total Nonoperating Expenses	(2,828,378)	(53,135,418)	(55,963,796)	(3,561,836)	1,505,942	(58,019,690)	(25,706,406)
Change in Net Assets	(2,228,938)	(52,990,191)	(55,219,129)	(805,292)	1,505,942	(54,518,479)	(24,842,194)
NET ASSETS							
Beginning of year	7,215,298	224,626,026	231,841,324	5,273,252	34,070,744	271,185,320	296,027,514
End of year	\$ 4,986,360	\$ 171,635,835	\$ 176,622,195	\$ 4,467,960	\$ 35,576,686	\$ 216,666,841	\$ 271,185,320

See notes to financial statements

The Frick Collection
Statement of Cash Flows
Year Ended June 30, 2009
(with comparative amounts for 2008)

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (54,518,479)	\$ (24,842,194)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	1,445,756	1,387,596
Realized losses (gains) on investments	15,369,590	(7,658,293)
Unrealized loss (appreciation) on investments	31,598,598	26,114,889
Contributions restricted for permanent endowment	(1,505,942)	(2,495,811)
Changes in operating assets and liabilities		
Contributions receivable	(851,873)	(577,907)
Prepaid expenses, receivables and other assets	77,424	48,460
Inventory	39,072	130,262
Prepaid pension cost	2,985,131	579,060
Accounts payable, accrued expenses and deferred income	(457,812)	(250,700)
Accrued postretirement health and other benefits	392,393	170,500
Net Cash from Operating Activities	(5,426,142)	(7,394,138)
CASH FLOWS FROM INVESTING ACTIVITIES		
Property and equipment purchases	(1,227,910)	(1,801,523)
Real estate investment purchases	(67,721)	(372,557)
Purchases of securities investments	(69,022,007)	(120,392,552)
Proceeds from dispositions of securities investments	75,321,529	124,926,105
Net Cash from Investing Activities	5,003,891	2,359,473
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions restricted for permanent endowment	1,505,942	2,495,811
Net Change in Cash and Cash Equivalents	1,083,691	(2,538,854)
CASH AND CASH EQUIVALENTS		
Beginning of year	1,598,364	4,137,218
End of year	\$ 2,682,055	\$ 1,598,364

See notes to financial statements

The Frick Collection

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 and students.

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 not-for-profit in character and, as such, it is exempt from payment of income taxes to the State and City.

2. Summary of Significant Accounting Policies

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

Net Asset Classifications

The Collection reports information regarding 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. As reflected in the accompanying statement of financial position, the Collection's Board of Trustees has designated a portion of the unrestricted net assets for property and equipment and long-term investment.

The Frick Collection

Notes to Financial Statements

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

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, 2008, from which the summarized information was derived.

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 4.5% spending rate and excludes investment return in excess of, or less than, the 4.5% spending rate. The measure of operations also excludes permanently restricted contributions, purchase and sale of museum and library collection 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

The Collection records as revenue, cash and promises to give from individuals, entities, 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 10).

The Collection has volunteers who 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.

The Frick Collection

Notes to Financial Statements

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

Functional Allocation of Expenses

The costs of providing museum and library services and other activities have been summarized in Note 11. 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 archives, 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, entities, government agencies and foundations; and conduct special fundraising events. Fundraising costs are expensed as incurred.

Collections

The Museum and Library have extensive collections including: paintings, sculpture, furniture, other 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 remaining maturity of three months or less 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 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. Effective October 3, 2008, Congress has temporarily increased FDIC deposit insurance from \$100,000 to \$250,000 per depositor through December 31, 2013.

The Frick Collection

Notes to Financial Statements

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

Fair Value of Financial Instruments

For the year ended June 30, 2009, the Collection adopted FASB Statement of Financial Accounting Standards No. 157 Fair Value Measurements (“SFAS 157”), which, among other things, establishes a hierarchal framework for disclosure and measurement of investments at fair value. The hierarchal disclosure framework prioritizes and ranks the level of market price observations used in measuring investments at fair value. Market price observations are impacted by a number of factors, including the type of investment and the characteristics specific to the investment. Investments with readily available actively quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observations and a lesser degree of judgment used in measuring fair value. Investments measured and reported at fair value are classified and disclosed under SFAS 157 in one of the following categories:

Level I Inputs

Quoted prices are available in active markets for identical investments as of the reporting date.

Level II Inputs

Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.

Level III Inputs

Pricing inputs are unobservable for the investment and includes situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. Management's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment.

The Frick Collection

Notes to Financial Statements

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

Investments

The Collection's Endowment is diversified by asset class (e.g., equities and bonds) and within asset classes (e.g., within equities by investment style, economic sector, industry and size). The purpose of diversification is to provide reasonable assurance that no single security or sector will have a disproportionate impact on the total Endowment. 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 (the "spending rate"). Although long term in nature, this policy may be modified over time to reflect economic, market and Endowment changes.

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. Realized gains or losses on these assets are determined using the average-cost basis of securities sold. The Collection also maintains investments in alternative assets. Alternative investments include investments in hedge funds, as well as interest in private equity and venture capital limited partnerships. Alternative asset interests are stated at fair value based upon valuation estimated by each of the funds' managers. Alternative assets are not marketable and many alternative investments have underlying investments which do not have quoted market values. The estimated value is subject to uncertainty and could differ had a ready market value existed, and such differences could be material.

The amount of gain or loss associated with the sale of these investments is reflected in the accompanying financial statements.

The Frick Collection

Notes to Financial Statements

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

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:

	<u>Years</u>
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.

Accounting for Uncertainty in Income Taxes

In July 2006 the FASB issued FIN 48, "Accounting for Uncertainty in Income Taxes," which sets out a framework for organizations to determine the appropriate level of tax reserves required in order to maintain uncertain tax positions. FASB Staff Position No. FIN 48-3, has deferred adoption of FIN 48 until fiscal years beginning after December 15, 2008. Management of the Collection is not aware of any violation of its tax status as an organization exempt from income taxes, nor of any exposure to unrelated business income tax. Consequently, in the opinion of management, adoption of FIN 48 should not have a significant affect on the Collection. The Collection's current accounting policy is to provide liabilities for uncertain tax positions when a liability is probable and estimable.

Subsequent Events

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is November 17, 2009.

The Frick Collection

Notes to Financial Statements

3. Contributions Receivable

Contributions receivable consisted of the following at June 30:

	2009	2008
Unconditional promises to give	\$ 5,097,681	\$ 3,875,391
Less discount to present value at 2.50% and 2.75%	380,364	9,947
	4,717,317	3,865,444
Less allowance for uncollectibles	-	-
Net contributions receivable	\$ 4,717,317	\$ 3,865,444
Amounts due in		
Less than two years	\$ 2,609,082	\$ 3,503,725
Two to fourteen years	2,108,235	361,719

4. Investments

The Collection's investments in securities consisted of the following at June 30, 2009:

	Cost	Market
Money market funds, at fair value	\$ 8,629,896	\$ 8,629,896
Fixed income mutual funds, at fair value	31,864,860	31,560,673
Equity securities, at fair value	49,568,427	44,614,513
Equity hedge funds, at fair value	41,378,747	39,651,492
Non-Marketable alternative asset funds, at fair value	14,386,267	12,250,788
Marketable alternative asset funds, at fair value	65,645,718	58,688,875
Total	\$ 211,473,915	\$ 195,396,237

The Frick Collection

Notes to Financial Statements

4. Investments

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

	Cost	Market
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 securities, at fair value	63,034,861	65,278,861
Equity hedge funds, at fair value	42,969,510	48,153,601
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

The Collection invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

5. Fair Value Measurements

The following are major categories of investments measured at fair value at June 30, 2009:

Description	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Money market funds	\$ -	\$ 8,629,896	\$ -	\$ 8,629,896
Fixed income mutual funds	31,560,673	-	-	31,560,673
Equity securities	44,614,513	-	-	44,614,513
Equity hedge funds	-	35,291,309	4,360,183	39,651,492
Marketable alternative asset funds	-	-	58,688,875	58,688,875
Non-Marketable alternative asset funds	-	-	12,250,788	12,250,788
	\$ 76,175,186	\$ 43,921,205	\$ 75,299,846	\$ 195,396,237

The Frick Collection

Notes to Financial Statements

5. Fair Value Measurements *(continued)*

The following is a reconciliation of the beginning and ending balances for assets and liabilities measured at fair value using significant unobservable inputs (Level 3) during the period ended June 30, 2009:

	Equity Mutual Funds	Marketable Alternatives	Non-Marketable Alternatives	Total
Beginning balance	\$ 5,572,406	\$ 78,835,162	\$ 5,784,672	\$ 90,192,240
Purchases, issuances and settlements	-	9,681,780	8,670,944	18,352,724
Sales and redemptions	-	(13,824,395)	(95,332)	(13,919,727)
Realized losses	-	-	(187,928)	(187,928)
Net change in unrealized gains & losses	<u>(1,212,223)</u>	<u>(16,003,672)</u>	<u>(1,921,568)</u>	<u>(19,137,463)</u>
Ending balance	<u>\$ 4,360,183</u>	<u>\$ 58,688,875</u>	<u>\$ 12,250,788</u>	<u>\$ 75,299,846</u>

The amount of total losses for the period included in changes in net assets attributable to the change in unrealized gains or losses relating to assets still held at June 30, 2009 were \$19,137,463.

6. Endowments

Endowment return and its net asset classification in the statement of activities for the year ended June 30, 2009 were as follows:

	Unrestricted		Temporarily Restricted	Permanently Restricted	Total
	General	Board Designated			
Balance at July 1, 2008	\$ 3,071,642	\$ 212,229,484	\$ 2,602,553	\$ 30,497,270	\$ 248,400,949
Investment Income					
Dividends and interest	-	3,380,004	279,267	-	3,659,271
Realized gains/(losses), net	-	(14,284,492)	(1,085,098)	-	(15,369,590)
Unrealized appreciation	-	(28,986,075)	(2,612,523)	-	(31,598,598)
Total Investment Return	-	(39,890,563)	(3,418,354)	-	(43,308,917)
Appropriation for operations	-	(10,540,130)	-	-	(10,540,130)
Investment fees	-	(1,301,961)	(100,490)	-	(1,402,451)
Net investment return designated for long term investment	<u>-</u>	<u>(51,732,654)</u>	<u>(3,518,844)</u>	<u>-</u>	<u>(55,251,498)</u>
Other activity					
Inter-fund activities	(679,311)	679,311	-	-	-
Contributions	-	(2,861,746)	-	2,861,746	-
Operating appropriation not removed	-	2,861,746	-	-	2,861,746
Capital appropriations	-	(617,593)	-	-	(617,593)
Other changes	-	(46,524)	-	-	(46,524)
Re-allocation of principal (*)	<u>-</u>	<u>(1,455,601)</u>	<u>1,455,601</u>	<u>-</u>	<u>-</u>
Balance at June 30, 2009	<u>\$ 2,392,331</u>	<u>\$ 159,056,423</u>	<u>\$ 539,310</u>	<u>\$ 33,359,016</u>	<u>\$ 195,347,080</u>

(*) represents principal allocated from unrestricted net assets to temporarily restricted net assets to cover accumulated realized and unrealized losses that have caused certain permanently restricted endowment funds to fall below their historic dollar value.

The Frick Collection

Notes to Financial Statements

6. Endowments *(continued)*

Certain of the Collection's donor restricted endowments have experienced losses due to market fluctuations and the continuing requirements of funded programs. Generally accepted accounting principles require that such losses be absorbed by the unrestricted net assets of the Collection and that future gains be allocated to unrestricted net assets until such losses have been restored. The aggregate, cumulative amount of such absorbed by the unrestricted net assets at June 30, 2009 was \$1,455,601.

7. Property and Equipment

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

	<u>2009</u>	<u>2008</u>
Land	\$ 776,088	\$ 776,088
Building	5,662,166	5,662,166
Building improvements	21,318,606	20,532,637
Equipment, furniture and fixtures	<u>11,030,900</u>	<u>10,588,959</u>
	38,787,760	37,559,850
Less accumulated depreciation and amortization	<u>20,783,435</u>	<u>19,337,679</u>
	<u>\$ 18,004,325</u>	<u>\$ 18,222,171</u>

Depreciation expense for the year ended June 30, 2009 and 2008 amounted to \$1,445,756 and \$1,387,596, respectively.

8. Pension and Other Post Retirement Benefits

The Collection sponsors a noncontributory defined benefit plan (the "Plan") which 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 \$317,906 for the year ended June 30, 2009. 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 2009, \$265,677 was contributed by the Collection.

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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Notes to Financial Statements

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

The funded status of the Collection's defined benefit pension and nonpension postretirement benefit plans is recognized in the statement of financial position. The funded status is measured as the difference between the fair value of plan assets and the benefit obligation at the statement of financial position date. Actuarial gains and losses arising during the year not yet recognized within net periodic benefit cost are included as other change in net assets and will be amortized as a component of net periodic benefit cost in the future.

The net cumulative effect of amounts not yet recognized in periodic benefit cost is as follows:

	Pension Benefits	Other Postretirement Benefits	Total
Prior service cost (credit)	\$ 390,570	\$ (1,499,220)	\$ (1,108,650)
Net actuarial loss (gain)	2,799,214	638,765	3,437,979
Cumulative effect at June 30, 2009	3,189,784	(860,455)	2,329,329
Cumulative effect at June 30, 2008	511,251	(1,005,500)	(494,249)
Net Current Year Adjustment	\$ (2,678,533)	\$ (145,045)	\$ (2,823,578)

The table below reflects the amounts recognized as changes in unrestricted net assets arising from the Plan at June 30, 2009 that have not yet been recognized in net periodic pension cost and the portion of such amounts that are expected to be recognized in net periodic pension cost during the year ending June 30, 2010:

	Pension Benefits <u>2010</u>	Pension Benefits <u>2009</u>
Unrecognized prior service cost	\$ 59,638	\$ 59,638
Unrecognized actuarial loss	73,654	-
	\$ 133,292	\$ 59,638

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, 2009 and a statement of the funded status at June 30, 2009:

	Pension Benefits	Other Postretirement Benefits
Benefit obligation	\$ (17,319,726)	\$ (5,117,893)
Fair value of plan assets	15,028,869	-
Funded Status - prepaid (liability)	\$ (2,290,857)	\$ (5,117,893)

The Frick Collection

Notes to Financial Statements

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

Measurement date	Pension Benefits <u>June 30, 2009</u>	Other Postretirement Benefits <u>June 30, 2009</u>
Accumulated benefit obligation	\$ 15,132,012	\$ -
Prepaid (accrued) pension cost recognized in the statement of financial position	(2,290,857)	5,117,893
Employer contributions during the year	265,677	115,749
Net periodic benefit cost	572,275	-
Benefits paid	742,361	115,749
 Weighted-average assumptions as of June 30		
Discount rate used to determine benefit obligations	7.00%	7.00%
Discount rate used to determine net periodic pension cost	6.75%	-
Expected long-term return on plan assets	8.00%	-
Rate of compensation increase	4.00%	-

For measurement purposes, an 8.00% annual rate of increase in the per capita cost of covered health care benefits was assumed for 2009. The rates were assumed to decrease gradually to 4.75% for 2014 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	\$ 781,000	\$ (603,000)
Increase (decrease) in sum of service and interest cost	112,000	(74,000)

The Frick Collection

Notes to Financial Statements

8. 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
	<hr/>	<hr/>
2010	\$ 874,009	\$ 238,142
2011	943,911	251,851
2012	1,025,073	282,601
2013	1,018,953	290,342
2014	1,159,348	322,858
Years 2015-2019	7,421,809	2,013,725

Expected Benefit Payments

The Collection expects to contribute \$400,000, or the amount sufficient to meet minimum funding requirements if greater, to the pension plan during fiscal year 2010. 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.

The Frick Collection

Notes to Financial Statements

9. Net Assets

	2009	2008
Unrestricted net assets		
General	\$ (5,480,352)	\$ (3,832,525)
Designated for long-term investment	160,639,323	213,819,775
Designated for renewal and replacement reserves	691,582	900,309
Invested in real estate	3,101,573	3,033,856
Designated for Chief Curator expenses	117,849	153,417
Designated for the purchase of art	323,983	320,409
Invested in Property & Equipment	17,228,237	17,446,083
	176,622,195	231,841,324
Temporarily restricted net assets		
Exhibit and other public programs	580,824	599,283
Mellon Curatorial fellow	602,613	694,693
Library digitization	522,017	-
Book Funds	611,863	1,333,952
New York Art Reference Consortium	494,054	405,497
Center for the History of Collecting	846,119	648,241
Other Programs	2,266,071	1,591,586
Due to Unrestricted net assets	(1,455,601)	-
Total Temporarily Restricted Net Assets	4,467,960	5,273,252
Permanently restricted net assets		
Endowment funds, income unrestricted	15,000,000	15,000,000
Endowment funds, income restricted for support of the Library	10,617,226	10,219,513
Endowment funds, income restricted to chief curator expenses	3,034,538	2,209,538
Endowment receivables, income restricted to chief curator expenses	825,000	1,641,971
Endowment funds, income restricted to decorative arts curator	3,233,570	1,594,537
Endowment receivables, income restricted to decorative arts curator	516,667	1,055,500
Endowment funds, income restricted to clock maintenance	500,000	500,000
Endowment funds, income restricted to acquisitions	383,130	383,130
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	75,000
Endowment funds, income restricted to conservation	25,000	25,000
Land	776,088	776,088
Total Permanently Restricted Net Assets	35,576,686	34,070,744
Total Net Assets	\$ 216,666,841	\$ 271,185,320

The Frick Collection

Notes to Financial Statements

10. Net Assets released from Restrictions

	<u>2009</u>	<u>2008</u>
Museum Program		
Exhibition specified	\$ 974,034	\$ 1,725,320
Mellon Curatorial fellow	101,250	104,715
Education program	64,434	55,777
Other museum projects	49,833	87,412
Purchase of property and equipment	42,992	211,823
Library Program		
Book Acquisitions	13,621	108,736
Center for the History of Collecting	262,131	172,403
New York Art Reference Consortium	380,104	257,903
Other library support	<u>133,461</u>	<u>768,471</u>
	<u>\$ 2,021,860</u>	<u>\$ 3,492,560</u>

11. Functional Classification of Expenses

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

	<u>2009</u>	<u>2008</u>
Programs		
Museum	\$ 8,378,997	\$ 9,089,297
Library	<u>4,720,456</u>	<u>4,500,288</u>
	13,099,453	13,589,585
Supporting Services		
General and administrative	7,172,394	7,140,564
Fundraising	<u>1,614,981</u>	<u>1,581,809</u>
	<u>8,787,375</u>	<u>8,722,373</u>
	<u>\$ 21,886,828</u>	<u>\$ 22,311,958</u>