

Financial INFORMATION

Independent Auditors' Report

The Board of Trustees
Altman Foundation

We have audited the balance sheets of the Altman Foundation as of December 31, 2006 and 2005, and the related statements of revenues, grants and expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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. 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 audits provide 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 Altman Foundation as of December 31, 2006 and 2005, its changes in net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Respectfully submitted,



Owen J. Flanagan & Company

New York, New York
April 9, 2007

Exhibit A

ALTMAN FOUNDATION
BALANCE SHEETS
DECEMBER 31, 2006 AND 2005

<u>ASSETS</u>	<u>2006</u>	<u>2005</u>
Investments, at fair value (Notes 2, 4)	\$ 272,144,928	\$ 249,097,604
Cash in operating accounts	1,393,649	7,642,783
Interest and dividends receivable	78,054	112,931
Prepaid Federal excise tax	148	—
Prepayments and other	2,302	44,384
Program Loan Receivable	500,000	—
Furniture, equipment and leasehold improvements, net of accumulated depreciation of \$370,719 in 2006 and \$310,655 in 2005	<u>263,409</u>	<u>298,012</u>
<u>Total Assets</u>	<u><u>274,382,490</u></u>	<u><u>257,195,714</u></u>
 <u>LIABILITIES</u>		
Grants payable	\$ 3,788,250	\$ 2,774,000
Federal excise tax	—	33,200
Accrued expenses	295,116	295,512
Deferred Federal excise tax	<u>384,042</u>	<u>283,786</u>
<u>Total Liabilities</u>	4,467,408	3,386,498
 <u>NET ASSETS</u> (Exhibit B)	 <u>269,915,082</u>	 <u>253,809,216</u>
<u>Total Liabilities and Net Assets</u>	<u><u>274,382,490</u></u>	<u><u>257,195,714</u></u>

The accompanying notes are an integral part of these financial statements.

ALTMAN FOUNDATION
STATEMENTS OF REVENUES, GRANTS AND EXPENSES AND CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2006 AND 2005

	<u>2006</u>	<u>2005</u>
<u>REVENUES</u>		
Interest, dividends and partnership earnings	\$ 6,543,540	\$ 6,853,575
Other	9,427	11,435
Realized gain on sale of securities	<u>16,719,279</u>	<u>17,571,078</u>
Change in unrealized appreciation on securities (net of changes in deferred Federal excise taxes of \$100,256 and (\$8,081), respectively)	<u>9,925,419</u>	<u>(800,001)</u>
Sub-total	33,197,665	23,636,087
Less: Direct investment expenses	(1,519,253)	(1,120,171)
Federal excise tax	<u>(210,000)</u>	<u>(452,000)</u>
<u>Net Investment Revenue</u>	<u>31,468,412</u>	<u>22,063,916</u>
<u>GRANTS AND EXPENSES</u>		
Grants authorized	13,465,783	13,224,692
Grant administration expenses	1,337,754	1,264,211
Investment administration expenses	<u>559,009</u>	<u>518,490</u>
<u>Total Grants and Expenses</u>	<u>15,362,546</u>	<u>15,007,393</u>
<u>Change in Net Assets</u>	16,105,866	7,056,523
Net Assets, beginning of year	<u>253,809,216</u>	<u>246,752,693</u>
<u>Net Assets, end of year (Exhibit A)</u>	<u><u>269,915,082</u></u>	<u><u>253,809,216</u></u>

The accompanying notes are an integral part of these financial statements

ALTMAN FOUNDATION
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2006 AND 2005

<u>CASH FLOWS PROVIDED (USED)</u>	<u>2006</u>	<u>2005</u>
FROM OPERATING ACTIVITIES:		
Interest and dividends received	\$ 6,587,844	\$ 6,874,218
Grants paid	(12,451,533)	(11,260,193)
Program loan	(500,000)	—
Expenses paid and other	(3,314,266)	(2,901,271)
Federal excise tax paid	(243,348)	(260,000)
<u>Net Cash Flows Provided (Used) By Operating Activities</u>	<u>(9,921,303)</u>	<u>(7,547,246)</u>
FROM INVESTING ACTIVITIES:		
Net change in money market	(679,683)	(1,641,376)
Proceeds from sale of investments	153,190,774	178,298,604
Purchases of investments	(148,813,461)	(163,393,446)
Purchases of fixed assets	(25,461)	(20,500)
<u>Net Cash Flows Provided (Used) By Investing Activities</u>	<u>3,672,169</u>	<u>13,243,282</u>
Net Increase (Decrease) in Cash and equivalents	(6,249,134)	5,696,036
Cash and equivalents, beginning of year	<u>7,642,783</u>	<u>1,946,747</u>
Cash and equivalents, end of year	<u><u>1,393,649</u></u>	<u><u>7,642,783</u></u>
Change in Net Assets for Year	\$ 16,105,866	\$ 7,056,523
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Increase in grants payable	1,014,250	1,964,500
Decrease (increase) in prepayments and other	(42,082)	(40,108)
Increase in program loan receivable	(500,000)	—
Decrease in dividends and interest receivable	34,877	9,208
Depreciation and amortization	60,064	58,396
Decrease in accrued expenses	(396)	(16,688)
Net unrealized (gain) loss on investments	(9,925,419)	800,001
Net realized (gain) loss on investments	(16,719,279)	(17,571,078)
Decrease (increase) in excise tax receivable	(148)	158,800
Increase (decrease) in excise tax payable	(33,200)	33,200
<u>Net Cash Flows Provided (Used) by Operating Activities (above)</u>	<u><u>(9,921,303)</u></u>	<u><u>(7,547,246)</u></u>

The accompanying notes are an integral part of these financial statements.

ALTMAN FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005

Note 1 - Purpose of Foundation

The Altman Foundation was established and funded in 1913 by Benjamin Altman, the founder of B. Altman & Co. Under its charter, the Foundation is limited to grants to organizations in New York State. The Foundation concentrates its support to educational institutions, hospitals and health centers, artistic and cultural institutions, and social welfare programs, primarily in the metropolitan New York City area.

Note 2 - Summary of Significant Accounting Policies

The accounts of the Foundation are maintained, and the accompanying financial statements have been prepared, on the accrual basis of accounting. Income is recorded when earned and expenses are recorded when incurred.

Investments in marketable securities are valued at quoted market prices. Investments in private equity, alternative investments and real asset funds are ordinarily valued at the most recent estimate determined by the investment manager or agents based upon the valuation reported by the Fund Administrators in accordance with the policies established by the relevant funds. As a general matter, the fair value of the Foundation investment in these funds will represent the amount that the Foundation could reasonably expect to receive from the fund if the Foundation's interest were redeemed at the time of valuation, based upon the information reasonably available at the time the valuation was made.

Valuations provided by these funds may be based upon estimated or unaudited reports, and may be subject to later adjustment or revision. Any such adjustments or revision will either increase or decrease the net asset value of the Foundation at the time the Foundation is provided with the information regarding the adjustment. The Foundation does not expect to restate its previous net asset values to reflect an adjustment or revision by these funds.

Realized gains and losses from the sale of securities are recorded on a "trade date" basis under the specific identification method for determining cost.

Grants are recorded as an expense when authorized by the Board of Trustees.

Depreciation is provided by the straight-line method over the estimated useful lives of the assets. Amortization of leasehold improvements is provided by the straight-line method over the estimated useful lives of the assets, or the lease term, whichever is shorter.

All net assets of the Foundation are unrestricted.

For purpose of cash flows, cash and equivalents include the Foundation's checking account.

Management of the Foundation uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that management uses.

Note 3 - Federal Excise Tax and Required Distributions

The Foundation is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and has been classified as a "private foundation". The Foundation is subject to an excise tax on net investment income at either a 1% or 2% rate depending on the amount of qualifying distributions. For 2006 and 2005 the Foundation's rate was 1% and 2%, respectively.

Deferred Federal excise taxes payable were also recorded on the unrealized appreciation of investments using a 1% excise tax rate in 2006 and 2005.

For 2006 the Foundation must distribute \$2,800,000 in grants or qualifying expenditures by December 31, 2007 to comply with I.R.S. regulations and to avoid penalty excise taxes.

ALTMAN FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005

Note 4 - Investments

A summary of investments held at December 31, 2006 and 2005 follows:

	COST		FAIR VALUE	
	2006	2005	2006	2005
Temporary cash investments	\$ 3,799,877	\$ 3,120,194	\$ 3,799,877	\$ 3,120,194
Fixed income mutual funds	28,352,174	51,733,604	28,598,189	51,310,689
Private Equity	11,121,561	7,852,822	14,304,025	9,084,857
Alternative investments	51,932,363	21,414,006	57,607,554	24,582,947
Real asset funds	16,286,214	11,775,172	16,826,720	11,725,535
Common stocks	79,979,546	89,787,280	96,929,163	105,885,875
International equity funds	<u>42,804,679</u>	<u>35,417,730</u>	<u>54,615,140</u>	<u>43,769,290</u>
	234,276,414	221,100,808	272,680,668	249,479,387
Unsettled security trades - net	<u>(535,740)</u>	<u>(381,783)</u>	<u>(535,740)</u>	<u>(381,783)</u>
	<u>233,740,674</u>	<u>220,719,025</u>	<u>272,144,928</u>	<u>249,097,604</u>

Note 5 - Retirement Plans

The Foundation provides a 403(b) plan to eligible employees. Employee contributions are permitted with the Foundation matching one-half of these contributions up to a maximum of 5% of salary per employee in 2006 and 2005.

The Foundation also maintains a profit sharing plan. All full-time employees who are at least 21 years of age and have completed one year of service with the Foundation are eligible to participate.

For 2006 and 2005, the Foundation's contribution was based on approximately 10% of eligible salary for officers and 7% for the remainder of the staff.

Contributions to the profit sharing plan and 403(b) plan are limited under provisions of the Internal Revenue Code. Currently the maximum contribution under these plans is \$44,000 per employee (\$49,000 for employees over 50 utilizing the catch-up provisions) and the maximum amount of salary to be considered is \$220,000.

The Foundation has also established a non-qualified plan for employees whose contributions to qualified pension plans are limited.

A summary of retirement expense is as follows:

	<u>2006</u>	<u>2005</u>
Profit sharing plan	\$ 67,242	\$ 66,020
403(b) plan-employer match	36,526	34,067
Non-qualified retirement plan	<u>47,421</u>	<u>50,054</u>
	<u>151,189</u>	<u>150,141</u>

ALTMAN FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005

Note 6 - Lease Commitments

In November 1999 the Foundation entered into 15 year, 4 month lease for the entire 35th floor of 521 Fifth Avenue, New York City for its new office. The lease commenced March 15, 2000.

Under the terms of the new lease, the minimum lease payments are as follows:

2007	\$ 278,000
2008	278,000
2009	278,000
2010	287,218
2011	289,644
2012-2015	<u>1,025,823</u>
Total	<u>\$2,436,685</u>

In lieu of a security deposit, the Foundation maintains an open letter of credit in the amount of \$68,409. Rent expense was \$307,260 and \$316,716 for 2006 and 2005, respectively.

Note 7 - Partnership Commitments

The Foundation has commitments to invest up to \$38,100,044 in ten limited partnerships. At December 31, 2006, the required capital contributions had totaled \$23,481,270 leaving a balance of \$14,618,730.

Note 8 - Concentration of Risk

During 2006, the Foundation had cash in banks exceeding federally insured limits. The organization manages this risk by only using large, established financial institutions.

Note 9 - Grants Payable

The Foundation expects that its grants payable will be paid as follows:

2007	\$3,037,750
2008	<u>750,500</u>
	<u>\$3,788,250</u>

Note 10 - Furniture, Equipment and Leasehold Improvements

At December 31, 2006 and 2005 fixed assets at the Foundation were as follows:

	<u>2006</u>	<u>2005</u>
Leasehold improvements	\$281,238	\$281,238
Furniture and equipment	294,624	297,217
Computer hardware and software	<u>58,266</u>	<u>30,212</u>
	634,128	608,667
Less: Accumulated depreciation	<u>370,719</u>	<u>310,655</u>
Furniture, Equipment and Leasehold improvements, net	<u>263,409</u>	<u>298,012</u>

Depreciation expense recorded for 2006 and 2005 was \$60,064 and \$58,396, respectively.