

Financial Statements, Supplementary
Schedules, and Report of Independent
Certified Public Accountants

The Art Institute of Chicago

June 30, 2022 and 2021

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

The Board of Trustees
The Art Institute of Chicago

Opinion

We have audited the financial statements of The Art Institute of Chicago (a nonprofit corporation) (the "Entity"), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for opinion

We conducted our audits of the financial statements in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Entity and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Entity's ability to continue as a going concern for one year after the date the financial statements are issued.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as

fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Entity's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of operating activities and schedules of expenses by natural classification for the years ended June 30, 2022 and 2021, are presented for purposes of additional analysis and are not a required part of the financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures. These additional procedures included comparing and reconciling the information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Grant Thornton LLP

Chicago, Illinois
October 11, 2022

The Art Institute of Chicago

STATEMENTS OF FINANCIAL POSITION

June 30,
(in thousands)

	<u>2022</u>	<u>2021</u>
ASSETS		
Cash and cash equivalents	\$ 84,461	\$ 59,302
Accounts and investment income receivable, net	9,437	8,330
Contributions receivable, net	48,814	63,118
Inventories, prepaid expenses and other assets	6,250	6,186
Investments	1,267,792	1,458,199
Right-of-use assets	46,373	45,605
Property and equipment, net	367,420	383,023
Collections (Note 1)	-	-
	<hr/>	<hr/>
Total assets	<u>\$ 1,830,547</u>	<u>\$ 2,023,763</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and other liabilities	\$ 35,487	\$ 47,931
Deferred revenues	13,519	12,943
Refundable advances	2,922	3,361
Pension liability	16,849	13,969
Operating lease liability	53,149	50,417
Bonds and notes payable	155,585	141,910
	<hr/>	<hr/>
Total liabilities	277,511	270,531
Net assets		
Without donor restrictions	588,537	632,736
With donor restrictions	964,499	1,120,496
	<hr/>	<hr/>
Total net assets	<u>1,553,036</u>	<u>1,753,232</u>
	<hr/>	<hr/>
Total liabilities and net assets	<u>\$ 1,830,547</u>	<u>\$ 2,023,763</u>

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

The Art Institute of Chicago

STATEMENT OF ACTIVITIES

Year ended June 30, 2022
(in thousands)

	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenue and other support			
Tuition and fees (net of \$51,779 student aid)	\$ 124,608	\$ -	\$ 124,608
Contributions	21,390	26,893	48,283
Chicago Park District	5,873	-	5,873
Museum admissions	13,614	-	13,614
Membership dues	8,920	-	8,920
Other program revenues and miscellaneous	4,921	-	4,921
Investment return designated for current use	17,130	36,006	53,136
Auxiliary activities	22,275	-	22,275
Net assets released from restrictions	53,882	(53,882)	-
	<u>272,613</u>	<u>9,017</u>	<u>281,630</u>
Operating expenses			
Program services			
Instructional and academic	98,627	-	98,627
Curatorial, libraries and collections	44,545	-	44,545
Special exhibitions	4,718	-	4,718
Museum education	2,108	-	2,108
Other programs	5,162	-	5,162
Auxiliary activities	13,544	-	13,544
	<u>168,704</u>	<u>-</u>	<u>168,704</u>
Management and general			
General administration	31,510	-	31,510
Interest and debt cost amortization	4,395	-	4,395
	<u>35,905</u>	<u>-</u>	<u>35,905</u>
Fundraising and member development			
	<u>12,412</u>	<u>-</u>	<u>12,412</u>
	<u>217,021</u>	<u>-</u>	<u>217,021</u>
Change in net assets from operations	<u>55,592</u>	<u>9,017</u>	<u>64,609</u>
Non-operating items			
Proceeds from the sale of art objects	-	3,936	3,936
Acquisition of art objects	(11,543)	-	(11,543)
Contributions for the purchase of art objects	-	4,495	4,495
Net assets released to fund acquisition of art objects	11,008	(11,008)	-
Investment return designated for art purchases	351	4,189	4,540
Contributions for capital and equipment including change in donor agreement	-	(9,998)	(9,998)
Net assets released for capital and equipment placed in service	191	(191)	-
Depreciation expense	(23,318)	-	(23,318)
Pension-related changes other than employer service cost	(1,698)	-	(1,698)
Investment return less than amounts designated for current operations and art purchases	(76,677)	(155,842)	(232,519)
Other non-operating	1,300	-	1,300
Other transfers	595	(595)	-
	<u>(44,199)</u>	<u>(155,997)</u>	<u>(200,196)</u>
CHANGE IN NET ASSETS	<u>(44,199)</u>	<u>(155,997)</u>	<u>(200,196)</u>
Net assets, beginning of year	<u>632,736</u>	<u>1,120,496</u>	<u>1,753,232</u>
Net assets, end of year	<u>\$ 588,537</u>	<u>\$ 964,499</u>	<u>\$ 1,553,036</u>

The accompanying notes are an integral part of this financial statement.

The Art Institute of Chicago

STATEMENT OF ACTIVITIES

Year ended June 30, 2021
(in thousands)

	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenue and other support			
Tuition and fees (net of \$45,868 student aid)	\$ 106,775	\$ -	\$ 106,775
Contributions	19,545	38,521	58,066
Chicago Park District	5,171	-	5,171
Museum admissions	5,245	-	5,245
Membership dues	7,661	-	7,661
Other program revenues and miscellaneous	2,136	-	2,136
Investment return designated for current use	17,121	33,269	50,390
Auxiliary activities	12,374	-	12,374
Net assets released from restrictions	57,540	(57,540)	-
	<hr/>	<hr/>	<hr/>
Total operating revenue and other support	233,568	14,250	247,818
Operating expenses			
Program services			
Instructional and academic	90,499	-	90,499
Curatorial, libraries and collections	34,638	-	34,638
Special exhibitions	2,693	-	2,693
Museum education	1,995	-	1,995
Other programs	4,180	-	4,180
Auxiliary activities	10,569	-	10,569
	<hr/>	<hr/>	<hr/>
Total program services	144,574	-	144,574
Management and general			
General administration	29,270	-	29,270
Interest and debt cost amortization	4,414	-	4,414
	<hr/>	<hr/>	<hr/>
Total management and general	33,684	-	33,684
Fundraising and member development	11,336	-	11,336
	<hr/>	<hr/>	<hr/>
Total operating expenses	189,594	-	189,594
	<hr/>	<hr/>	<hr/>
Change in net assets from operations	43,974	14,250	58,224
Non-operating items			
Proceeds from the sale of art objects	-	22,709	22,709
Acquisition of art objects	(31,038)	-	(31,038)
Contributions for the purchase of art objects	-	2,373	2,373
Net assets released to fund acquisition of art objects	30,769	(30,769)	-
Investment return designated for art purchases	344	4,098	4,442
Contributions for capital and equipment	-	184	184
Net assets released for capital and equipment placed in service	438	(438)	-
Depreciation expense	(24,585)	-	(24,585)
Gain on sale of property	11,805	-	11,805
Pension-related changes other than employer service cost	35,636	-	35,636
Investment return in excess of amounts designated for current operations and art purchases	85,998	173,965	259,963
Other transfers	(303)	303	-
	<hr/>	<hr/>	<hr/>
CHANGE IN NET ASSETS	153,038	186,675	339,713
Net assets, beginning of year	479,698	933,821	1,413,519
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Net assets, end of year	\$ 632,736	\$ 1,120,496	\$ 1,753,232

The accompanying notes are an integral part of this financial statement.

The Art Institute of Chicago
STATEMENTS OF CASH FLOWS

Years ended June 30,
(in thousands)

	2022	2021
Cash flows from operating activities		
Change in net assets	\$ (200,196)	\$ 339,713
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	22,998	24,275
Gain on sale of property	-	(11,805)
Loss on retirement of property	-	191
Change in pension liability	2,880	(32,692)
Contributions restricted for permanent endowment	(6,084)	(914)
Contributions restricted for capital, net	10,002	(104)
Other losses and write offs	-	(544)
Net unrealized and realized losses (gains) on investments	183,712	(309,413)
Increase in carrying amount of right of use assets	(768)	-
Acquisitions and sales of art, net	7,608	8,329
Change in assets and liabilities		
Accounts and investment income receivable	(1,107)	2,174
Inventories, prepaid expenses and other assets	(64)	1,013
Contributions receivable	13,603	(4,445)
Accounts payable and other liabilities	(1,036)	(2,144)
Operating lease liabilities	2,732	-
Refundable advances	(439)	(819)
Deferred revenues	576	5,399
	34,417	18,214
Net cash provided by operating activities	34,417	18,214
Cash flows from investing activities		
Purchases of property and equipment	(7,011)	(6,168)
Proceeds from sale of property	-	16,894
Proceeds from sales of art objects	3,936	22,709
Acquisition of art objects	(23,658)	(16,540)
Proceeds from sales of investments	74,494	150,185
Purchases of investments	(78,404)	(174,774)
	(30,643)	(7,694)
Net cash used in investing activities	(30,643)	(7,694)
Cash flows from financing activities		
Proceeds from contributions restricted for permanent endowment	2,400	15,912
Proceeds from contributions restricted for capital projects	4,989	5,315
Cost of issuance on new debt	(119)	-
Payments on notes payable	(35,885)	(12,000)
Proceeds from notes payable	50,000	-
	21,385	9,227
Net cash provided by financing activities	21,385	9,227
CHANGE IN CASH AND CASH EQUIVALENTS	25,159	19,747
Cash and cash equivalents, at the beginning of year	59,302	39,555
Cash and cash equivalents, at the end of year	\$ 84,461	\$ 59,302
Supplemental disclosure of noncash items		
Cash paid for interest	\$ 4,415	\$ 4,265
Property and art purchase additions included in accounts payable	\$ 7,399	\$ 19,513
Cash paid for amounts included in the measurement of lease obligations	\$ 2,758	\$ 2,168

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

The Art Institute of Chicago
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Art Institute of Chicago (“Institute”) is a not-for-profit corporation that exists to provide appreciation and education in visual fine arts and design. The Institute fulfills this purpose through:

- Its museum programs (“Museum”) by collecting, conserving, researching, publishing, exhibiting, and interpreting an internationally significant permanent collection of objects of art and by presenting temporary exhibitions of international importance, including loaned objects from other collections.
- Its academic programs (“School”) by offering comprehensive undergraduate and graduate curricula that provide for the preparation of visual artists, teachers of art, designers, and others in areas that include written, spoken, and media formats.

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with the accounting principles generally accepted in the United States of America (“US GAAP”).

The Institute’s resources are classified for accounting and reporting purposes into two categories of net assets, without donor restrictions or with donor restrictions, according to external donor-imposed restrictions and consistent with relevant law:

- Without donor restrictions - Net assets that are not subject to donor-imposed restrictions of a more specific nature than those that only obligate the Institute to utilize funds in furtherance of its mission. Revenues received and expenses incurred in conducting the programs and services of the Institute are presented in the financial statements as net assets without donor restrictions. By action of the Board of Trustees of the Institute (the “Board”) or its designee, certain net assets without donor restrictions have been designated for long-term investment or other special purposes.
- With donor restrictions - Net assets with donor restrictions carry specific donor-imposed restrictions on the expenditure or other use of contributed funds. Such restrictions may expire either because of the passage of time or because the Institute has fulfilled the restrictions. Expiration of restrictions on net assets with donor restrictions are reported as net assets released from restrictions. By action of the Board or its designee, certain donor restricted assets have been designated for long-term investment in the endowment fund. Also included in this category are net assets subject to donor-imposed restrictions that will never lapse and thus are restricted to long-term investment and maintained permanently as endowment funds. The portion of the donor-restricted endowment funds classified as with donor restrictions includes the original value of the assets contributed to the permanent endowment funds, subsequent contributions to such funds valued at the date of contribution, and earnings on such funds that have not been appropriated for expenditure and spent on the restricted purpose of the fund.

Collections

The value of the art objects in the permanent collection, and the holdings of the libraries, are excluded from the statements of financial position. Additions to the permanent collection are made either by gifts, bequests, or through purchases using Institute acquisition funds. Institute acquisition funds may be classified as with donor restrictions, in which either (i) the principal balance is to be held in perpetuity and only the income earned on principal balances may be used for acquisitions, or (ii) both the principal and earned income may be used for acquisitions; or without donor restrictions, representing funds designated by the Board to be used for acquisitions.

The Art Institute of Chicago

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

The withdrawal of works of art from the collection of the Institute is performed in accordance with a formal policy initially adopted in 1975 and last revised in fiscal year 2020. The objects are generally offered for sale at a public auction and the proceeds from such dispositions are classified as with donor restrictions.

Proceeds from the sale of collection items are used to purchase or commission works of art for the permanent collection or for the direct care of objects within its permanent collection. Direct care of the collection means investing in objects in the Museum's permanent collection by enhancing their life, usefulness, or quality, thereby ensuring they will continue to benefit the public. Direct care includes, but is not limited to, maintenance and protection, conservation, and management of the collection. All works of art and certain library collections are held for public exhibition, education, or research; they are protected, kept unencumbered, cared for, and preserved, and are subject to strict organizational policies governing their use. The value of the Institute's permanent collection is not subject to reasonable estimation. Therefore, it is not included in the statements of financial position.

Cash and Cash Equivalents

Cash includes currency on hand, as well as demand deposits with banks or financial institutions. The Institute maintains its cash balances in various bank deposit accounts, which, at times, may exceed Federal Deposit Insurance Corporation limits. The Institute believes it is not exposed to any significant credit risk on cash balances. Cash equivalents are stated at cost and consist of institutional money market funds or bank deposits. Cash equivalents held by long-term investment managers are classified as investments; see Note 2 for further discussion.

Contributions Receivable

The receipt of unconditional promises to give with payments due in future periods is reported as support with donor restrictions, unless explicit donor stipulations or circumstances surrounding the receipt of the promise make clear that the donor intended it to be used to support activities of the current period. Unconditional promises to give are reported at fair value based upon discounted estimated future cash flows, net of the allowance for uncollectible pledges. The discount rate used is a risk-adjusted rate based on the yield curve for U.S. Treasury securities. Amortization of the discount is recorded as additional contribution revenue.

Inventories, Prepaid Expenses and Other Assets

Inventories are stated at average cost based upon the moving-average cost method. Prepaid expenses include expenditures for rent and software or other licenses made in advance of the term of the services provided. Other assets primarily include art inventory donated to serve as a study collection for students of the School.

Property and Equipment

Legal title to the Institute's Grant Park facility, a significant component of which has been designated a historical monument, and to the land on which it is situated, is vested in the Chicago Park District. The sole and permanent right to the use and occupancy of the land and buildings, including any future improvements, was vested at no cost to the Institute in 1893 as long as the Institute uses the property for the purposes for which it is incorporated; as such, the original cost of the facility and land is not reflected in the financial statements.

The Institute owns properties that provide instructional, public programming, administrative, storage, and student housing space. Portions of some of these facilities are leased to others. The land, buildings, building improvements, and related equipment, furniture, and fixtures are stated at cost, net of depreciation.

The Art Institute of Chicago

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

Depreciable assets are depreciated using the straight-line method over the estimated useful lives of the assets. Depreciation expense, contributions for capital and equipment, and net assets released for capital and equipment placed in service are classified within non-operating items in the statements of activities.

Buildings constructed prior to 2005 on Grant Park property have a useful life of 50 years; the purchase, completed construction, and major improvements of all other buildings have a useful life of 40 years. Subsequent building improvements have useful lives ranging from 5 to 31.5 years. Equipment, furniture, and fixtures have useful lives ranging from 3 to 10 years.

Leases

The Institute has operating and financing lease agreements for academic, residential, and storage space and office equipment expiring in various years through fiscal year 2036. Certain operating leases provide for renewal options for periods from one to 10 years. In some cases, the Institute is required to make additional payments under facility operating leases for taxes, insurance and other operating expenses incurred during the operating lease period. The Institute determines if a contract contains a lease when the contract conveys the right to control the use of identified property or equipment for a period of time in exchange for consideration. Upon such identification and commencement of a lease, the Institute establishes a right-of use ("ROU") asset and a lease liability in the statement of financial position if the lease term exceeds one year. Financing lease obligations are included in accounts payable and other liabilities in statement of financial position.

A lease component is defined as an asset within the lease contract that a lessee can benefit from the use of and is not highly dependent or interrelated with other assets in the arrangement. The Institute has determined that all of its leases contain one lease component related to the buildings or office equipment.

The lease liability represents future fixed lease payments for leases, discounted for present value. Certain leases contain rent escalation clauses that are specifically stated in the lease, which are included in the calculation of the lease liability.

The ROU asset consists of the amount of the initial measurement of the lease liability adjusted for any lease incentives, including rent abatements and tenant improvement allowances, and any initial direct costs incurred by the lessee. The ROU asset is amortized over the remaining lease term.

The lease term is determined by taking into account the initial period as stated in the lease contract and adjusted for any renewal options that the Institute is reasonably certain to exercise, as well as any period of time that the lessee has control of the space before the stated initial term of the lease.

The Institute uses the estimated incremental borrowing rate of return when calculating the lease liability and related ROU asset.

Investments

Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is 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.

Long-term investing is governed by the Institute's investment pool policy. The Investment Committee of the Board of Trustees ("Investment Committee") is responsible for oversight of all investments and compliance with the investment policies, which are approved by the Investment Committee and the Executive Committee of the Board of Trustees ("Executive Committee"). The investment policies attempt to provide a predictable stream of funding to Institute programs, while seeking to maintain the purchasing power of the assets. The pooled investments are invested in a widely diversified portfolio in a manner to promote both

The Art Institute of Chicago

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

growth and current income to achieve the Institute's objectives. Diversification of portfolio assets is an integral part of the Institute's investment philosophy to provide reasonable assurance that no single security or class of security will have a disproportionate impact on the total investment pool. As such, funds will be placed with managers who have distinct investment philosophies.

Purchases and sales of investments are recorded on trade dates and realized and unrealized gains and losses are determined on the basis of average cost of securities. Realized and unrealized appreciation or depreciation in the carrying value of investments is classified as part of either net assets without donor restrictions or net assets with donor restrictions in accordance with applicable donor and legal requirements.

Pension Liability

The Institute sponsors an employer-defined benefit plan; the underfunded status of the plan is recognized as a liability in the statements of financial position. The Institute measures plan assets and benefit obligations as of the date of the Institute's fiscal year end.

Revenue Recognition

The Institute recognizes revenue upon delivery of goods or services in amounts that reflect the consideration the Institute expects to receive in exchange for those goods or services. The Institute's revenue streams that fall under this guidance are derived primarily from tuition and student program fees, museum admissions, membership dues, auxiliary activities and proceeds from the sale of art objects.

- *Tuition and Student Program Fees* are generally collected in advance of or early in the School term and are initially recorded as deferred revenue. Tuition and fees are recognized ratably as revenue over the related School term. The Institute offers refunds for classes to students who decide to withdraw from a course prior to the add/drop date. After the add/drop date, generally no refunds are granted unless exceptional circumstances apply. The Institute does not recognize revenue until after the add/drop date. Historically, the Institute has not made material refunds after the add/drop date.
- *Museum Admissions* revenue is recognized as visitors obtain access to the Museum.
- *Museum Membership* revenue is collected at the commencement of the membership period and allows the member unlimited visits to the Museum over the course of the membership period. Accordingly, membership revenue is deferred and recognized as revenue in equal monthly amounts during the applicable membership period.
- *Auxiliary Activities* are primarily related to School residence halls and the Museum retail shop operation. Payment of School housing fees is made in advance of occupancy, and revenues from residence halls are recognized ratably over the residency period. For the years ended June 30, 2022 and 2021, approximately \$13.3 million and \$7.4 million, respectively, was recognized as residence hall revenue. Museum shop revenue is presented net of discounts and recognized when products are sold. Sales taxes collected from customers are excluded from revenues and the associated obligation is included in accrued liabilities until the taxes are remitted to the appropriate taxing authorities. For the years ended June 30, 2022 and 2021, approximately \$7.0 million and \$4.1 million, respectively, was recognized as museum shop revenues.
- *Proceeds from the Sale of Art Objects* are recognized when the artwork is sold and are classified as non-operating revenues. For the years ended June 30, 2022 and 2021, approximately \$3.9 million and \$22.7 million, respectively, was recognized as proceeds from the sale of art objects.
- With the exception of memberships, which can be for a period of one or two years, all of the Institute's revenue from contracts with customers are from performance obligations with an initial expected

The Art Institute of Chicago

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

duration of one year or less. Prices are specific to a distinct performance obligation and do not consist of multiple transactions.

The Institute records deferred revenue in situations when amounts are collected but the revenue recognition criteria outlined above are not met. Such revenue is recognized when all criteria are subsequently met. Deferred revenues of approximately \$13.0 million and \$12.2 million, as of June 30, 2022 and 2021, respectively, are classified as liabilities on the statements of financial position and primarily relate to prepaid membership and summer tuition. Associated accounts receivable for revenue from tuition and housing fees as of June 30, 2022 and 2021, were approximately \$4.9 million and \$5.4 million, respectively, and allowance for doubtful accounts for tuition revenues as of June 30, 2022 and 2021, were approximately \$2.4 million and \$2.7 million, respectively.

Apart from that previously disclosed, the Institute did not record any impairment or credit losses, incremental costs or significant financing components for the years ended June 30, 2022 and 2021, and there were no significant changes in the judgments affecting the determination of the amount and timing of revenue recognized from revenue streams falling under this guidance.

Additionally, the Institute has revenue streams that are not within the scope of Accounting Standards Codification ("ASC") ASC 606, *Revenue from Contracts with Customers*, as follows:

- *Contributions* revenue includes gifts from donors and revenue from government-funded programs. Gifts from individual donors, foundations, and other organizations are recognized when received. Contributions received with restrictions imposed by the donor are classified as net assets with donor restrictions. Unconditional promises to give are recorded as revenue and contributions receivable when received at the net present value of the amounts expected to be collected. Government-funded programs are supported by grants received from the federal, state, and local governments. These grants are considered conditional contributions, and revenue recognition is deferred until the applicable barriers are met. Some of the government-funded program revenue is from cost-reimbursable grants which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when expenditures have been incurred that are in compliance with the specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position. No amounts have been received in advance under federal and state contracts and grants as of June 30, 2022 and 2021. The Institute was awarded cost-reimbursable grants of \$0.4 million and \$6.1 million that have not been recognized at June 30, 2022 and 2021 because qualifying expenditures have not yet been incurred. Additionally, the Institute has received conditional promises to give in the amount of \$16.5 million as of June 30, 2022, which have not yet been recorded as revenue, since the donor-imposed conditions have not yet been met. There were no conditional pledges as of June 30, 2021.
- *In-Kind Support* - The Institute records various types of in-kind support, including contributed equipment, services, and other property. Contributions of tangible assets, excluding art objects and services, are recognized at fair value when received. The amounts reflected in the accompanying financial statements as in-kind support are included in contributions and offset by like amounts included in expenses or assets. In-kind support recognized for fiscal years 2022 and 2021 is not material to the financial statements. The Institute receives volunteer time that does not meet the criteria for recognition as a contribution. Accordingly, the value of this contributed time has not been determined and is not reflected in the financial statements.
- Investment returns consist of unrealized and realized gains and losses on investments, and dividend and interest income, net of investment management fees. Realized gains and losses are recognized when the investment is sold. Unrealized gains and losses are recognized based upon year-end valuations of investments.

The Art Institute of Chicago

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

Income Taxes

The Institute is a not-for-profit corporation exempt from federal income tax under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3); the Institute is similarly exempt from state income taxes. Despite the general exemption from income taxation, the Institute is subject to federal and state income tax at corporate rates on its unrelated business income.

The Financial Accounting Standards Board ("FASB") guidance requires tax effects from uncertain tax positions to be recognized only if the position is more likely than not to be sustained if the position were to be challenged by a taxing authority. Management has determined there are no material uncertain positions that require recognition in the financial statements. No provision was necessary for the Institute for unrelated business income taxes as the organization has a net operating loss carryforward to cover any current year tax liability.

Other Transfers

The Institute records reclassifications between net asset categories as other transfers. Other transfers primarily consist of transfers due to donor clarification on previously undetermined restrictions.

Commitments and Contingencies

The Institute is party to various legal proceedings and claims incidental to its business. Institute management currently believes that the ultimate outcome of these proceedings and/or claims, either individually or in the aggregate, will not have a material adverse effect on the Institute's statements of financial position, statements of activities, or statements of cash flows.

Recently Adopted Accounting Pronouncements

In September 2020, the FASB issued ASU No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This guidance requires separate presentation of and additional disclosures about the recognition, valuation and use of contributed nonfinancial assets. The Institute adopted the guidance in its fiscal year 2022 financial statements. The financial statements were not materially impacted by the adoption of this standard.

Management Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and judgments that affect the reported amounts of assets and liabilities, disclosures of contingencies at the date of the financial statements, and the reported amounts of revenues and expenses recognized during the reporting period. Actual results could differ from those estimates.

Subsequent Events

The Institute evaluated activity through October 11, 2022, the date the financial statements were issued, and concluded that no other subsequent events have occurred that would require recognition or that have not been disclosed elsewhere.

The Art Institute of Chicago

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

NOTE 2 - INVESTMENTS

Investments as of June 30, 2022 and 2021, consist of the following (in thousands):

	2022					
	Pooled		Non-Pooled Investments		Total	
Cash equivalents	\$ 194,733	16.0%	\$ 635	1.2%	\$ 195,368	15.3%
Fixed-income securities	58,119	4.8	3,902	7.6	62,021	4.9
Equity securities	428,876	35.2	1,981	3.8	430,857	34.0
Hedge funds	277,639	22.8	-	-	277,639	21.9
Venture capital and private equity	168,150	13.8	-	-	168,150	13.3
Real assets	88,602	7.4	-	-	88,602	7.0
Total assets held for investment	1,216,119	100.0	6,518	12.6	1,222,637	96.4
Assets held in trust by others			45,155	87.4	45,155	3.6
Total investments	<u>\$1,216,119</u>	<u>100%</u>	<u>\$ 51,673</u>	<u>100%</u>	<u>\$ 1,267,792</u>	<u>100%</u>
	2021					
	Pooled		Non-Pooled Investments		Total	
Cash equivalents	\$ 135,327	9.7%	\$ 1,595	2.3%	\$ 136,922	9.4%
Fixed-income securities	60,633	4.4	5,450	7.9	66,083	4.5
Equity securities	682,646	49.1	6,218	9.0	688,864	47.2
Hedge funds	305,410	22.0	-	-	305,410	21.0
Venture capital and private equity	143,418	10.3	-	-	143,418	9.9
Real assets	61,742	4.5	-	-	61,742	4.2
Total assets held for investment	1,389,176	100.0	13,263	19.2	1,402,439	96.2
Assets held in trust by others	-	-	55,760	80.8	55,760	3.8
Total investments	<u>\$1,389,176</u>	<u>100.0%</u>	<u>\$ 69,023</u>	<u>100%</u>	<u>\$ 1,458,199</u>	<u>100.0%</u>

Cash equivalents included in long-term investments may consist of short-term U.S. Treasury obligations, high-grade commercial paper, certificates of deposit, or money market funds. Equity and fixed-income securities consist of marketable securities invested directly or indirectly via mutual funds, separately managed accounts, institutional commingled vehicles, or hedge funds with marketable underlying investments. Hedge fund investments are invested in a variety of strategies. Underlying investments in these funds may include equities, fixed-income securities, commodities, currencies, or derivatives. Venture capital and private equity investments consist of limited partnerships invested in a variety of strategies. Underlying investments in these funds may include private equity and private debt. Real assets consist of real estate, oil and gas, and commodity investments invested via mutual funds, institutional commingled funds, hedge funds, or limited partnerships.

Investments include assets held in trust by others, the income from which is paid in whole or in part to the Institute. Assets held in trust by others include the Institute's beneficial interest in perpetual trusts, charitable

The Art Institute of Chicago

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

remainder trusts, or pooled income funds held by third parties. The Institute recognizes the initial contribution, subsequent adjustments, and the asset at fair value based on the market value of the trust's underlying assets as provided by the trustee. Subsequent adjustments to the fair value are included in contributions with donor restrictions in the statements of activities. Income distributions received from the trusts are recognized in investment return designated for current use in accordance with the donor restrictions.

The changes in fair value of assets held for investment and assets held in trust by others as of June 30, 2022 and 2021 are as follows (in thousands):

	2022			
	Assets Held for Investment		Assets Held	Total
	Pooled	Non-Pooled	in Trust	
Change in fair value:				
Realized gains	\$ 117,137	\$ 2,183	\$ -	\$ 119,320
Unrealized losses	(300,460)	(2,572)	-	(303,032)
Dividend and interest income	8,281	117	2,364	10,763
Cash gifts and other changes	6,041	-	(10,605)	(4,565)
Transfers in (out)	53,627	(6,362)	-	47,265
Investment management fees	(2,474)	(7)	-	(2,481)
Allocation of spendable funds	(55,209)	(104)	(2,364)	(57,677)
Net change in fair value	(173,057)	(6,745)	(10,605)	(190,407)
Fair value, beginning of year	1,389,176	13,263	55,760	1,458,199
Fair value, end of year	\$ 1,216,119	\$ 6,518	\$ 45,155	\$ 1,267,792
	2021			
	Assets Held for Investment		Assets Held	Total
	Pooled	Non-Pooled	in Trust	
Change in fair value:				
Realized gains	\$ 48,819	\$ 699	\$ -	\$ 49,518
Unrealized gains	258,723	1,172	-	259,895
Dividend and interest income	5,343	200	2,178	7,721
Cash gifts and other additions	19,364	-	10,279	29,643
Transfers in	55,132	17	-	55,149
Investment management fees	(2,800)	(13)	-	(2,813)
Allocation of spendable funds	(52,462)	(192)	(2,178)	(54,832)
Net change in fair value	332,119	1,883	10,279	344,281
Fair value, beginning of year	1,057,057	11,380	45,481	1,113,918
Fair value, end of year	\$ 1,389,176	\$ 13,263	\$ 55,760	\$ 1,458,199

Realized and unrealized gains and investment income, net of management fees, are reported in the financial statements as investment return designated for current use, investment return designated for art purchases, and investment return in excess of amounts designated for current operations and art purchases in the statements of activities for the years ended June 30, 2022 and 2021.

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

The annualized rate of return is net of investment manager fees and is computed using monthly net returns of individual investment managers. The fair values (in thousands) and the rates of investment return on the pooled endowment investments for the years ended June 30, 2022 and 2021, are summarized as follows:

	2022		2021	
	Fair Value	Rate of Return	Fair Value	Rate of Return
Pooled endowment funds investments	<u>\$ 1,216,119</u>	<u>(12.9)%</u>	<u>\$1,389,176</u>	<u>29.6%</u>

ASC 820, *Fair Value Measurements and Disclosures*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and sets out a fair value hierarchy. Inputs are broadly defined under ASC 820 as assumptions market participants would use in pricing an asset or liability.

The three levels of the fair value hierarchy under ASC 820 are described below:

- Level 1 - Unadjusted quoted prices at the measurement date in active markets for identical assets or liabilities that the reporting entity has the ability to access. Investments that are generally included in Level 1 are money market funds, mutual funds, and listed equities;
- Level 2 - Inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly or indirectly. Investments that are generally included in this category are corporate bonds and institutional commingled funds; and
- Level 3 - Inputs are unobservable for the asset or liability and include situations where there is little, if any, market activity for the asset or liability. The inputs into the determination of fair value may require significant management judgment or estimation.

In accordance with ASC 820, investments measured at the net asset value (“NAV”) per share or equivalent are not categorized within the fair value hierarchy. The Institute’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 valuation techniques used by the Institute to measure different financial instruments at fair value are described below:

Investments in securities traded on a national securities exchange are stated at the last reported sales price on the date of valuation. Hedge funds and institutional commingled funds are stated at fair value of the underlying securities or at NAV, as determined by the administrator, based on readily determinable market values. For government and corporate bonds, fair values are generally obtained from third-party pricing services for comparable assets or liabilities.

Investments in limited partnerships are valued at fair value based on the applicable percentage ownership of the investment partnerships’ net assets as of the measurement date. In determining fair value, management utilizes valuations provided by the investment partnerships. The estimated fair values of certain investments of the investment partnerships, which may include private placements and other securities for which prices are not readily available, are determined by the general partner or sponsor of the respective investment partnerships and may not reflect amounts that could be realized upon immediate sale nor amounts that ultimately may be realized. Accordingly, the estimated fair values may differ significantly from the values that would have been used had a readily available market existed for these investments. Management obtains and considers the fund’s audited financial statements when evaluating the overall reasonableness of the recorded value. Audited information is typically available annually, based on the partnerships’ or funds’ year-ends. Investments in private limited partnerships are valued based on

The Art Institute of Chicago

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

the June 30 partner capital account balances as reported by the partnership to the Institute or as estimated by the Institute based on capital markets or other methods deemed appropriate.

The Institute's investments are classified as follows, based on fair values, as of June 30, 2022 (in thousands):

	2022				Total
	Measured at NAV or Equivalent	Level 1	Level 2	Level 3	
Pooled investments					
Cash equivalents	\$ -	\$ 194,733	\$ -	\$ -	\$ 194,733
Fixed-income securities	-	58,119	-	-	58,119
Equity securities	339,437	89,439	-	-	428,876
Hedge funds	277,639	-	-	-	277,639
Venture capital and private equity	168,150	-	-	-	168,150
Real assets	78,305	10,297	-	-	88,602
Total pooled investments	863,531	352,588	-	-	1,216,119
Non pooled investments					
Cash equivalents	-	635	-	-	635
Fixed-income securities	-	1,492	2,410	-	3,902
Equity securities	-	1,981	-	-	1,981
Assets held in trust by others	-	-	-	45,155	45,155
Total non pooled investments	-	4,108	2,410	45,155	51,673
Total investments	\$ 863,531	\$ 356,696	\$ 2,410	\$ 45,155	\$ 1,267,792

The Institute's investments are classified as follows, based on fair values, as of June 30, 2021 (in thousands):

	2021				Total
	Measured at NAV or Equivalent	Level 1	Level 2	Level 3	
Pooled investments					
Cash equivalents	\$ -	\$ 135,327	\$ -	\$ -	\$ 135,327
Fixed-income securities	-	60,633	-	-	60,633
Equity securities	568,450	114,196	-	-	682,646
Hedge funds	305,410	-	-	-	305,410
Venture capital and private equity	143,418	-	-	-	143,418
Real assets	54,203	7,539	-	-	61,742
Total pooled investments	1,071,481	317,695	-	-	1,389,176
Non pooled investments					
Cash equivalents	-	1,595	-	-	1,595
Fixed-income securities	-	2,244	3,206	-	5,450
Equity securities	-	6,218	-	-	6,218
Assets held in trust by others	-	-	-	55,760	55,760
Total non pooled investments	-	10,057	3,206	55,760	69,023
Total investments	\$ 1,071,481	\$ 327,752	\$ 3,206	\$ 55,760	\$ 1,458,199

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

The unfunded commitments, redemption frequency, and redemption notice period of the pooled investments held at NAV or its equivalent are as follows as of June 30, 2022 and 2021 (in thousands):

	2022				
	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period	Lockup or Gate
Equity securities	\$ 339,437	N/A	Daily-Annually	1-150 Days	One fund subject to a 3 year lockup
Hedge funds	277,639	\$ 20,440	Monthly-Annually	30-95 Days	One fund subject to 20% limit of the value of the gross assets
Venture capital and private equity	168,150	91,276	N/A	N/A	As directed by investment manager
Real assets	78,305	36,026	N/A	N/A	As directed by investment manager
Total	<u>\$ 863,531</u>	<u>\$ 147,742</u>			
	2021				
	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period	Lockup or Gate
Equity securities	\$ 568,450	N/A	Daily-Annually	1-150 Days	One fund subject to a 3 year lockup
Hedge funds	305,410	\$ 29,325	Monthly-Annually	30-95 Days	One fund subject to 20% limit of the value of the gross assets
Venture capital and private equity	143,418	81,643	N/A	N/A	As directed by investment manager
Real assets	54,203	42,270	N/A	N/A	As directed by investment manager
Total	<u>\$ 1,071,481</u>	<u>\$ 153,238</u>			

The Art Institute of Chicago

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

NOTE 3 - ENDOWMENT FUNDS

The Institute establishes endowment funds for the purpose of investing assets in a manner that preserves the real value of the endowment principal and provides spendable funds that can be used to fulfill the purposes for which the endowments were established. The Institute's endowment funds consist of donor-restricted endowment funds and funds designated by the Board as funds functioning as endowments. The net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions, as well as based upon relevant law as further described below.

The Uniform Prudent Management of Institutional Funds Act ("UPMIFA") is a model act approved by the Uniform Law Commission that serves as a guideline for states to use in enacting legislation and was adopted by the State of Illinois.

The Board has interpreted the State of Illinois' UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Institute classifies the following as net assets with donor restrictions: (a) the original value of gifts donated to the permanent endowment; (b) the original value of subsequent gifts to the permanent endowment; and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. In accordance with UPMIFA, the Institute considers the following factors in making a determination to appropriate or accumulate endowment funds:

- (1) The duration and preservation of the fund;
- (2) The mission of the Institute and the purposes of the donor-restricted endowment fund;
- (3) General economic conditions;
- (4) The possible effects of inflation and deflation;
- (5) The expected total return from income and appreciation of investments;
- (6) Other resources of the Institute; and
- (7) The investment policies of the Institute.

From time to time, the fair value of assets associated with individual donor endowment funds may fall below the value of the initial and subsequent donor gift amounts. When donor endowment deficits exist, they are classified as a reduction of net assets with donor restrictions. As of June 30, 2022, funds with original gift values totaling \$10.8 million were "underwater" by approximately \$559,000. As of June 30, 2021, no donor endowment funds had a fair value below the initial and subsequent gift total.

The Art Institute of Chicago

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

The Institute's endowment net asset composition (including pledges) as of June 30, 2022 and 2021, is as follows (in thousands):

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds			
Historical value of gifts to be held in perpetuity	\$ -	\$ 507,535	\$ 507,535
Term endowments	-	22,357	22,357
Appreciation	-	290,261	290,261
Board-designated endowment funds	446,122	18,808	464,930
Total funds	\$ 446,122	\$ 838,961	\$ 1,285,083

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds			
Historical value of gifts to be held in perpetuity	\$ -	\$ 506,703	\$ 506,703
Term endowments	-	22,257	22,257
Appreciation	-	441,508	441,508
Board-designated endowment funds	474,680	22,131	496,811
Total funds	\$ 474,680	\$ 992,599	\$ 1,467,279

Board-designated endowment funds were designated for the following purposes as of June 30, 2022 and 2021 (in thousands):

	2022	2021
Purchase of art objects	\$ 7,590	\$ 9,146
Purchase of books	1,223	1,473
Student aid	30,454	36,393
Museum exhibitions	7,410	8,925
Gallery maintenance, professorships and curatorships	24,526	29,508
Acquisitions or improvements of long-lived assets	35,439	23,362
Education, instruction, and other departmental purpose	65,991	85,851
General purpose	292,297	302,153
Total	\$ 464,930	\$ 496,811

The Art Institute of Chicago

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

Changes in endowment net assets for the year ended June 30, 2022, are as follows (in thousands):

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 474,680	\$ 992,599	\$ 1,467,279
Investment return	(59,204)	(115,646)	(174,850)
Change in fair value of assets held in trust	-	(10,528)	(10,528)
Contributions	-	12,021	12,021
Appropriation of endowment assets for expenditure	(17,481)	(40,196)	(57,677)
Transfers to create board-designated endowment funds	71,327	419	71,746
Transfers to remove board-designated endowment funds	(22,902)	-	(22,902)
Other changes, net	(298)	292	(6)
Endowment net assets, end of year	<u>\$ 446,122</u>	<u>\$ 838,961</u>	<u>\$ 1,285,083</u>

Changes in endowment net assets for the year ended June 30, 2021, are as follows (in thousands):

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 336,443	\$ 804,035	\$ 1,140,478
Investment return	103,698	209,910	313,608
Change in fair value of assets held in trust	-	10,166	10,166
Contributions	-	4,910	4,910
Appropriation of endowment assets for expenditure	(17,465)	(37,367)	(54,832)
Transfers to create board-designated endowment funds	58,165	81	58,246
Transfers to remove board-designated endowment funds	(5,801)	(202)	(6,003)
Other changes, net	(360)	1,066	706
Endowment net assets, end of year	<u>\$ 474,680</u>	<u>\$ 992,599</u>	<u>\$ 1,467,279</u>

Relationship of Spending Policy to Investment Objectives

The Institute's Executive Committee considers, among other factors, the standard of prudence prescribed by UPMIFA in determining the method to be used to appropriate endowment funds for expenditure.

The Institute's spendable endowment payout formula is a controlled growth distribution formula. For fiscal years 2022 and 2021, the spending is the prior year's endowment payout increased by the higher of the prior June 30th growth in the consumer price index ("CPI-U") as published by U.S. Bureau of Labor Statistics or the Higher Education Price Index ("HEPI") published by the Commonfund Institute.

The Art Institute of Chicago

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

Endowment spendable amounts are reassessed by the Executive Committee every three years or more frequently as conditions warrant. Prior-year accumulated capital gains are utilized to the extent necessary to meet the annual spendable objective. Depending upon market conditions and the needs and available resources of the Institute, appropriations for expenditure from individual endowments may be temporarily suspended to facilitate preservation of the endowment or may be in excess of the spending policy as deemed prudent by the Executive Committee.

NOTE 4 - FINANCIAL ASSETS AND LIQUIDITY RESOURCES

As of June 30, 2022, \$501 million of the Institute's financial assets were without donor or other contractual restriction, including endowment returns that have been appropriated for expenditure for operations in the next twelve months. Of that amount, \$446 million has been designated for long-term investment in the endowment by the Board; however, action by the Board could remove the designations from such funds as needed at any time.

The Institute's financial assets consist primarily of investments and cash and cash equivalents. Of the Institute's \$1.2 billion pooled endowment portfolio, \$479 million was invested in funds with daily liquidity as of June 30, 2022. In addition, the Institute maintains lines of credit totaling \$55 million for short-term liquidity needs that may arise, of which \$55 million was available as of June 30, 2022.

As of June 30, 2021, \$511 million of the Institute's financial assets were without donor or other contractual restriction, including endowment returns that have been appropriated for expenditure for operations in the next twelve months. Of that amount, \$475 million has been designated for long-term investment in the endowment by the Board; however, action by the Board could remove the designations from such funds as needed at any time.

The Institute's financial assets consist primarily of investments and cash and cash equivalents. Of the Institute's \$1.4 billion pooled endowment portfolio, \$469 million was invested in funds with daily liquidity as of June 30, 2021. In addition, the Institute maintains lines of credit totaling \$55 million for short-term liquidity needs that may arise, of which \$55 million was available as of June 30, 2021.

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

NOTE 5 - CONTRIBUTIONS RECEIVABLE

Unconditional promises to contribute to the Institute are recorded as contributions receivable at fair value based upon discounted estimated future cash flows, net of the allowance for uncollectible accounts. The discount rates for fiscal year 2022 ranged from 2.80% to 3.38%. The discount rates for fiscal 2021 ranged from 0.07% to 2.06%. Contributions receivable are expected to be realized as follows as of June 30 (in thousands):

	<u>2022</u>	<u>2021</u>
Collectible during the following periods:		
Year one	\$ 21,988	\$ 14,040
Year two	7,136	18,651
Year three	6,251	10,298
Year four	11,578	4,584
Year five	2,878	9,893
Thereafter	<u>4,836</u>	<u>10,639</u>
Gross contributions receivable	54,667	68,105
Present value adjustment	(4,222)	(2,958)
Allowance for uncollectible contributions	<u>(1,631)</u>	<u>(2,029)</u>
Net contributions receivable	<u>\$ 48,814</u>	<u>\$ 63,118</u>

In fiscal year 2022, a previously recognized unconditional pledge agreement was amended. Under the amended agreement, future payments on the pledge are considered to be conditional upon uncertain future events. As such, the Institute recorded a reduction in contributions receivable of \$14.4 million on the statement of financial position, and contributions with donor restrictions and contributions for capital and equipment were reduced by \$6.7 million and \$9.7 million, respectively, on the fiscal year 2022 statement of activities.

The Institute's unconditional contributions receivable are recorded at fair value and are classified as Level 2 within the fair value hierarchy, except that promises to give that are payable upon the death of the donor are classified as Level 3 due to uncertain timing. In determining the classification within the fair value hierarchy, the Institute considered historical and projected cash flow rates. The fair value calculations may not be indicative of net realizable value or reflective of future fair values. Contributions receivable are classified as follows in the fair value hierarchy as of June 30, 2022 and 2021 (in thousands):

	<u>2022</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Contributions receivable due at a specified date	\$ -	\$ 34,948	\$ -	\$ 34,948
Contributions receivable due at an uncertain future date	<u>-</u>	<u>-</u>	<u>13,866</u>	<u>13,866</u>
Total contributions receivable	<u>\$ -</u>	<u>\$ 34,948</u>	<u>\$ 13,866</u>	<u>\$ 48,814</u>

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

	2021			
	Level 1	Level 2	Level 3	Total
Contributions receivable due at a specified date	\$ -	\$ 48,945	\$ -	\$ 48,945
Contributions receivable due at an uncertain future date	-	-	14,173	14,173
Total contributions receivable	<u>\$ -</u>	<u>\$ 48,945</u>	<u>\$ 14,173</u>	<u>\$ 63,118</u>

Quantitative Information about Level 3 Fair Value Measurements

	Fair Value at June 30, 2022	Valuation Technique	Unobservable Input	Range (Weighted Average)
Contributions receivable payable at an uncertain future date	\$ 13,866	Discounted cash flow	Years to collect pledge	1 - 18 (3.9) years

Quantitative Information about Level 3 Fair Value Measurements

	Fair Value at June 30, 2021	Valuation Technique	Unobservable Input	Range (Weighted Average)
Contributions receivable payable at an uncertain future date	\$ 14,173	Discounted cash flow	Years to collect pledge	1 - 20 (3.7) years

NOTE 6 - PROPERTY AND EQUIPMENT, NET

Property and equipment as of June 30, 2022 and 2021, consist of the following (in thousands):

	2022	2021
Land	\$ 34,972	\$ 34,972
Buildings and improvements	698,355	692,476
Equipment, furniture, and fixtures	32,185	33,164
Total property and equipment	765,512	760,612
Construction in progress	5,881	4,501
Accumulated depreciation	(403,973)	(382,090)
Property and equipment, net	<u>\$ 367,420</u>	<u>\$ 383,023</u>

In fiscal year 2021, the Institute sold a portion of a building that had a net book value of \$5.3 million. A gain on sale of property of \$11.8 million is reflected in the non-operating section of the statement of activities.

The Art Institute of Chicago
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2022 and 2021

NOTE 7 - ACCOUNTS PAYABLE AND OTHER LIABILITIES

Accounts payable and other liabilities as of June 30, 2022 and 2021, consist of the following (in thousands):

	2022	2021
Accounts payable	\$ 14,773	\$ 14,129
Art purchase liability	5,728	17,843
Asset retirement obligations	5,683	5,744
Accrued salaries and benefits	6,019	6,712
Accrued interest payable	1,407	1,339
Financing lease obligations	457	728
Other liabilities	1,420	1,436
	\$ 35,487	\$ 47,931

NOTE 8 - LEASES

Components of lease expense for the years ended June 30, 2022 and 2021 are summarized as follows (in thousands):

	2022	2021
Lease expenses ⁽¹⁾		
Fixed lease expenses - operating	\$ 4,427	\$ 3,975
Fixed lease expenses - financing	270	463
Variable lease expenses - financing	7	8
	4,704	4,446
Total long-term lease expenses	4,704	4,446
Total short-term lease expenses	3,957	3,101
	\$ 8,661	\$ 7,547

⁽¹⁾ Lease expenses represent the amount recorded within the statement of activities. Fixed lease expenses are recorded on a straight-line basis over the lease term and therefore are not necessarily representative of cash payments made during the same period.

Supplemental statement of financial position information related to leases at June 30, 2022 and 2021 was as follows:

	2022	2021
Weighted-average remaining lease term (in months) - operating leases	135	150
Weighted-average discount rate - operating leases	0.89%	0.84%
Weighted-average remaining lease term (in months) - financing leases	22	33
Weighted-average discount rate - financing leases	0.97%	0.99%

The Art Institute of Chicago
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2022 and 2021

Minimum future lease payments under non-cancelable operating leases and financing leases having remaining terms in excess of one year as of June 30, 2022, are as follows (in thousands):

<u>Years Ending June 30,</u>	<u>Operating Leases</u>	<u>Financing Leases</u>
2023	\$ 4,564	\$ 265
2024	4,664	196
2025	4,766	-
2026	4,870	-
2027	4,978	-
Thereafter	<u>32,359</u>	<u>-</u>
	56,201	461
Total minimum lease payments		
Less: imputed interest	<u>(3,052)</u>	<u>(4)</u>
Present value of future minimum lease payments	<u>\$ 53,149</u>	<u>\$ 457</u>

NOTE 9 - BONDS AND NOTES PAYABLE

Bonds and notes payable as of June 30, 2022 and 2021, consist of the following (in thousands):

	<u>Principal 2022</u>	<u>Principal 2021</u>	<u>Final Maturity or Expiration</u>	<u>Principal Payable</u>	<u>Coupon Interest Rates at June 30</u>
Public bonds:					
Fixed interest rate revenue bonds:					
Series 2016 ⁽¹⁾	\$ 37,250	\$ 37,250	3/1/2038	Varying dates and amounts	3.13% to 5.00%
Taxable bond:					
Series 2012 ⁽¹⁾	<u>10,000</u>	<u>20,000</u>	3/1/2027	Varying dates and amounts	3.23% to 3.78%
Total public bonds	47,250	57,250			
Private debt:					
New York Life and affiliates \$60 million 2020 notes ⁽¹⁾	56,000	58,000	3/1/2050	Varying dates and amounts	2.65%
New York Life and affiliates \$18.5 million 2022 notes ⁽¹⁾	18,500	-	3/1/2047	At expiration	2.89%
Bank of America \$16.5 million term loan ⁽²⁾	16,265	-	3/1/2037	Monthly	1.99%
Bank of America \$15 million term loan ⁽²⁾	14,850	-	3/1/2042	Monthly	2.14%
Bank of America \$23.5 million term loan ⁽²⁾	-	23,500	3/1/2022	At expiration	1.95%
Bank of America \$20 million working capital line of credit ^{(3),(4)}	-	-	4/30/2024	At expiration	BSBY or bank referenced rate based
JPMorgan Chase \$15 million working capital line of credit ^{(3),(4)}	-	-	6/23/2025	At expiration	SOFR or bank referenced rate based
Northern Trust \$20 million working capital line of credit ^{(3),(4)}	<u>-</u>	<u>-</u>	1/24/2024	At expiration	SOFR or bank referenced rate based
Total outstanding debt	152,865	138,750			
Unamortized premium, discount, and cost of issuance	<u>2,720</u>	<u>3,160</u>			
Total	<u>\$ 155,585</u>	<u>\$ 141,910</u>			

Notes

- | | | | |
|-----|---|-----|--|
| (1) | Interest is payable on March 1 and September 1. | (3) | Interest rate resets on varying dates. |
| (2) | Interest is payable monthly. | (4) | Interest is payable on varying dates. |

The Art Institute of Chicago
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2022 and 2021

All tax-exempt bonds are issued through the Illinois Finance Authority. The aggregate scheduled maturities of bonds and notes payable are summarized as follows (in thousands):

<u>Years Ending June 30,</u>	
2023	\$ 4,566
2024	4,567
2025	4,632
2026	4,666
2027	14,701
Thereafter	<u>119,703</u>
Total	<u>\$ 152,865</u>

In March 2022, the Institute issued \$18.5 million par value taxable private notes to New York Life and Affiliates and entered into two loan agreements with Bank of America, N.A. for \$16.5 million and \$15.0 million. The proceeds from these issuances totaled \$50 million and were used to retire the outstanding \$23.5 million Bank of America term loan. The remaining proceeds will be reserved for future potential capital projects and general institutional purposes.

The Institute's debt and loan agreements require, among other things, the maintenance of a financial ratio. The Institute was in compliance with all financial covenants as of June 30, 2022 and, 2021. Management believes that subject to certain conditions, at a minimum, the following net assets with donor restrictions can be used to meet the Institute's debt obligation as of June 30, 2022 and 2021, (in thousands):

	<u>2022</u>	<u>2021</u>
Contributions receivable for acquisition or improvement of long-lived assets funded wholly or partially by debt	\$ 287	\$ 312
Portion of perpetual endowments subject to a timing restriction under UPMIFA consistent with state law, these funds are available upon appropriation by the Board	173,068	264,127
Other net assets with donor restrictions available for debt obligations	<u>16,937</u>	<u>20,409</u>
Total net assets with donor restrictions available for debt obligations	<u>\$ 190,292</u>	<u>\$ 284,848</u>

Notwithstanding the aforementioned, other net assets not listed above may be used to satisfy the Institute's debt obligations consistent with their restrictions.

The Art Institute of Chicago

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

NOTE 10 - RESTRICTIONS ON NET ASSETS

Net assets by donor restriction as of June 30, 2022 and 2021 is summarized as follows (in thousands):

	Net Assets Subject to Time and Purpose Restrictions		Net Assets to be Maintained in Perpetuity		Total Net Assets With Donor Restrictions	
	2022	2021	2022	2021	2022	2021
Purchase of art objects	\$ 67,324	\$ 77,973	\$ 75,880	\$ 76,191	\$ 143,204	\$ 154,164
Purchase of books	2,997	4,582	2,398	2,395	5,395	6,977
Student aid	31,851	47,240	50,050	49,654	81,901	96,894
Museum exhibitions	19,930	26,206	26,873	26,558	46,803	52,764
Gallery maintenance, professorships, and curatorships	89,220	140,813	175,004	174,147	264,224	314,960
Acquisitions or improvements of long-lived assets	30,474	40,253	-	-	30,474	40,253
Education, instruction, and other departmental purposes	135,260	176,045	91,178	85,765	226,438	261,810
Contribution receivable	19,878	22,948	13,256	9,573	33,134	32,521
Assets held in trust by others	555	634	44,597	55,125	45,152	55,759
General purpose endowments	59,475	77,099	28,299	27,295	87,774	104,394
Total	<u>\$ 456,964</u>	<u>\$ 613,793</u>	<u>\$ 507,535</u>	<u>\$ 506,703</u>	<u>\$ 964,499</u>	<u>\$1,120,496</u>

The nature of restrictions on net assets released from donor restrictions for the years ended June 30, 2022 and 2021 is summarized as follows (in thousands):

	Released from Restriction	
	2022	2021
Purchase of art objects	\$ 11,008	\$ 30,769
Purchase of books	284	266
Student aid	4,795	4,673
Museum exhibitions	3,793	3,611
Gallery maintenance, professorships, and curatorships	21,664	21,198
Acquisitions or improvements of long-lived assets	191	438
Education, instruction, and other departmental purposes	23,346	27,792
Total	<u>\$ 65,081</u>	<u>\$ 88,747</u>

NOTE 11 - PENSION BENEFITS

The Institute has a qualified, noncontributory defined benefit pension plan (the "Plan") covering staff employees who meet the Plan's eligibility. Staff employees hired prior to January 1, 2007, are eligible for the Plan. Staff employees hired after December 31, 2006 and eligible faculty of the School participate in a defined contribution plan in lieu of participation in the Plan. A supplemental retirement plan is provided for certain employees whose benefits are restricted under the qualified plans.

The Art Institute of Chicago

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

In April 2021, the Institute approved a plan to freeze pension benefits for active employees who participate in the Plan, with an effective date to be determined. The impact of the freeze resulted in a decrease to the projected benefit obligation and decrease to the net periodic benefit cost, which was recognized as a curtailment for the fiscal year ended June 30, 2021. In fiscal year 2022, the decision to freeze the Plan was deferred indefinitely, resulting in an unwinding of the curtailment accounting in the fiscal year 2022 projected benefit obligation and net periodic benefit cost. In addition, the increase in discount rate to 4.88% from 3.10% resulted in significant actuarial losses in the projected benefit obligation for fiscal years ended June 30, 2022 and 2021.

The following table sets forth the Plan's pension benefit obligation, plan assets, and funded status reconciled with the amounts set forth in the statements of financial position as of June 30, 2022 and 2021 (in thousands):

	2022	2021
Change in benefit obligations		
Benefit obligations - beginning of year	\$ 166,877	\$ 185,775
Service cost	1,182	2,944
Interest cost	5,036	5,626
Actuarial loss	(35,813)	(4,201)
Benefits paid	(12,073)	(12,220)
Curtailments	-	(11,047)
Curtailment unwind	14,092	-
Projected benefit obligation - end of year	<u>139,301</u>	<u>166,877</u>
Change in plan assets		
Fair value of plan assets - beginning of year	152,908	139,114
Actual return on plan assets	(18,383)	26,014
Benefits paid	(12,073)	(12,220)
Fair value of plan assets - end of year	<u>122,452</u>	<u>152,908</u>
Funded status at the end of the year	<u>\$ (16,849)</u>	<u>\$ (13,969)</u>

The pension plan items not yet recognized as a component of periodic pension cost, but included in net assets as of June 30, 2022 and 2021 is as follows (in thousands):

	2022	2021
Net actuarial loss	\$ 29,794	\$ 27,900

The accumulated benefit obligation as of June 30, 2022 and 2021, was \$130.6 million and \$165.7 million, respectively.

The Art Institute of Chicago
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2022 and 2021

As of June 30, 2022 and 2021, components of net periodic benefit cost for the Plan consist of the following (in thousands):

	2022	2021
Service cost	\$ 1,182	\$ 2,944
Interest cost	5,036	5,625
Expected return on plan assets	(6,630)	(6,817)
Amortization of prior service credit	-	281
Amortization of net actuarial loss	1,427	6,267
Curtailments	-	721
	\$ 1,015	\$ 9,021

Assumptions

Weighted-average assumptions used to determine the pension benefit obligation as of June 30, 2022 and 2021 are as follows:

	2022	2021
Discount rate	4.88%	3.10%
Salary growth rate	3.50	3.50

Weighted-average assumptions used to determine pension net periodic cost for the years ended June 30, 2022 and 2021 are as follows:

	2022	2021
Discount rate	3.10%	3.07%
Expected return on plan assets	4.50	5.10
Salary growth rate	3.50	3.50

Estimated Future Benefit Payments

The following pension benefit payments, which reflect expected future service, as appropriate, are expected to be paid as follows (in thousands):

Year Ending June 30:

2023	\$ 12,177
2024	11,409
2025	11,066
2026	10,522
2027	10,694
2028 - 2032	51,509

The Art Institute of Chicago

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

Plan Assets

Investment objectives and policies are approved by the Institute's Executive Committee based on recommendations by the Compensation and Benefits Committee and are achieved in partnership with external investment managers. The portfolio is designed to generate returns sufficient to meet obligations to beneficiaries at acceptable levels of risk. The Institute determines the long-term rate of return on Plan assets by examining the Plan's asset allocation, historical capital market returns, and inflation assumptions. Historical returns and benchmarking data are also reviewed to ensure a reasonable and appropriate return assumption.

Plan assets are segregated into two separate investment pools, the retiree portion and the active portion. The assets of the retiree portion of the Plan are invested in a liability-driven investment strategy designed to match the duration and expected cash flows of the benefit distributions for certain retired Plan participants. The assets of the active portion of the Plan are invested to cover the future obligations due to the other Plan participants. The active portion of the Plan is invested in a mix of return seeking and liability hedging assets.

The asset allocation of the active portion of the Plan was as follows as of June 30, 2022 and 2021:

	2022	2021	Target Allocation
Asset category:			
Equity securities	72%	76%	75%
Fixed income securities and cash and cash equivalents	28	24	25
Total	<u>100%</u>	<u>100%</u>	<u>100%</u>

The Plan'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. Investments in publicly traded mutual funds are stated at the last reported sales price on the date of valuation. Institutional commingled funds are stated at fair value of the underlying securities or at NAV, as determined by the administrator, based on readily determinable market values (in thousands). In accordance with ASC 820, investments measured at the NAV or equivalents are not categorized within the fair value hierarchy.

The Plan's investments are classified as follows, based on fair values, as of June 30, 2022 (in thousands):

	2022				Total
	Investments Measured at NAV or Equivalent	Level 1	Level 2	Level 3	
Plan assets, at fair value:					
Cash and cash equivalents	\$ 2,284	\$ -	\$ -	\$ -	\$ 2,284
Equity securities	48,270	14,953	-	-	63,223
Fixed income securities	47,366	9,579	-	-	56,945
	<u>\$ 97,920</u>	<u>\$ 24,532</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 122,452</u>

The Art Institute of Chicago

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

The Plan's investments are classified as follows, based on fair values, as of June 30, 2021 (in thousands):

	2021				Total
	Investments Measured at NAV or Equivalent	Level 1	Level 2	Level 3	
Plan assets, at fair value:					
Cash and cash equivalents	\$ 1,494	\$ -	\$ -	\$ -	\$ 1,494
Equity securities	62,124	20,491	-	-	82,615
Fixed income securities	57,008	11,791	-	-	68,799
	<u>\$ 120,626</u>	<u>\$ 32,282</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 152,908</u>

Employer Contributions to Retirement Plans

The Institute made no contributions to its defined benefit pension plan in fiscal year 2022 or 2021 as Plan contributions made in recent years have exceeded the minimum funding requirements. Employer contributions to the defined contribution plans totaled \$5.8 million and \$5.3 million, respectively, for the years ended June 30, 2022 and 2021. Employer contributions to the supplemental retirement plan totaled \$258,000 and \$310,000, respectively, for the years ended June 30, 2022 and 2021.

NOTE 12 - NATURAL CLASSIFICATION OF EXPENSES

The Institute's primary programs are operation of the Museum and the School. Natural expenses incurred in support of these programs are allocated based on a variety of cost allocation techniques, including time and effort and square footage.

The nature of operating expenses by function for the year ended June 30, 2022, are as follows (in thousands):

	Instructional and Academic	Curatorial, Libraries, Collections and Exhibitions	Museum Education	Other Programs	Auxiliary Activities	Total Program Services	Management and General	Fundraising and Member Development	Total
Salaries and wages	\$ 55,040	\$ 19,951	\$ 1,256	\$ 1,942	\$ 1,721	\$ 79,910	\$ 15,943	\$ 7,394	\$ 103,247
Fringe benefits	14,287	5,852	361	557	463	21,520	5,760	2,198	29,478
Contracted services	7,881	9,371	305	129	2,153	19,839	3,256	933	24,028
Equipment, rental, and maintenance	8,864	1,634	24	75	4,232	14,829	1,926	163	16,918
Travel and entertainment	592	712	12	13	1	1,330	265	219	1,814
Telephone, copy and postage	1,314	233	4	36	311	1,898	562	260	2,720
Supplies, books, and subscriptions	1,391	1,536	33	30	236	3,226	133	101	3,460
Publications and printing	769	633	2	32	4	1,440	95	482	2,017
Publicity and promotions	865	6	-	1,434	-	2,305	71	7	2,383
Cost of sales	224	1,648	-	-	2,551	4,423	37	-	4,460
Utilities	1,675	3,293	105	-	1,222	6,295	77	72	6,444
Interest	-	-	-	-	-	-	4,395	-	4,395
Bad debt	29	-	-	-	-	29	720	-	749
Other	5,696	4,394	6	914	650	11,660	2,665	583	14,908
Total	<u>\$ 98,627</u>	<u>\$ 49,263</u>	<u>\$ 2,108</u>	<u>\$ 5,162</u>	<u>\$ 13,544</u>	<u>\$ 168,704</u>	<u>\$ 35,905</u>	<u>\$ 12,412</u>	<u>\$ 217,021</u>

The Art Institute of Chicago

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

The nature of operating expenses by function for the year ended June 30, 2021, are as follows (in thousands):

	Instructional and Academic	Curatorial, Libraries, Collections and Exhibitions	Museum Education	Other Programs	Auxiliary Activities	Total Program Services	Management and General	Fundraising and Member Development	Total
Salaries and wages	\$ 53,340	\$ 17,332	\$ 1,206	\$ 1,646	\$ 1,949	\$ 75,473	\$ 15,812	\$ 7,088	\$ 98,373
Fringe benefits	14,167	5,490	398	576	613	21,244	4,725	2,395	28,364
Contracted services	6,388	6,349	220	144	1,931	15,032	2,592	638	18,262
Equipment, rental, and maintenance	7,300	1,658	22	96	2,888	11,964	1,954	84	14,002
Travel and entertainment	21	7	-	-	-	28	83	3	114
Telephone, copy and postage	1,204	151	5	6	115	1,481	403	279	2,163
Supplies, books, and subscriptions	774	1,077	28	22	138	2,039	297	70	2,406
Publications and printing	557	489	19	8	-	1,073	33	357	1,463
Publicity and promotions	602	11	-	1,097	-	1,710	14	-	1,724
Cost of sales	98	153	-	6	1,487	1,744	46	-	1,790
Utilities	1,247	2,529	87	-	932	4,795	104	80	4,979
Interest	-	-	-	-	-	-	4,414	-	4,414
Bad debt	3	-	-	4	-	7	531	-	538
Other	4,798	2,085	10	575	516	7,984	2,676	342	11,002
Total	<u>\$ 90,499</u>	<u>\$ 37,331</u>	<u>\$ 1,995</u>	<u>\$ 4,180</u>	<u>\$ 10,569</u>	<u>\$144,574</u>	<u>\$ 33,684</u>	<u>\$ 11,336</u>	<u>\$ 189,594</u>

SUPPLEMENTARY SCHEDULES

The Art Institute of Chicago

SCHEDULE OF OPERATING ACTIVITIES

Year ended June 30, 2022
(in thousands)

	Museum	School	Corporate Financial Services*	Total
Operating revenue and other support				
Tuition and fees (net of \$51,779 student aid)	\$ -	\$ 124,608	\$ -	\$ 124,608
Contributions	14,018	1,785	-	15,803
Chicago Park District	5,873	-	-	5,873
Museum admissions	13,614	-	-	13,614
Membership dues	8,920	-	-	8,920
Other program revenues and miscellaneous	2,764	2,157	-	4,921
Investment return designated for current use	14,875	2,255	-	17,130
Auxiliary activities	7,606	14,669	-	22,275
Net assets released from restrictions	38,792	15,090	-	53,882
	<u>106,462</u>	<u>160,564</u>	<u>-</u>	<u>267,026</u>
Operating expenses				
Program services				
Instructional and academic	-	98,627	-	98,627
Curatorial, libraries and collections	44,545	-	-	44,545
Special exhibitions	4,718	-	-	4,718
Museum education	2,108	-	-	2,108
Other programs	3,323	1,839	-	5,162
Auxiliary activities	6,546	6,998	-	13,544
	<u>61,240</u>	<u>107,464</u>	<u>-</u>	<u>168,704</u>
Management and general				
General administration	14,743	16,767	-	31,510
Interest and debt cost amortization	2,267	1,781	347	4,395
	<u>17,010</u>	<u>18,548</u>	<u>347</u>	<u>35,905</u>
Fundraising and member development				
	<u>10,398</u>	<u>2,014</u>	<u>-</u>	<u>12,412</u>
	<u>88,648</u>	<u>128,026</u>	<u>347</u>	<u>217,021</u>
Change in net assets from operations before transfers	17,814	32,538	(347)	50,005
Transfers to quasi-endowment**	4,515	1,072	-	5,587
Change in net assets from operations	<u>\$ 22,329</u>	<u>\$ 33,610</u>	<u>\$ (347)</u>	<u>\$ 55,592</u>

* The Institute's Corporate Financial Services activity represents internal bank activity that provides financing for various Museum and School initiatives and allocates certain other costs impacted by interest rate fluctuations.

** These amounts represent bequests and other gifts without donor restrictions, which were received and transferred for long-term investment as quasi-endowment funds.

The Art Institute of Chicago

SCHEDULE OF OPERATING ACTIVITIES

Year ended June 30, 2021
(in thousands)

	Museum	School	Corporate Financial Services*	Total
Operating revenue and other support				
Tuition and fees (net of \$45,868 student aid)	\$ -	\$ 106,775	\$ -	\$ 106,775
Contributions	14,821	1,944	-	16,765
Chicago Park District	5,171	-	-	5,171
Museum admissions	5,245	-	-	5,245
Membership dues	7,661	-	-	7,661
Other program revenues and miscellaneous	491	1,645	-	2,136
Investment return designated for current use	13,602	3,519	-	17,121
Auxiliary activities	4,523	7,851	-	12,374
Net assets released from restrictions	25,575	15,221	-	40,796
	<u>77,089</u>	<u>136,955</u>	<u>-</u>	<u>214,044</u>
Operating expenses				
Program services				
Instructional and academic	-	90,499	-	90,499
Curatorial, libraries and collections	34,638	-	-	34,638
Special exhibitions	2,693	-	-	2,693
Museum education	1,995	-	-	1,995
Other programs	3,060	1,120	-	4,180
Auxiliary activities	5,265	5,304	-	10,569
	<u>47,651</u>	<u>96,923</u>	<u>-</u>	<u>144,574</u>
Management and general				
General administration	13,756	15,514	-	29,270
Interest and debt cost amortization	2,192	1,830	392	4,414
	<u>15,948</u>	<u>17,344</u>	<u>392</u>	<u>33,684</u>
Fundraising and member development				
	<u>9,278</u>	<u>2,058</u>	<u>-</u>	<u>11,336</u>
	<u>72,877</u>	<u>116,325</u>	<u>392</u>	<u>189,594</u>
Change in net assets from operations before transfers	4,212	20,630	(392)	24,450
Transfers to quasi-endowment**	19,524	-	-	19,524
Change in net assets from operations	<u>\$ 23,736</u>	<u>\$ 20,630</u>	<u>\$ (392)</u>	<u>\$ 43,974</u>

* The Institute's Corporate Financial Services activity represents internal bank activity that provides financing for various Museum and School initiatives and allocates certain other costs impacted by interest rate fluctuations.

** These amounts represent bequests and other gifts without donor restrictions, which were received and transferred for long-term investment as quasi-endowment funds.

The Art Institute of Chicago

SCHEDULE OF EXPENSES BY NATURAL CLASSIFICATION

Year ended June 30, 2022
(in thousands)

	<u>Museum</u>	<u>School</u>	<u>Corporate Financial Services*</u>	<u>Total</u>
Salaries and wages	\$ 37,848	\$ 65,399	\$ -	\$ 103,247
Fringe benefits	11,417	18,061	-	29,478
Contracted services	12,424	11,604	-	24,028
Equipment, rental and maintenance	3,179	13,739	-	16,918
Travel and entertainment	1,119	695	-	1,814
Telephone, copy and postage	1,074	1,646	-	2,720
Supplies, books and subscriptions	1,910	1,550	-	3,460
Publications and printing	1,129	888	-	2,017
Publicity and promotions	1,404	979	-	2,383
Cost of sales	4,199	261	-	4,460
Utilities	4,001	2,443	-	6,444
Interest	2,267	1,781	347	4,395
Bad debt	-	749	-	749
Other	6,677	8,231	-	14,908
	<u>88,648</u>	<u>128,026</u>	<u>347</u>	<u>217,021</u>
Total operating expenses				
Depreciation	14,208	9,110	-	23,318
	<u>\$ 102,856</u>	<u>\$ 137,136</u>	<u>\$ 347</u>	<u>\$ 240,339</u>
Total expenses, including depreciation				

* The Institute's Corporate Financial Services activity represents internal bank activity that provides financing for various Museum and School initiatives and allocates certain other costs impacted by interest rate fluctuations.

The Art Institute of Chicago

SCHEDULE OF EXPENSES BY NATURAL CLASSIFICATION

Year ended June 30, 2021
(in thousands)

	<u>Museum</u>	<u>School</u>	<u>Corporate Financial Services*</u>	<u>Total</u>
Salaries and wages	\$ 35,362	\$ 63,011	\$ -	\$ 98,373
Fringe benefits	11,013	17,351	-	28,364
Contracted services	8,447	9,815	-	18,262
Equipment, rental and maintenance	3,207	10,795	-	14,002
Travel and entertainment	20	94	-	114
Telephone, copy and postage	791	1,372	-	2,163
Supplies, books and subscriptions	1,449	957	-	2,406
Publications and printing	878	585	-	1,463
Publicity and promotions	1,094	630	-	1,724
Cost of sales	1,640	150	-	1,790
Utilities	3,082	1,897	-	4,979
Interest	2,192	1,830	392	4,414
Bad debt	-	538	-	538
Other	3,703	7,299	-	11,002
	<u>72,878</u>	<u>116,324</u>	<u>392</u>	<u>189,594</u>
Total operating expenses				
Depreciation	14,618	9,967	-	24,585
	<u>87,496</u>	<u>126,291</u>	<u>392</u>	<u>214,179</u>
Total expenses, including depreciation				

* The Institute's Corporate Financial Services activity represents internal bank activity that provides financing for various Museum and School initiatives and allocates certain other costs impacted by interest rate fluctuations.