The Art Institute of Chicago

Consolidated Financial Statements as of and for the Years Ended June 30, 2008 and 2007, and Independent Auditors' Report

THE ART INSTITUTE OF CHICAGO

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
The Art Institute of Chicago:

We have audited the consolidated statements of financial position of The Art Institute of Chicago (the "Institute") as of June 30, 2008 and 2007, and the related consolidated statements of activities and of cash flows for the years then ended. These consolidated financial statements are the responsibility of the Institute's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Institute's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the Institute as of June 30, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we also have issued our report dated October 2, 2008 on our consideration of the Institute's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

As discussed in Note 1 to the consolidated financial statements, effective June 30, 2007, the Institute adopted Financial Accounting Standards Board ("FASB") Interpretation No. 158, *Employers' Accounting for Defined Benefit Pension and other Postretirement Plans-an amendment of FASB Statements No. 87, 88, 106 and 132(R)*, and as such changed its method of accounting for defined benefit pension and postretirement plans, and recorded a cumulative effect for this change to reduce net assets by $8.0 million.

Deloitte & Touche LLP

October 2, 2008

THE ART INSTITUTE OF CHICAGO

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2008 AND 2007
(In thousands)

	2008	2007
Assets:		
Cash and cash equivalents	$ 2,360	$ 4,289
Accounts and investment income receivable	7,994	8,707
Contributions receivable	61,291	41,551
Inventories	5,425	5,817
Prepaid expenses and other assets	23,214	5,778
Building sale receivable	11,351	10,731
Investments	827,568	889,063
Property and equipment, net	428,180	322,956
Total assets	**$ 1,367,383**	**$ 1,288,892**
Liabilities and net assets:		
Liabilities:		
Accounts payable and other liabilities	$ 70,102	$ 52,828
Deferred revenues	25,513	22,249
Refundable advances	3,073	14,903
Pension liability	17,742	11,913
Notes payable	235,626	198,447
Total liabilities	**352,056**	**300,340**
Net assets:		
Unrestricted	273,520	303,175
Temporarily restricted	464,805	415,529
Permanently restricted	277,002	269,848
Total net assets	**1,015,327**	**988,552**
Total liabilities and net assets	**$ 1,367,383**	**$ 1,288,892**

See notes to consolidated financial statements.

THE ART INSTITUTE OF CHICAGO

CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008
(In thousands)

	Unrestricted Funds	Temporarily Restricted Funds	Permanently Restricted Funds	Total
Operating revenue, gains, and other support:				
Tuition and student program fees	$ 93,266	$	$	$ 93,266
Student aid	(25,832)			(25,832)
Tuition and student program fees, net	67,434	-	-	67,434
Contributions	14,965	68,420	6,731	90,116
Chicago Park District tax	6,559			6,559
Museum admissions	6,911			6,911
Membership dues	4,375			4,375
Special exhibitions, catalogues, and other revenues	509			509
Other program revenues	8,782			8,782
Investment return designated for current use	24,998	7,523	59	32,580
Auxiliary activities	24,253			24,253
Other	1,649			1,649
Net assets released from restrictions	16,736	(16,736)		-
Total operating revenue, gains, and other support	177,171	59,207	6,790	243,168
Expenses and losses:				
Programs services:				
Curatorial, libraries, and collections	29,731			29,731
Special exhibitions	5,371			5,371
Museum education	2,904			2,904
Other programs	6,681			6,681
Instructional and academic	60,243			60,243
Auxiliary activities	16,907			16,907
Managerial and general:				
General administration	22,547			22,547
Depreciation	13,686			13,686
Interest and debt issuance cost	7,705			7,705
Member development	1,461			1,461
Fund raising	7,518			7,518
Total expenses and losses	174,754	-	-	174,754
Change in net assets from operations	**2,417**	**59,207**	**6,790**	**68,414**
Nonoperating revenue, expenses, support, gains, and losses:				
Proceeds from the sale of art objects		9,094		9,094
Contributions for the purchase of art objects		3,690	534	4,224
Net assets released to fund acquisition of art objects	15,762	(15,762)		-
Investment return designated for art purchases	433	4,437	49	4,919
Acquisition of art objects	(16,429)			(16,429)
Pension-related changes other than net periodic pension cost	(6,787)			(6,787)
Investment return less than amounts designated for current operations and art purchases	(24,474)	(12,061)	(125)	(36,660)
Other transfers	(577)	671	(94)	-
Change in net assets	**(29,655)**	**49,276**	**7,154**	**26,775**
Net assets, beginning of year	303,175	415,529	269,848	988,552
Net assets, end of year	**$ 273,520**	**$ 464,805**	**$ 277,002**	**$ 1,015,327**

See notes to consolidated financial statements.

THE ART INSTITUTE OF CHICAGO

CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007
(In thousands)

	Unrestricted Funds	Temporarily Restricted Funds	Permanently Restricted Funds	Total
Operating revenue, gains, and other support:				
Tuition and student program fees	$ 84,820	$	$	$ 84,820
Student aid	(21,068)			(21,068)
Tuition and student program fees, net	63,752	-	-	63,752
Contributions	14,545	42,722	13,373	70,640
Chicago Park District tax	6,790			6,790
Museum admissions	6,349			6,349
Membership dues	4,356			4,356
Special exhibitions, catalogues, and other revenues	172			172
Other program revenues	7,553			7,553
Investment return designated for current use	22,529	7,015	108	29,652
Auxiliary activities	23,192			23,192
Other	3,361			3,361
Net assets released from restrictions	14,851	(14,851)		-
Total operating revenue, gains, and other support	167,450	34,886	13,481	215,817
Expenses and losses:				
Programs services:				
Curatorial, libraries, and collections	27,082			27,082
Special exhibitions	3,152			3,152
Museum education	3,234			3,234
Other programs	5,719			5,719
Instructional and academic	52,324			52,324
Auxiliary activities	15,630			15,630
Managerial and general:				
General administration	21,592			21,592
Depreciation	13,093			13,093
Interest and debt issuance cost	8,277			8,277
Member development	1,548			1,548
Fund raising	6,654			6,654
Total expenses and losses	158,305	-	-	158,305
Change in net assets from operations before property sale	9,145	34,886	13,481	57,512
Gain on property sale	588			588
Change in net assets from operations	**9,733**	**34,886**	**13,481**	**58,100**
Nonoperating revenue, expenses, support, gains, and losses:				
Proceeds from the sale of art objects		5,745		5,745
Contributions for the purchase of art objects		2,663	533	3,196
Net assets released to fund acquisition of art objects	19,391	(19,391)		-
Investment return designated for art purchases	547	4,231	43	4,821
Acquisition of art objects	(19,858)			(19,858)
Adjustment to reflect minimum pension liability	(1,483)			(1,483)
Investment return in excess of amounts designated for current operations and art purchases	65,398	29,689	313	95,400
Other transfers	8,963	(10,766)	1,803	-
Change in net assets before effect of adoption of SFAS No. 158	**82,691**	**47,057**	**16,173**	**145,921**
Cumulative effect of adoption of SFAS No. 158	(7,986)			(7,986)
Change in net assets	**74,705**	**47,057**	**16,173**	**137,935**
Net assets, beginning of year	228,470	368,472	253,675	850,617
Net assets, end of year	**$ 303,175**	**$ 415,529**	**$ 269,848**	**$ 988,552**

See notes to consolidated financial statements.

THE ART INSTITUTE OF CHICAGO

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2008 and 2007
(In thousands)

	2008	2007
Cash flows from operating activities:		
Change in net assets	$ 26,775	$ 137,935
Adjustments to reconcile change in net assets to net cash		
(used in) provided by operating activities:		
Depreciation and amortization	13,539	13,178
Retirement of property	102	105
Gain on sales of property		(588)
Pension-related changes other than net periodic pension cost	6,787	
Adjustment to net periodic pension cost	(958)	
Adjustments to reflect minimum pension liability		1,483
Cumulative effect of adoption of SFAS No. 158		7,986
Contributions restricted for permanently restricted endowment, net	(22,551)	(13,682)
Contributions restricted for capital campaign, net	(48,592)	(37,920)
Net unrealized and realized losses (gains) on investments	11,188	(115,642)
Acquisitions and sales of art, net	7,335	14,113
Change in assets and liabilities:		
Accounts and investment income receivable	713	(190)
Prepaid expenses, other assets, and inventories	(248)	(3,598)
Building sale receivable	(620)	
Unrestricted and temporarily restricted contributions receivable	4,303	(4,864)
Accounts payable and other liabilities	(2,128)	13,080
Refundable advances	(11,830)	562
Deferred revenues	3,265	449
Net cash (used in) provided by operating activities	**(12,920)**	**12,407**
Cash flows from investing activities:		
Purchases of property and equipment	(116,346)	(70,055)
Proceeds from sales of property		1,935
Proceeds from sales of art objects	9,094	5,745
Acquisition of art objects	(16,429)	(19,858)
Proceeds from sales of investments	279,137	197,277
Purchases of investments	(234,544)	(154,972)
Net cash used in investing activities	**(79,088)**	**(39,928)**
Cash flows from financing activities:		
Proceeds from contributions restricted for permanently restricted endowment	21,743	11,224
Proceeds from capital campaign	31,010	25,726
Payments on notes payable	(21,815)	(13,570)
Proceeds from notes payable	59,141	3,900
Net cash provided by financing activities	**90,079**	**27,280**
Net decrease in cash and cash equivalents	**(1,929)**	**(241)**
Cash and cash equivalents at the beginning of year	4,289	4,530
Cash and cash equivalents at end of year	**$ 2,360**	**$ 4,289**
Supplemental data: Interest paid (net of capitalized interest of $174 in 2008)	$ 7,402	$ 7,961
Supplemental disclosure of noncash items: Property additions included in accounts payable	$ 19,438	$ 16,905

See notes to consolidated financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Art Institute of Chicago ("AIC") is a not-for-profit corporation that exists to provide appreciation and education in visual fine arts and design. AIC 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 consolidated financial statements include the accounts of AIC and Ox-Bow, known collectively as the "Institute". Ox-Bow is a separate 501(c)(3) not-for-profit organization that conducts a school of the arts. The consolidating financial statements are shown in Note 12.

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with the principles of not-for-profit accounting. A summary of the Institute's significant accounting policies is set forth below:

Management Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and 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.

Net Assets - Resources are classified for accounting and reporting purposes into three categories of net assets—unrestricted, temporarily restricted, or permanently restricted—according to external donor-imposed restrictions.

Unrestricted net assets include all resources that are not subject to donor-imposed restrictions of a more specific nature than those, which 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 unrestricted operating funds that increase or decrease unrestricted net assets. By action of the Board of Trustees of the Institute (the "Board"), certain unrestricted net assets have been designated for long-term investment or other special purposes.

Temporarily restricted net assets carry specific donor-imposed restrictions on the expenditure or other use of contributed funds. Temporary restrictions may expire either because of the passage of time or because the Institute has fulfilled the restrictions. Donor-restricted gifts that are not permanently restricted are reported as temporarily restricted contributions, regardless of when the net assets are expended. Transfers of temporarily restricted net assets associated with current expenditures for which the restrictions have been satisfied, as well as donor changes in the nature of restrictions on net assets, are reported as net assets released from restrictions. By action of the Board, certain temporarily restricted assets have been designated for investment.

Permanently restricted net assets are those that are subject to donor-imposed restrictions that will never lapse, thus requiring the assets to be maintained permanently as endowment funds.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Art Objects and Library Collections - The value of the art objects in the permanent collection, as well as the holdings of the libraries, is excluded from the statements of financial position. An addition of a work of art to the permanent collection is made either by a donation from a benefactor or through a purchase from Institute acquisition funds. Institute acquisition funds may be classified as permanently restricted, for which only the income earned on principal balances may be used for acquisitions; temporarily restricted, for which both the principal and earned income may be used for acquisitions; or unrestricted, representing donated funds designated by the Board to be used for acquisitions.

The withdrawal of works of art from the collection of the Institute is performed in accordance with a formal policy adopted in 1975. The objects are generally offered for sale at a public auction, and the proceeds from such sales are classified as temporarily restricted for the purchase of works of art. All works of art and library collections are held for public exhibition, education, or research; 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.

Cash and Cash Equivalents - Cash equivalents not earmarked as long-term investments are stated at cost, which approximates market, and consist of short-term United States Treasury obligations, high-grade commercial paper, certificates of deposit, or money market funds acquired within 90 days of maturity.

Accounts and Investment Income Receivable and Accounts Payable and Other Liabilities - The carrying amount approximates fair value because of the short-term maturity of those instruments.

Contributions Receivable - The receipt of unconditional promises to give with payments due in future periods is reported as temporarily or permanently restricted support 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 the present value of estimated future cash flows, net of the allowance for uncollectible pledges, using a discount rate that approximates the rate of government securities. Amortization of the discount is recorded as additional contribution revenue. Receipts of conditional gifts are recorded as refundable advances.

Inventories - Inventories are stated generally at the lower of average cost based upon the moving average cost method.

Prepaid Expenses - Prepaid expenses include expenditures for operating supplies, lease commissions, lease buildout, and expenditures made in connection with the development of future exhibitions. These expenditures typically relate to research, organizational travel, insurance, and transport costs of the works to be included in the exhibitions and the development of exhibition catalogues.

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. Additions and improvements made to the Grant Park facility since 1984 are capitalized at cost, net of related depreciation. Records are not available to permit the capitalization of such costs incurred prior to 1984.

The Institute owns 16 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.

Depreciable assets are being depreciated using the straight-line method over the estimated useful lives of the assets. Buildings constructed on Grant Park property have a useful life of 50 years, whereas the purchase and the initial 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 change could materially affect the amounts reported in the consolidated financial statements.

Long-term investing is governed by AIC's Investment Pool Policy. The Investment Committee of the Board of Trustees is responsible for oversight of all investments and compliance with the investment policies, which are approved by the Investment Committee and the Executive Committee. The pooled investments are invested in a widely diversified portfolio in a manner to promote both growth and current income to achieve the policy's objectives. Diversification of portfolio assets is an integral part of AIC'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.

The Institute adopted a long-term investment objective of sustaining the buying power of the investment principal through limiting the spendable portion of the annual total returns. This spendable amount for the years ended June 30, 2008 and 2007, which is classified in the revenues section of the statements of activities, was equal to 5% of the average market value of assets over 12 quarter periods ending December 31, 2006, and 2005, respectively. Additions to principal were factored in on a weighted-average basis through June 30, 2008 and 2007. Prior-year accumulated capital gains are utilized to the extent necessary to meet the annual spendable objective.

AIC has various controls and policies in place related to the purchase, sale, and valuation of its investment securities. 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 unrestricted, temporarily restricted, or permanently restricted net assets in accordance with applicable donor requirements. See Note 2 for detailed discussion regarding valuation.

Pension and Other Postretirement Plans - In September 2006, the FASB issued Statement of Financial Accounting Standards SFAS No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans-an amendment of FASB Statements No. 87, 88, 106 and 132(R).* This statement requires institutions who sponsor one or more single employer defined benefit plans to recognize the overfunded or underfunded status of the defined benefit postretirement plans as an asset or liability in its statement of financial position. Under SFAS No. 158, not-for-profits are required to recognize changes in funded status through unrestricted assets in the year in which the changes occur. Additionally, this statement requires an entity to disclose in its notes to the financial statements additional information about certain effects on net periodic benefit cost for the subsequent fiscal year that arise from delayed recognition of the gains or losses, prior service costs or credits, and transition assets or obligations. Also, SFAS No. 158 requires institutions to measure plan assets and benefit obligations as of the date of the institution's fiscal year-end effective for fiscal years ending after December 15, 2008. The Institute adopted SFAS No. 158 as of June 30, 2007 resulting in a cumulative effect charge to net unrestricted assets of $8.0 million.

Deferred Revenues - Membership dues received are recognized ratably as revenue over the membership period; summer tuition from students and residential revenues are recognized ratably as revenue over the term. Gain on sale of property is recognized at such time when substantially all uncertainties about the construction of the developed property are resolved.

Asset Retirement Obligations - Asset retirement obligations include those for which the Institute has a legal obligation to perform an asset retirement activity; however, the timing and (or) method of settling the obligation are conditional on a future event that may or may not be within the Institute's control. The Institute records all known asset retirement obligations for which the fair value of the liability can be reasonably estimated.

Special Exhibitions – Revenues specific to special exhibitions are included in museum admissions, contributions, and auxiliary activities.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Auxiliary Activities - Auxiliary activities include revenues and certain direct expenditures related to the operation of museum shops, food service, and two School residence halls.

Member Development Activities - Member development activities include identifying and offering memberships to prospective members, member relations, and member communications. The imputed value of membership benefits provided to upper level and Sustaining Fellow members approximate $1.1 million in 2008 and $926,000 in 2007. Proceeds from upper level and Sustaining Fellow members are included in contributions.

Purchases and Sales of Art - All revenues and expenses associated with the purchases and sales of art objects, including restricted giving and the release and use of restricted and unrestricted funds for such purposes, are considered nonoperating revenues and expenses.

Endowment Funds - The Institute established the endowment funds for the purpose of investing assets in a manner that preserves the real value of the endowment principal and, in addition, provides spendable funds that can be used to fulfill the purposes for which the endowments were established. All permanently restricted net assets, as well as a significant portion of the Institute's unrestricted net assets and temporarily restricted net assets, are classified as endowment funds. Additions to the endowment funds primarily originate from permanently restricted gifts or actions taken by the Board to designate funds as endowment, as well as unrestricted bequests and unspent returns on endowment funds investments that are added to the endowment funds net assets either at the direction of the donor or as a matter of policy. Net realized and unrealized appreciation on endowment funds is classified in the financial statements as part of either unrestricted, temporarily restricted, or permanently restricted net assets based on donors' restrictions and interpretations of Illinois law.

In-Kind Support - The Institute records various types of in-kind support, including contributed facilities, services, and other property. Contributions of tangible assets and services are recognized at fair value when received. The amounts reflected in the accompanying consolidated financial statements as in-kind support are offset by like amounts included in expenses or assets.

Additionally, the Institute receives a significant amount of 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 accompanying consolidated financial statements.

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.

In July 2006, the FASB issued FASB Interpretation (FIN) No. 48, *Accounting for Uncertainty in Income Taxes—an interpretation of FASB Statement No. 109*. FIN No. 48 prescribes a comprehensive model for how an institution should recognize, measure, present, and disclose in its financial statements uncertain tax positions that the institution has taken or expects to take on a tax return. FIN No. 48 states that a tax benefit from an uncertain position may be recognized only if it is "more likely than not" that the position is sustainable, based on its technical merits. The tax benefit of a qualifying position is the largest amount of tax benefit that is greater than 50% likely to be realized upon ultimate settlement with a taxing authority having full knowledge of all relevant information. The Institute adopted FIN No. 48 for the year ended June 30, 2008 and resulted in no adjustment for unrecognized income tax benefits which covered open tax periods for fiscal years ended 2004 through 2008.

Other Transfers - The Institute records reclassifications between net asset categories as other transfers. Other transfers primarily consist of donor clarification on previously undetermined restrictions and net proceeds from events that have a restricted purpose. In 2007, the Institute reclassified $9.0 million of unrestricted investment income allocated in prior years on temporarily restricted funds that was reported previously as temporarily restricted.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New Accounting Pronouncements - In September 2006, the FASB issued SFAS No. 157, *Fair Measurements*. This statement defines fair value, establishes a framework for measuring fair value in accounting principles generally accepted in the United States of America, and expands disclosures about fair value measurements. This statement is effective for financial statements issued for fiscal years beginning after November 15, 2007. The Institute is currently evaluating the impact of adopting this statement on the consolidated financial statements.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities-Including an amendment of SFAS No. 115*. This statement provides institutions an option to report selected financial assets at fair value and establishes presentation and disclosure requirements designed to facilitate comparisons between institutions that choose different measurement attributes for similar types of asset and liabilities. This statement is effective for financial statements issued for fiscal years beginning after November 15, 2007. The Institute does not expect the adoption of this statement to materially impact its consolidated financial statements.

In February 2008, the FASB issued FASB Staff Position (FSP) SFAS No.157-2, *Effective Date of FASB Statement No. 157*. This FSP delayed the effective date of SFAS No. 157 for all nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis, until periods beginning January 1, 2009. The Institute is currently evaluating the impact of the position on the reporting and disclosure of its nonfinancial assets and nonfinancial liabilities.

In August 2008, the FASB issued FASB Staff Position (FSP) SFAS No.117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA), and Enhanced Disclosures for All Endowment Funds*. This FSP provides guidance on net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted 2006 version of the UPMIFA. UPMIFA is a model act approved by the Uniform Law Commission that serves as guideline for states to use in enacting legislation. This FSP also improves disclosures about an organization’s endowment funds (both donor-restricted endowment and board-designated endowment funds), whether or not the organization is subject to UPMIFA. This FSP is effective for financial statements issued with fiscal years ending after December 15, 2008. The state of Illinois currently has not adopted UPMIFA which replaces and updates the 1972 Uniform Management of Institutional Funds Act (UMIFA). The Institute is currently evaluating the impact of adopting this position on the consolidated financial statements.

2. INVESTMENTS

Investments at June 30, 2008 and 2007, consist of the following (in thousands):

	2008			
	Pooled	Non-Pooled Investments	Modern Wing and Reinstallation Investments	Total
Cash and cash equivalents	$ 21,574	$ 852	$ 95	$ 22,521
Fixed income securities	78,917	3,511		82,428
Equity securities	295,284	3,499		298,783
Hedge funds	203,154			203,154
Venture capital and private equity	46,456			46,456
Real assets	123,848			123,848
Total assets held for investment	769,233	7,862	95	777,190
Assets held in trust by others		50,378		50,378
Total investments	$ 769,233	$ 58,240	$ 95	$ 827,568

	2007			
	Pooled	Non-Pooled Investments	Modern Wing and Reinstallation Investments	Total
Cash and cash equivalents	$ 28,649	$ 996	$ 42,063	$ 71,708
Fixed income securities	91,458	3,321		94,779
Equity securities	388,078	3,867		391,945
Hedge funds	148,133			148,133
Venture capital and private equity	29,210			29,210
Real assets	97,210			97,210
Total assets held for investment	782,738	8,184	42,063	832,985
Assets held in trust by others		56,078		56,078
Total investments	$ 782,738	$ 64,262	$ 42,063	$ 889,063

Cash and cash equivalents earmarked within investments are stated at cost, which approximates market, and consist of short-term United States Treasury obligations, high-grade commercial paper, certificates of deposit, or money market funds acquired within 90 days of maturity. Equity and fixed income securities consist of marketable securities invested directly or indirectly via mutual funds or institutional commingled vehicles. Direct investments are valued based on quoted market prices at year end (if quotations are readily available) or at the closing bid price in the principal market in which such securities are normally traded (if no sale price is available). Commingled funds are stated at fair value of the underlying securities, as determined by the administrator, based on readily determinable market values.

Hedge fund investments consist of limited partnerships invested in a variety of strategies and may utilize leverage. Underlying investments in these funds may include equities, fixed income securities, commodities, currencies, and 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 private limited partnerships. Valuation is based on methodologies depending on the underlying investment.

Also included in investments are assets held in trust by others, the income from which is paid in whole or in part to the Institute.

2. INVESTMENTS (continued)

Management's estimates of the fair values for its hedge funds, venture capital, private equity, and real asset investments are based on information provided by the external investment and fund managers or the general partners. Management also obtains and considers the fund's audited financial statements when evaluating the overall reasonableness of the recorded value. Audited information is only available annually, based on the partnerships' or funds' year-end. Investments in private limited partnerships, which do not have readily determinable market values at June 30, are valued based on available partner capital account balances as reported by the partnership to the Institute at March 31, adjusted for capital contributions and distributions during the period from April 1 through June 30. A range of possible values exists for limited partnership investments, and, therefore, the estimated values may differ from the values that would have been used had a ready market for these partnerships existed.

Capital committed to private investments but not yet called, totaled $109.2 million and $99.3 million at June 30, 2008 and 2007, respectively.

Investments at June 30, 2008 and 2007, as a percentage consist of the following:

	2008			
	Pooled	Non-Pooled Investments	Modern Wing and Reinstallation Investments	Total
Cash and cash equivalents	2.8%	1.5%	100.0%	2.7%
Fixed income securities	10.3	6.0		10.0
Equity securities	38.4	6.0		36.1
Hedge funds	26.4			24.5
Venture capital and private equity	6.0			5.6
Real assets	16.1			15.0
Total assets held for investment	100.0	13.5	100.0	93.9
Assets held in trust by others		86.5		6.1
Total investments	100.0%	100.0%	100.0%	100.0%

	2007			
	Pooled	Non-Pooled Investments	Modern Wing and Reinstallation Investments	Total
Cash and cash equivalents	3.7%	1.5%	100.0%	8.1%
Fixed income securities	11.7	5.2		10.7
Equity securities	49.6	6.0		44.1
Hedge funds	18.9			16.7
Venture capital and private equity	3.6			3.2
Real assets	12.5			10.9
Total assets held for investment	100.0	12.7	100.0	93.7
Assets held in trust by others		87.3		6.3
Total investments	100.0%	100.0%	100.0%	100.0%

2. INVESTMENTS (continued)

The changes in fair value of assets held for investment and assets held in trust by others for the years ended June 30, 2008 and 2007 are as follows (in thousands):

	For the year ended 2008				
	Assets Held for Investment				
Change in market value:	Pooled	Non-Pooled	The Modern Wing and Reinstallation	Assets Held in Trust	Total
Realized	$ 88,427	$ 21	$	$	$ 88,448
Unrealized	(99,155)	(481)			(99,636)
Dividend and interest income	12,446	288	660	2,413	15,807
Cash gifts and other additions	14,770		31,010	(5,714)	40,066
Transfers in (out)	6,353	(150)	(73,638)	(13)	(67,448)
Investment management fees	(3,106)				(3,106)
Allocation of spendable funds	(33,240)			(2,386)	(35,626)
Net change in fair value	(13,505)	(322)	(41,968)	(5,700)	(61,495)
Fair value, beginning of year	782,738	8,184	42,063	56,078	889,063
Fair value, end of year	$ 769,233	$ 7,862	$ 95	$ 50,378	$ 827,568

	For the year ended 2007				
	Assets Held for Investment				
Change in market value:	Pooled	Non-Pooled	The Modern Wing and Reinstallation	Assets Held in Trust	Total
Realized	$ 47,869	$ 216	$	$	$ 48,085
Unrealized	67,258	299			67,557
Dividend and interest income	13,315	347	3,177	2,391	19,230
Cash gifts and other additions	7,490		25,726	5,100	38,316
Transfers in (out)	5,883	(2,124)	(62,208)	(217)	(58,666)
Investment management fees	(3,907)				(3,907)
Allocation of spendable funds	(29,837)			(2,341)	(32,178)
Net change in fair value	108,071	(1,262)	(33,305)	4,933	78,437
Fair value, beginning of year	674,667	9,446	75,368	51,145	810,626
Fair value, end of year	$ 782,738	$ 8,184	$ 42,063	$ 56,078	$ 889,063

The market values (in thousands) and the rates of investment return on the pooled investments for the years ended June 30, 2008 and 2007 are summarized as follows:

	2008		2007	
	Fair Market Value	Rate of Return	Fair Market Value	Rate of Return
Pooled Endowment Funds Investments	$ 769,233	0.1 %	$ 782,738	18.7 %

The annualized rate of return is net of investment manager fees. It is computed using monthly net returns of individual investment managers. Individual manager returns are calculated using a weighted-average capital base, which is determined by the beginning fair market value plus the weighted-average of net monthly additions.

2. INVESTMENTS (continued)

Because investments include funds derived originally from permanently restricted gifts, the management of these funds is subject to Illinois state law. The Institute has interpreted state law as requiring the preservation of the original dollar value of these permanently restricted gifts. After maintaining this value, the Institute interprets the law as allowing it to use any of the investment returns as is prudent considering the Institute's long- and short-term needs, expected total return on its investments, price level trends, and general economic conditions. The Institute is monitoring permanently restricted gifts in which historical cost exceeds market value as of June 30, 2008 and 2007. Historical cost exceeds market value for certain gifts by $191,000 at June 30, 2008. Market value exceeded historical cost for permanently restricted gifts at June 30, 2007.

3. CONTRIBUTIONS RECEIVABLE

Unconditional promises to contribute to the Institute are recorded as contributions receivable at the present value of future cash flows, net of allowance for uncollectible accounts. The present value discount rates for fiscal year 2008 ranged from 2.3% to 4.4% and for fiscal year 2007 ranged from 4.2% to 4.5%. Contributions receivable are expected to be realized as follows (in thousands):

Collectible during the following periods:	2008	2007
Year one	$ 19,732	$ 17,411
Year two	17,022	10,079
Year three	12,445	8,879
Year four	11,812	4,164
Year five and thereafter	7,983	6,928
Gross contributions receivable	68,994	47,461
Present value discount	(5,992)	(4,730)
Allowance for uncollectible contributions	(1,711)	(1,180)
Net contributions receivable	$ 61,291	$ 41,551

4. PROPERTY AND EQUIPMENT, NET

Property and equipment at June 30, 2008 and 2007, consist of the following (in thousands):

	2008	2007
Land	$ 11,351	$ 11,351
Buildings and improvements	261,611	266,411
Equipment, furniture, and fixtures	15,068	23,893
Total property and equipment	288,030	301,655
Construction in progress	242,732	132,599
Accumulated depreciation	(102,582)	(111,298)
Property and equipment, net	$ 428,180	$ 322,956

In 2007, the Institute executed purchase and sale agreements related to four of its buildings. As part of this transaction, the Institute received $11.6 million in cash and contracted to receive 41,000 square feet of space to be conveyed via fee simple title once construction of a proposed redevelopment is completed. At the time the title is conveyed, the Institute will receive an additional $1.6 million in cash and construction services. If the proposed redevelopment is not completed or certain other conditions are not met, the Institute will be provided rent-free space for a period of 43 years or until the conveyance of the title. The Institute recorded a receivable for the present value of the property and cash along with an offsetting deferred gain of $11.4 million and $10.7 million as of June 30, 2008 and 2007, respectively. The deferred gain will be recognized at such time when substantially all uncertainties about the construction of the developed property are resolved. On October 26, 2006, Ox-Bow sold property of which the proceeds from the sale were approximately $1.9 million and the sale resulted in a gain of $588,000.

5. ACCOUNTS PAYABLE AND OTHER LIABILITIES

Accounts payable at June 30, 2008 and 2007, consist of the following (in thousands):

	2008	2007
Accounts payable	$ 33,191	$ 28,160
Art purchase liability	6,006	10,942
Asset retirement obligations	5,784	5,521
Accrued salaries and benefits	3,831	3,295
Accrued interest payable	1,859	1,965
Other liabilities	19,431	2,945
Total accounts payable and other liabilities	$ 70,102	$ 52,828

Payments for art purchase liability are due on varying dates from 2009 through 2010.

The asset retirement obligations primarily consist of asbestos removal costs. The assets that are held for purposes of settling asset retirement obligations are $1.7 million less accumulated depreciation of $1.6 million as of June 30, 2008 and $1.7 million less accumulated depreciation of $1.5 million as of June 30, 2007, respectively. The change in the asset retirement obligation for the years ended June 30, 2008 and 2007, are as follows (in thousands):

	2008	2007
Asset retirement obligations, beginning of year	$ 5,521	$ 5,332
Accretion expense	234	226
Settlements paid	(367)	(122)
Change in estimate	396	85
Asset retirement obligations, end of year	$ 5,784	$ 5,521

The Institute participates in a securities lending program with its custodian bank. Under the terms of its securities lending agreement, the Institute requires collateral of no less than 100% of the fair value of loaned investments. All cash collateral received is invested in approved money market and short-term funds. The Institute maintains effective control of the loaned investments during the term of the agreement. At June 30, 2008, the Institute had loaned securities with a total market value of $16.3 million and received related cash collateral of $16.8 million, which is included in the prepaid expenses and other assets and accounts payable and other liabilities balances on the consolidated statement of financial position.

6. NOTES PAYABLE

Notes payable at June 30, 2008, consist of the following (in thousands):

	Principal Amount	% of Total Bonds	% of Total O/S Debt	Date of Maturity	Principal Payable	Interest Payment Dates	Interest Reset Period	Interest Rates at June 30
Bonds:								
Variable/Short-term:								
Adjustable Interest Rates								
Demand Revenue -Tax-exempt:								
Series 1996	$ 31,700			3/1/2027	At maturity	Monthly	Weekly	1.55%
Series 1995	18,300			3/1/2027	At maturity	Monthly	Weekly	1.55%
Series 1992	18,000			3/1/2027	At maturity	Monthly	Weekly	1.55%
Total Variable/Short-term	68,000	34.9%	29.0%					
Medium/Long-term:								
Adjustable Interest Rates								
Demand Revenue - Tax Exempt:								
Series 2000A	78,525			3/1/2034	At maturity	March 1, September 1	1-7 years	3.35% to 4.45%
Medium-Term Revenue:								
Tax-exempt:								
Series 1998A	29,880			3/1/2030	At maturity	March 1, September 1	1-9 years	3.50% to 4.75%
Taxable:								
Series 1998B	3,835			3/1/2030	At maturity	March 1, September 1	1 year	3.85%
Fixed Interest Rates:								
Revenue Refunding:								
Series 2003	14,810			3/1/2023	Varying dates and amounts	March 1, September 1	N/A	3.50% to 5.38%
Total Medium/Long-term	127,050	65.1%	54.0%					
Total Bonds	195,050	100.0%	83.0%					
Bank Debt:								
JP Morgan Chase								
$15 million working capital line of credit	2,400		1.0%	7/1/2008	On demand	Varying dates	Varying dates	LIBOR+20bps
JP Morgan Chase								
$50 million interim construction line of credit	36,700		15.6%	7/25/2008	On demand	Varying dates	Varying dates	LIBOR+20bps
Bank of Holland								
$500,000 construction line of credit	341		0.1%	1/18/2009	At maturity	Monthly	N/A	Prime
Auxiliary activity note	663		0.3%	5/1/2013	On demand	Monthly	N/A	1.09 to 4.24%
Total Outstanding Debt	235,154		100.0%					
Unamortized premium	472							
Total	$ 235,626							

6. NOTES PAYABLE (continued)

Notes payable at June 30, 2007, consist of the following (in thousands):

	Principal Amount	% of Total Bonds	% of Total O/S Debt	Date of Maturity	Principal Payable	Interest Payment Dates	Interest Reset Period	Interest Rates at June 30
Bonds:								
Variable/Short-term:								
Adjustable Interest Rates								
Demand Revenue -Tax-exempt:								
Series 1996	$ 31,700			3/1/2027	At maturity	Monthly	Weekly	3.78%
Series 1995	18,300			3/1/2027	At maturity	Monthly	Weekly	3.78%
Series 1992	18,000			3/1/2027	At maturity	Monthly	Weekly	3.78%
Total Variable/Short-term	68,000	34.7%	34.4%					
Medium/Long-term:								
Adjustable Interest Rates								
Demand Revenue - Tax Exempt:								
Series 2000A	78,525			3/1/2034	At maturity	March 1, September 1	1-8 years	3.10% to 4.45%
Medium-Term Revenue:								
Tax-exempt:								
Series 1998A	29,880			3/1/2030	At maturity	March 1, September 1	1-9 years	3.50% to 4.85%
Taxable:								
Series 1998B	3,835			3/1/2030	At maturity	March 1, September 1	2 years	3.85%
Fixed Interest Rates:								
Revenue Refunding:								
Series 2003	15,525			3/1/2023	Varying dates and amounts	March 1, September 1	N/A	3.00% to 5.38%
Total Medium/Long-term	127,765	65.3%	64.5%					
Total Bonds	195,765	100.0%	98.9%					
Bank Debt:								
JP Morgan Chase								
$15 million working capital line of credit	1,400		0.7%	7/2/2007	On demand	Varying dates	Varying dates	LIBOR+20bps
$10 million interim construction line of credit	-		0.0%	N/A	On demand	Varying dates	Varying dates	LIBOR+20bps
Auxiliary activity note	778		0.4%	5/1/2013	On demand	Monthly	N/A	1.09 to 4.24%
Total Outstanding Debt	197,943		100.0%					
Unamortized premium	504							
Total	$ 198,447							

6. NOTES PAYABLE (continued)

The market value of notes payable is approximately $2.0 million and $400,000 greater than the carrying value as of June 30, 2008 and 2007, respectively. All bonds are issued through the Illinois Finance Authority, formerly known as Illinois Educational Facilities Authority. Adjustable interest rate bonds are remarketed with new interest rates and interest reset periods after the expiration of the applicable interest period. Taxable bond issues may be converted to tax-exempt upon the occurrence of certain events.

The Institute has agreed to maintain certain financial ratios related to debt service, including ratios of indebtedness to net assets and assets available for debt service to debt service requirements. Minimum mandatory redemption payment on the Illinois Finance Authority Bond Issues, which approximate minimum sinking fund requirements, is $715,000 for 2009, and an additional total of $194,335,000 through the ultimate maturity dates of the bonds. The Institute was in compliance with all financial covenants at June 30, 2008 and 2007.

AIC has secured a $15 million working line of credit through JPMorgan Chase Bank expiring on May 30, 2009. As of June 30, 2008 and 2007, $2.4 million and $1.4 million were borrowed against the credit line at a rate of 3.20% and 5.57%, respectively. AIC has also secured a $50 million line of credit through JPMorgan Chase Bank for interim financing of construction for The Modern Wing and Gallery Reinstallation expiring on September 30, 2010. As of June 30, 2008, $36.7 million was borrowed against the credit line at a rate of 2.68%. As of June 30, 2007, the construction line of credit was unused. Ox-Bow has secured a $500,000 line of credit through the Bank of Holland for financing of construction costs expiring on January 18, 2009. As of June 30, 2008, $341,000 was borrowed against the credit line at a rate of 5.00%.

7. PENSION AND OTHER POSTRETIREMENT BENEFITS

AIC has a qualified, noncontributory defined benefit pension plan (the “Plan”) covering staff employees who meet the Plan’s eligibility. All staff employees hired after December 31, 2006 are not eligible for the defined benefit plan and are instead covered by a defined contribution plan. Eligible faculty of the School participate in a defined contribution plan in lieu of participation in the Institute’s pension plan. A supplemental retirement plan is provided for certain employees whose benefits are restricted under the qualified Plan. AIC also provides medical, dental, and life insurance benefits (“Other Benefits”) to certain Plan retirees on a contributory basis until the retirees attain the age of 65. Ox-Bow has a defined contribution plan for eligible employees and the organization may make a discretionary contribution on behalf of its eligible employees.

7. PENSION AND OTHER POSTRETIREMENT BENEFITS (continued)

The following table sets forth the Plan's benefit obligation, plan assets and funded status reconciled with the amounts set forth in the consolidated statements of financial position at June 30, 2008 and 2007 (in thousands):

	Pension Benefits		Other Benefits	
	2008	2007	2008	2007
Change in benefit obligation				
Benefit obligation—beginning of year	$ 85,859	$ 72,648	$ 510	$ 585
Service cost	2,071	2,097		
Interest cost	5,434	4,758	27	22
Amendments		165		
Actuarial (gain) loss	(480)	9,119		(9)
Benefits paid	(3,198)	(2,928)	(88)	(88)
Projected benefit obligation—end of year	$ 89,686	$ 85,859	$ 449	$ 510
Change in plan assets				
Fair value of plan assets—beginning of year	$ 73,946	$ 62,817	$	$
Actual return on plan assets	(2,884)	10,670		
Employer contribution	4,080	3,387		
Benefits paid	(3,198)	(2,928)		
Fair value of plan assets—end of year	$ 71,944	$ 73,946	$ -	$ -
Funded status at the end of the year	$ (17,742)	$ (11,913)	$ (449)	$ (510)

The incremental effect of adopting SFAS No. 158 on the statement of financial position as of June 30, 2007 is as follows (in thousands):

	Increase (decrease)		
	Cumulative effect before adoption of SFAS No. 158	Adjustments to adopt SFAS No. 158	Cumulative effect after adoption of SFAS No. 158
Pension liability	$ 3,927	$ 7,986	$ 11,913
Unrestricted net assets	(12,737)	(7,986)	(20,723)

In accordance with SFAS No. 158, adopted by the Institute in fiscal year 2007, all previously unrecognized actuarial losses and prior service costs are reflected in the consolidated statement of financial position. The pension plan and other benefit plan items not yet recognized as a component of periodic pension and postretirement expense, but included as a cumulative separate charge to net assets at June 30, 2008 and 2007, are as follows (in thousands):

	Pension Benefits		Other Benefits	
	2008	2007	2008	2007
Net actuarial loss	$ 28,663	$ 22,073	$ 22	$ 22
Prior service credit	(1,157)	(1,350)	(9)	(13)
Net amount recognized	$ 27,506	$ 20,723	$ 13	$ 9

7. PENSION AND OTHER POSTRETIREMENT BENEFITS (continued)

As of June 30, 2008 and 2007, information for pension plans with an accumulated benefit obligation in excess of plan assets consist of the following (in thousands):

	2008	2007
Projected benefit obligation	$ 89,686	$ 85,859
Accumulated benefit obligation	81,235	77,873
Fair value of plan assets	71,944	73,946

As of June 30, 2008 and 2007, components of net periodic benefit cost consist of the following (in thousands):

	Pension Benefits		Other Benefits	
	2008	2007	2008	2007
Service cost	$ 2,071	$ 2,097	$	$
Interest cost	5,434	4,758	26	22
Expected return on plan assets	(5,503)	(4,676)		
Amortization of prior service credit	(192)	(216)	(4)	(4)
Amortization of net actuarial loss	1,316	1,424		
Net periodic benefit cost	$ 3,126	$ 3,387	$ 22	$ 18

The estimated net actuarial loss and prior service credit for the defined benefit pension plan that will be amortized and recognized in net periodic benefit cost for fiscal year 2009 are $1.7 million and ($193,000), respectively.

The estimated prior service credit for the other defined benefit postretirement plan that will be amortized and recognized in net periodic benefit cost for fiscal year 2009 is ($4,000).

Assumptions—Weighted-average assumptions used to determine benefit obligations at June 30, 2008 and 2007, are as follows:

	Pension Benefits		Other Benefits	
	2008	2007	2008	2007
Discount rate	6.50 %	6.30 %	5.61 %	5.61 %
Expected return on plan assets	7.50	7.50		
Salary growth rate	4.20	4.20		

Weighted-average assumptions used to determine net periodic benefit cost for the years ended June 30, 2008 and 2007, are as follows:

	Pension Benefits		Other Benefits	
	2008	2007	2008	2007
Discount rate	6.30 %	6.40 %	5.61 %	4.25 %
Expected long-term return on plan assets	7.50	7.50		
Rate of compensation increase	4.20	4.20		

7. PENSION AND OTHER POSTRETIREMENT BENEFITS (continued)

Assumed health care cost trend rates at June 30, 2008 and 2007, are as follows:

	Other Benefits	
	2008	2007
Health care cost trend rate assumed for next year	12.00 %	9.00 %
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	5.00 %	6.00 %
Year that the rate reaches the ultimate trend rate	2014	2010

Assumed health care cost trend rates have an effect on the amounts reported for the health care plans. A one-percentage-point change in assumed health care cost trend rates would have the following effects (in thousands):

	One-Percentage Point Increase	One-Percentage Point Decrease
Effect on total of service and interest cost	$ 1	$ (1)
Effect on postretirement benefit obligation	10	(10)

Plan Assets—The pension plan weighted-average asset allocations at June 30, 2008 and 2007, by asset category are as follows:

	Pension		
Asset Category	2008	2007	Target Allocation
Cash and cash equivalents	2 %	1 %	2 %
Equity securities	58	61	60
Fixed income securities	40	38	38
Total	100 %	100 %	100 %

Investment objectives and policies are established by AIC's Investment 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. AIC 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.

***Contributions*—**AIC expects to contribute $2.8 million to its pension plan and $91,000 to its other postretirement benefit plan in fiscal year 2009.

7. PENSION AND OTHER POSTRETIREMENT BENEFITS (continued)

Estimated Future Benefit Payments—The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid (in thousands):

Year Ending June 30,	Pension Benefits	Other Benefits
2009	$ 3,761	$ 91
2010	4,135	97
2011	4,417	104
2012	4,702	111
2013	4,984	56
2014 - 2018	30,406	41

AIC employer contributions to the defined contribution plan totaled $1.7 million and $1.1 million for the years ended June 30, 2008 and 2007, respectively. AIC employer contributions to the supplemental retirement plan totaled $196,000 and $61,000 for the years ended June 30, 2008 and 2007, respectively. Ox-Bow did not make a discretionary employer contribution for the years ended June 30, 2008 and 2007.

8. NATURAL CLASSIFICATION OF EXPENSES

Expenses by natural classification for operating activities for the year ended June 30, 2008 are as follows (in thousands):

	Museum	School	Ox-Bow	Total	% of Total
Salaries and wages	$ 28,150	$ 38,164	$ 394	$ 66,708	38.2%
Fringe benefits	7,421	9,661	47	17,129	9.8%
Contracted services	8,419	9,277	248	17,944	10.3%
Equipment, rental and maintenance	2,003	7,379	141	9,523	5.5%
Travel and entertainment	1,263	1,082	123	2,468	1.4%
Telephone, copy, fax, postage	1,950	1,216	26	3,192	1.8%
Supplies, books and subscriptions	2,617	1,385	238	4,240	2.4%
Publications and printing	2,480	886		3,366	1.9%
Publicity and promotions	2,103	958	73	3,134	1.8%
Cost of sales	6,583	1,607		8,190	4.7%
Utilities	3,239	2,414		5,653	3.2%
Bad debt	7	547		554	0.3%
Accretion expense	203	31		234	0.2%
Interest	2,399	5,306		7,705	4.4%
Depreciation	6,563	6,999	124	13,686	7.8%
Other	7,234	3,739	55	11,028	6.3%
Total	$ 82,634	$ 90,651	$ 1,469	$ 174,754	100%

8. NATURAL CLASSIFICATION OF EXPENSES (continued)

Expenses by natural classification for operating activities for the year ended June 30, 2007 are as follows (in thousands):

	Museum	School	Ox-Bow	Total	% of Total
Salaries and wages	$ 26,580	$ 35,516	$ 472	$ 62,568	39.5%
Fringe benefits	6,690	8,382	31	15,103	9.5%
Contracted services	7,698	7,812	241	15,751	9.9%
Equipment, rental and maintenance	1,808	6,091	65	7,964	5.0%
Travel and entertainment	1,329	1,490	87	2,906	1.8%
Telephone, copy, fax, postage	1,111	991	36	2,138	1.4%
Supplies, books and subscriptions	1,914	1,019	289	3,222	2.0%
Publications and printing	2,107	950	10	3,067	1.9%
Publicity and promotions	1,490	967	48	2,505	1.6%
Cost of sales	5,945	1,295		7,240	4.6%
Utilities	2,731	2,029	13	4,773	3.0%
Bad debt	8	341		349	0.2%
Accretion expense	196	30		226	0.1%
Interest	2,511	5,766		8,277	5.2%
Depreciation	6,285	6,677	131	13,093	8.3%
Other	6,353	2,713	57	9,123	5.8%
Total	$ 74,756	$ 82,069	$ 1,480	$ 158,305	100%

9. COMMITMENTS AND CONTINGENCIES

During 2008 and 2007, the Institute continued construction of a new wing of the museum, The Modern Wing. This project includes a 264,000 square foot addition to its Grant Park facility and plans for a bridgeway connecting The Modern Wing and Millennium Park. This addition will increase the museum's gallery, education, and art storage space, as well as other public areas.

The project is estimated to cost approximately $290.2 million, which the Board plans to finance primarily through contributions for the project. The Institute has spent $226.8 million for the addition as of June 30, 2008, and anticipates completing the project in 2009. The Institute received a conditional gift for the project in the amount of $11 million. The gift and interest was recorded as a refundable advance as of June 30, 2007. The condition of the gift has been met and recorded as a contribution for the year ended June 30, 2008.

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 financial position, statement of activities, or statement of cash flows.

The Institute has operating lease agreements for academic, office, and storage space and office equipment under operating leases expiring in various years through 2018. Certain operating leases provide for renewal options for periods from 1 to 10 years. Total lease expenses are $3.0 million and $1.6 million for the years ended June 30, 2008 and 2007, respectively.

9. COMMITMENTS AND CONTINGENCIES (continued)

Minimum future lease payments under noncancelable operating leases having remaining terms in excess of one year as of June 30, 2008, are as follows (in thousands):

Year ending June 30,		
2009	$	2,455
2010		2,389
2011		2,829
2012		2,639
2013		2,643
2014 and thereafter		13,615
Total minimum lease payments	$	26,570

10. RELATED-PARTY TRANSACTIONS

All members of the Board of Trustees, Board of Governors, and Standing and Advisory Committees, and all officers and assistant officers of the Institute (collectively known as "Related Parties") must act in the best interests of the Institute, without regard to their business, family, or personal activities and concerns. If a Related Party believes he or she has an actual or potential financial conflict of interest, the Related Party must immediately disclose such conflict to the Chairman of the Board and to the Institute's General Counsel. The Related Party may not vote on, approve, or recommend any action or matter in which he or she has an actual or potential conflict of interest. In the event of an actual or potential conflict, the Related Party cannot be counted for purposes of determining whether there is a quorum. Financial interests or other activities that would constitute a conflict of interest if undertaken by a Related Party also constitute a conflict of interest if undertaken by an immediate family member of the Related Party and must be disclosed by the Related Party. All Related Parties, other than members of the curatorial, museum education, and library Advisory Committees, are required to attest annually to their familiarity with this policy and to provide any information the Institute deems relevant concerning any possible conflicts of interest.

The Institute has provided a $200,000 interest-free mortgage to an officer with a 15-year term secured by property. The mortgage at June 30, 2008 and 2007 is $181,000 and $186,000, respectively.

11. RESTRICTIONS ON NET ASSETS

The nature of restrictions on net assets released from donor restrictions for the year ended June 30, 2008 and 2007, are summarized as follows (in thousands):

	2008	2007
Purchase of art objects	$ 15,762	$ 19,391
Purchase of books	49	37
Student aid	1,546	1,334
Museum exhibitions	2,379	1,806
Museum publications	33	80
Gallery maintenance, professorships, and curatorships	2,749	2,154
Facilities	4,071	4,354
Education, instruction, and other	5,909	5,086
Total	$ 32,498	$ 34,242

Net assets categorized by donor restrictions as of June 30, 2008, are summarized as follows (in thousands):

	Temporarily Restricted	Permanently Restricted
Purchase of art objects	$ 98,949	$ 33,648
Purchase of books	277	1,695
Student aid	21,411	20,171
Museum exhibitions	4,705	19,113
Museum publications	7,583	1,510
Gallery maintenance, professorships, and curatorships	1,726	55,369
Facilities	208,761	
Education, instruction, and other	72,231	55,885
Time-restricted net assets/assets held in trust by others	49,162	61,602
General purposes		28,009
Total	$ 464,805	$ 277,002

Net assets categorized by donor restrictions as of June 30, 2007, are summarized as follows (in thousands):

	Temporarily Restricted	Permanently Restricted
Purchase of art objects	$ 101,902	$ 33,034
Purchase of books	300	1,654
Student aid	22,263	19,646
Museum exhibitions	5,850	14,465
Museum publications	7,785	1,510
Gallery maintenance, professorships, and curatorships	1,894	53,989
Facilities	159,309	
Education, instruction, and other	85,635	51,143
Time-restricted net assets/assets held in trust by others	30,591	66,319
General purposes		28,088
Total	$ 415,529	$ 269,848

12. CONSOLIDATING STATEMENTS

On September 1, 1995, AIC agreed to sponsor Ox-Bow, a separate 501(c)(3) not-for-profit organization, by providing sufficient funding annually, including funding for operating expenses. Ox-Bow conducts a school of the arts, offering degree and nondegree courses. The sponsorship agreement continues for 99 years and is automatically renewable for successive 99-year terms. Within the provisions of the sponsorship agreement, AIC has the ability to appoint a majority of Ox-Bow's Board members. Inter-entity transactions and balances have been eliminated in consolidation.

The consolidating statement of financial position as of June 30, 2008, is as follows (in thousands):

	AIC	Ox-Bow	Eliminating Entries	Total
Assets:				
Cash and cash equivalents	$ 817	$ 1,543	$	$ 2,360
Accounts and investment income receivable	8,136	27	(169)	7,994
Contributions receivable	61,030	321	(60)	61,291
Inventories	5,421	4		5,425
Prepaid expenses and other assets	23,163	51		23,214
Building sale receivable	11,351			11,351
Investments	827,568			827,568
Property and equipment, net	423,012	5,168		428,180
Total assets	**$ 1,360,498**	**$ 7,114**	**$ (229)**	**$ 1,367,383**
Liabilities and net assets:				
Liabilities:				
Accounts payable and other liabilities	$ 70,027	$ 304	$ (229)	$ 70,102
Deferred revenues	25,500	13		25,513
Refundable advances	3,073			3,073
Pension liability	17,742			17,742
Notes payable	235,285	341		235,626
Total liabilities	**351,627**	**658**	**(229)**	**352,056**
Net assets:				
Unrestricted	272,786	734		273,520
Temporarily restricted	460,662	4,143		464,805
Permanently restricted	275,423	1,579		277,002
Total net assets	**1,008,871**	**6,456**	**-**	**1,015,327**
Total liabilities and net assets	**$ 1,360,498**	**$ 7,114**	**$ (229)**	**$ 1,367,383**

12. CONSOLIDATING STATEMENTS (continued)

The consolidating statement of activities for the year ended June 30, 2008, is as follows (in thousands):

	AIC	Ox-Bow	Eliminating Entries	Total
Operating revenue, gains, and other support:				
Tuition and student program fees	$ 92,380	$ 886	$	$ 93,266
Student aid	(25,684)	(148)		(25,832)
Tuition and student program fees, net	66,696	738	-	67,434
Contributions	88,959	1,256	(99)	90,116
Chicago Park District tax	6,559			6,559
Museum admissions	6,911			6,911
Membership dues	4,375			4,375
Special exhibitions, catalogues, and other revenues	509			509
Other program revenues	8,782			8,782
Investment return designated for current use	32,767	(187)		32,580
Auxiliary activities	24,253			24,253
Other	1,547	102		1,649
Net assets released from restrictions				-
Total operating revenue, gains, and other support	241,358	1,909	(99)	243,168
Expenses and losses:				
Programs services				
Curatorial, libraries, and collections	29,731			29,731
Special exhibitions	5,371			5,371
Museum education	2,904			2,904
Other programs	6,681			6,681
Instructional and academic	59,552	790	(99)	60,243
Auxiliary activities	16,907			16,907
Managerial and general				
General administration	22,309	238		22,547
Depreciation	13,562	124		13,686
Interest and debt issuance cost	7,705			7,705
Member development	1,461			1,461
Fund raising	7,102	416		7,518
Total expenses and losses	173,285	1,568	(99)	174,754
Change in net assets from operations	**68,073**	**341**	**-**	**68,414**
Nonoperating revenue, expenses, support, gains, and losses:				
Proceeds from the sale of art objects	9,094			9,094
Contributions for the purchase of art objects	4,224			4,224
Net assets released to fund acquisition of art objects				-
Investment return designated for art purchases	4,919			4,919
Acquisition of art objects	(16,429)			(16,429)
Pension-related changes other than net periodic pension cost	(6,787)			(6,787)
Investment return in excess of amounts designated for current operations and art purchases	(36,660)			(36,660)
Other transfers				-
Change in net assets	**26,434**	**341**	**-**	**26,775**
Net assets, beginning of year	982,437	6,115		988,552
Net assets, end of year	**$ 1,008,871**	**$ 6,456**	**$ -**	**$ 1,015,327**

12. CONSOLIDATING STATEMENTS (continued)

The consolidating statement of financial position as of June 30, 2007, is as follows (in thousands):

	AIC	Ox-Bow	Eliminating Entries	Total
Assets:				
Cash and cash equivalents	$ 2,052	$ 2,237	$	$ 4,289
Accounts and investment income receivable	8,686	76	(55)	8,707
Contributions receivable	41,537	74	(60)	41,551
Inventories	5,812	5		5,817
Prepaid expenses and other assets	5,753	25		5,778
Building sale receivable	10,731			10,731
Investments	889,063			889,063
Property and equipment, net	319,143	3,813		322,956
Total assets	**$ 1,282,777**	**$ 6,230**	**$ (115)**	**$ 1,288,892**
Liabilities and net assets:				
Liabilities:				
Accounts payable and other liabilities	$ 52,828	$ 115	$ (115)	$ 52,828
Deferred revenues	22,249			22,249
Refundable advances	14,903			14,903
Pension liability	11,913			11,913
Notes payable	198,447			198,447
Total liabilities	**300,340**	**115**	**(115)**	**300,340**
Net assets:				
Unrestricted	300,880	2,295		303,175
Temporarily restricted	413,354	2,175		415,529
Permanently restricted	268,203	1,645		269,848
Total net assets	**982,437**	**6,115**	**-**	**988,552**
Total liabilities and net assets	**$ 1,282,777**	**$ 6,230**	**$ (115)**	**$ 1,288,892**

12. CONSOLIDATING STATEMENTS (continued)

The consolidating statement of activities for the year ended June 30, 2007, is as follows (in thousands):

	AIC	Ox-Bow	Eliminating Entries	Total
Operating revenue, gains, and other support:				
Tuition and student program fees	$ 83,844	$ 976	$	$ 84,820
Student aid	(20,979)	(89)		(21,068)
Tuition and student program fees, net	62,865	887	-	63,752
Contributions	70,042	918	(320)	70,640
Chicago Park District tax	6,790			6,790
Museum admissions	6,349			6,349
Membership dues	4,356			4,356
Special exhibitions, catalogues, and other revenues	172			172
Other program revenues	7,526	27		7,553
Investment return designated for current use	29,492	160		29,652
Auxiliary activities	23,192			23,192
Other	3,328	33		3,361
Net assets released from restrictions				-
Total operating revenue, gains, and other support	214,112	2,025	(320)	215,817
Expenses and losses:				
Programs services				
Curatorial, libraries, and collections	27,082			27,082
Special exhibitions	3,152			3,152
Museum education	3,234			3,234
Other programs	5,719			5,719
Instructional and academic	51,445	1,199	(320)	52,324
Auxiliary activities	15,630			15,630
Managerial and general				
General administration	21,422	170		21,592
Depreciation	12,962	131		13,093
Interest and debt issuance cost	8,277			8,277
Member development	1,548			1,548
Fund raising	6,354	300		6,654
Total expenses and losses	156,825	1,800	(320)	158,305
Change in net assets from operations before property sale	57,287	225	-	57,512
Gain on property sale		588		588
Change in net assets from operations	**57,287**	**813**	**-**	**58,100**
Nonoperating revenue, expenses, support, gains, and losses:				
Proceeds from the sale of art objects	5,745			5,745
Contributions for the purchase of art objects	3,196			3,196
Net assets released to fund acquisition of art objects				-
Investment return designated for art purchases	4,821			4,821
Acquisition of art objects	(19,858)			(19,858)
Adjustment to reflect minimum pension liability	(1,483)			(1,483)
Investment return in excess of amounts designated for current operations and art purchases	95,400			95,400
Other transfers				-
Change in net assets before effect of adoption of SFAS No. 158	**145,108**	**813**	**-**	**145,921**
Cumulative effect of adoption of SFAS No. 158	(7,986)			(7,986)
Change in net assets	**137,122**	**813**	**-**	**137,935**
Net assets, beginning of year	845,315	5,302		850,617
Net assets, end of year	**$ 982,437**	**$ 6,115**	**$ -**	**$ 988,552**

12. CONSOLIDATING STATEMENTS (continued)

The consolidating condensed cash flow activity for the years ended June 30, 2008 and 2007, are as follows (in thousands):

	For the year ended 2008		
	AIC	Ox-Bow	Total
Net cash (used in) provided by operating activities	$ (13,364)	$ 444	$ (12,920)
Net cash used in investing activities	(77,609)	(1,479)	(79,088)
Net cash provided by financing activities	89,738	341	90,079
Net decrease in cash and cash equivalents	**(1,235)**	**(694)**	**(1,929)**
Cash and cash equivalents at the beginning of the year	2,052	2,237	4,289
Cash and cash equivalents at the end of the year	**$ 817**	**$ 1,543**	**$ 2,360**

	For the year ended 2007		
	AIC	Ox-Bow	Total
Net cash provided by operating activities	$ 12,358	$ 49	$ 12,407
Net cash (used in) provided by investing activities	(41,696)	1,768	(39,928)
Net cash provided by financing activities	27,280		27,280
Net (decrease) increase in cash and cash equivalents	**(2,058)**	**1,817**	**(241)**
Cash and cash equivalents at the beginning of the year	4,110	420	4,530
Cash and cash equivalents at the end of the year	**$ 2,052**	**$ 2,237**	**$ 4,289**

13. AIC STATEMENTS OF ACTIVITIES

AIC statement of activities, which excludes Ox-Bow, for the year ended June 30, 2008, is as follows (in thousands):

	Unrestricted Funds	Temporarily Restricted Funds	Permanently Restricted Funds	Total
Operating revenue, gains, and other support:				
Tuition and student program fees	$ 92,380	$	$	$ 92,380
Student aid	(25,684)			(25,684)
Tuition and student program fees, net	66,696	-	-	66,696
Contributions	14,537	67,792	6,630	88,959
Chicago Park District tax	6,559			6,559
Museum admissions	6,911			6,911
Membership dues	4,375			4,375
Special exhibitions, catalogues, and other revenues	509			509
Other program revenues	8,782			8,782
Investment return designated for current use	25,300	7,451	16	32,767
Auxiliary activities	24,253			24,253
Other	1,547			1,547
Net assets released from restrictions	16,467	(16,467)		-
Total operating revenue, gains, and other support	175,936	58,776	6,646	241,358
Expenses and losses:				
Programs services				
Curatorial, libraries, and collections	29,731			29,731
Special exhibitions	5,371			5,371
Museum education	2,904			2,904
Other programs	6,681			6,681
Instructional and academic	59,552			59,552
Auxiliary activities	16,907			16,907
Managerial and general				-
General administration	22,309			22,309
Depreciation	13,562			13,562
Interest and debt issuance cost	7,705			7,705
Member development	1,461			1,461
Fund raising	7,102			7,102
Total expenses and losses	173,285	-	-	173,285
Change in net assets from operations	**2,651**	**58,776**	**6,646**	**68,073**
Nonoperating revenue, expenses, support, gains, and losses:				
Proceeds from the sale of art objects		9,094		9,094
Contributions for the purchase of art objects		3,690	534	4,224
Net assets released to fund acquisition of art objects	15,762	(15,762)		-
Investment return designated for art purchases	433	4,437	49	4,919
Acquisition of art objects	(16,429)			(16,429)
Pension-related changes other than net periodic pension cost	(6,787)			(6,787)
Investment return less than amounts designated for				-
current operations and art purchases	(24,474)	(12,061)	(125)	(36,660)
Other transfers	750	(866)	116	-
Change in net assets	**(28,094)**	**47,308**	**7,220**	**26,434**
Net assets, beginning of year	300,880	413,354	268,203	982,437
Net assets, end of year	**$ 272,786**	**$ 460,662**	**$ 275,423**	**$ 1,008,871**

13. AIC STATEMENTS OF ACTIVITIES (continued)

AIC statement of activities, which excludes Ox-Bow, for the year ended June 30, 2007, is as follows (in thousands):

	Unrestricted Funds	Temporarily Restricted Funds	Permanently Restricted Funds	Total
Operating revenue, gains, and other support:				
Tuition and student program fees	$ 83,844	$	$	$ 83,844
Student aid	(20,979)			(20,979)
Tuition and student program fees, net	62,865	-	-	62,865
Contributions	14,020	42,649	13,373	70,042
Chicago Park District tax	6,790			6,790
Museum admissions	6,349			6,349
Membership dues	4,356			4,356
Special exhibitions, catalogues, and other revenues	172			172
Other program revenues	7,526			7,526
Investment return designated for current use	22,369	7,015	108	29,492
Auxiliary activities	23,192			23,192
Other	3,328			3,328
Net assets released from restrictions	14,711	(14,711)		-
Total operating revenue, gains, and other support	165,678	34,953	13,481	214,112
Expenses and losses:				
Programs services				
Curatorial, libraries, and collections	27,082			27,082
Special exhibitions	3,152			3,152
Museum education	3,234			3,234
Other programs	5,719			5,719
Instructional and academic	51,445			51,445
Auxiliary activities	15,630			15,630
Managerial and general				
General administration	21,422			21,422
Depreciation	12,962			12,962
Interest and debt issuance cost	8,277			8,277
Member development	1,548			1,548
Fund raising	6,354			6,354
Total expenses and losses	156,825	-	-	156,825
Change in net assets from operations	**8,853**	**34,953**	**13,481**	**57,287**
Nonoperating revenue, expenses, support, gains, and losses:				
Proceeds from the sale of art objects		5,745		5,745
Contributions for the purchase of art objects		2,663	533	3,196
Net assets released to fund acquisition of art objects	19,391	(19,391)		-
Investment return designated for art purchases	547	4,231	43	4,821
Acquisition of art objects	(19,858)			(19,858)
Adjustment to reflect minimum pension liability	(1,483)			(1,483)
Investment return in excess of amounts designated for current operations and art purchases	65,398	29,689	313	95,400
Other transfers	9,551	(9,709)	158	-
Change in net assets before effect of adoption of SFAS No. 158	**82,399**	**48,181**	**14,528**	**145,108**
Cumulative effect of adoption of SFAS No. 158	(7,986)			(7,986)
Change in net assets	**74,413**	**48,181**	**14,528**	**137,122**
Net assets, beginning of year	226,467	365,173	253,675	845,315
Net assets, end of year	**$ 300,880**	**$ 413,354**	**$ 268,203**	**$ 982,437**

13. AIC STATEMENTS OF ACTIVITIES (continued)

Unrestricted activity for Museum programs for the years ended June 30, 2008 and 2007, are as follows (in thousands):

	Museum	
	2008	2007
Operating revenue, gains, and other support:		
Contributions	$ 11,467	$ 11,079
Chicago Park District tax	6,559	6,790
Museum admissions	6,911	6,349
Membership dues	4,375	4,356
Special exhibitions	509	172
Other program revenues	3,496	3,367
Investment return designated for current use	19,376	17,103
Auxiliary activities	16,170	15,080
Other	803	2,049
Net assets released from restrictions	13,581	12,293
Total operating revenue, gains, and other support	83,247	78,638
Expenses and losses:		
Programs services:		
Curatorial, libraries, and collections	29,731	27,082
Special exhibitions	5,371	3,152
Museum education	2,904	3,234
Other programs	5,129	4,219
Auxiliary activities	13,784	12,363
Managerial and general:		
General administration	10,007	9,655
Depreciation	6,563	6,285
Interest and debt issuance cost	2,399	2,511
Member development	1,461	1,548
Fund raising	5,285	4,707
Total expenses and losses	82,634	74,756
Change in net assets from operations	**$ 613**	**$ 3,882**

13. AIC STATEMENTS OF ACTIVITIES (continued)

Unrestricted activity for School programs for the years ended June 30, 2008 and 2007, are as follows (in thousands):

	School	
	2008	2007
Operating revenue, gains, and other support:		
Tuition and student program fees	$ 92,380	$ 83,844
Student aid	(25,684)	(20,979)
Tuition and student program fees, net	66,696	62,865
Contributions	3,070	2,941
Other program revenues	5,286	4,159
Investment return designated for current use	5,924	5,266
Auxiliary activities	8,083	8,112
Other	744	1,279
Net assets released from restrictions	2,886	2,418
Total operating revenue, gains, and other support	92,689	87,040
Expenses:		
Programs services:		
Other programs	1,552	1,500
Instructional and academic	59,552	51,445
Auxiliary activities	3,123	3,267
Managerial and general:		
General administration	12,302	11,767
Depreciation	6,999	6,677
Interest and debt issuance cost	5,306	5,766
Fund raising	1,817	1,647
Total expenses and losses	90,651	82,069
Change in net assets from operations	**$ 2,038**	**$ 4,971**