The Art Institute of Chicago

Consolidated Financial Statements as of and for the Years Ended June 30, 2009 and 2008, and Independent Auditors' Report

THE ART INSTITUTE OF CHICAGO

Table of Contents

Deloitte & Touche LLP
111 S. Wacker Drive
Chicago, IL 60606-4301
USA

Tel: +1 312 486 1000
Fax: +1 312 486 1486
www.deloitte.com

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, 2009 and 2008, and the related consolidated statements of activities and 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, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 3 to the consolidated financial statements, effective June 30, 2009, the Institute adopted FASB Staff Position No. 117-1, *Endowment 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.* On June 30, 2009, the State of Illinois adopted UPMIFA. As such, the Institute reclassified $136.5 million of unrestricted net assets to temporarily restricted net assets.

Deloitte & Touche LLP

October 21, 2009

THE ART INSTITUTE OF CHICAGO

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2009 AND 2008
(In thousands)

	2009	2008
Assets:		
Cash and cash equivalents	$ 24,995	$ 2,360
Accounts and investment income receivable	7,920	7,994
Contributions receivable	74,456	61,291
Inventories	7,134	5,425
Prepaid expenses and other assets	9,465	23,214
Building sale receivable	4,960	11,351
Investments	641,494	827,568
Property and equipment, net	491,934	428,180
Total assets	**$ 1,262,358**	**$ 1,367,383**
Liabilities and net assets:		
Liabilities:		
Accounts payable and other liabilities	$ 44,875	$ 70,102
Deferred revenues	24,924	25,513
Refundable advances	3,166	3,073
Pension liability	39,524	17,742
Notes payable	339,548	235,626
Total liabilities	**452,037**	**352,056**
Net assets:		
Unrestricted	43,140	273,520
Temporarily restricted	488,400	464,805
Permanently restricted	278,781	277,002
Total net assets	**810,321**	**1,015,327**
Total liabilities and net assets	**$ 1,262,358**	**$ 1,367,383**

See notes to consolidated financial statements.

THE ART INSTITUTE OF CHICAGO

CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009
(In thousands)

	Unrestricted Funds	Temporarily Restricted Funds	Permanently Restricted Funds	Total
Operating revenue, gains, and other support:				
Tuition and student program fees	$ 99,020	$	$	$ 99,020
Student aid	(25,360)			(25,360)
Tuition and student program fees, net	73,660			73,660
Contributions	20,946	55,538	(3,236)	73,248
Chicago Park District tax	6,537			6,537
Museum admissions	6,644			6,644
Membership dues	4,550			4,550
Special exhibitions, catalogues, and other revenues	200			200
Other program revenues	10,416			10,416
Investment return designated for current use	18,145	18,051		36,196
Auxiliary activities	22,264			22,264
Other	1,422			1,422
Net assets released from restrictions	30,005	(30,005)		-
Total operating revenue, gains, and other support	194,789	43,584	(3,236)	235,137
Expenses and losses:				
Programs services:				
Curatorial, libraries, and collections	32,572			32,572
Special exhibitions	4,124			4,124
Museum education	2,911			2,911
Other programs	7,791			7,791
Instructional and academic	64,271			64,271
Auxiliary activities	16,568			16,568
Managerial and general:				
General administration	25,516			25,516
Depreciation	20,111			20,111
Interest and debt issuance cost amortization	8,361			8,361
Member development	1,387			1,387
Fund raising	12,324			12,324
Total expenses and losses	195,936	-	-	195,936
Change in net assets from operations	**(1,147)**	**43,584**	**(3,236)**	**39,201**
Nonoperating revenue, expenses, support, gains, and losses:				
Proceeds from the sale of art objects		910		910
Contributions for the purchase of art objects		2,239	675	2,914
Net assets released to fund acquisition of art objects	12,715	(12,715)		-
Investment return designated for art purchases	(96)	5,113	55	5,072
Acquisition of art objects	(12,651)			(12,651)
Pension-related changes other than net periodic pension cost	(20,406)			(20,406)
Investment return less than amounts designated for current operations and art purchases	(76,372)	(143,073)	(601)	(220,046)
Other transfers	4,107	(8,993)	4,886	-
Net assets reclassified based on change in law	(136,530)	136,530		-
Change in net assets	**(230,380)**	**23,595**	**1,779**	**(205,006)**
Net assets, beginning of year	273,520	464,805	277,002	1,015,327
Net assets, end of year	**$ 43,140**	**$ 488,400**	**$ 278,781**	**$ 810,321**

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 amortization	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 STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2009 and 2008
(In thousands)

	2009	2008
Cash flows from operating activities:		
Change in net assets	$ (205,006)	$ 26,775
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	20,079	13,539
Retirement of property	632	102
Pension-related changes other than net periodic pension cost	20,406	6,787
Adjustment to net periodic pension cost	1,376	(958)
Contributions restricted for permanently restricted endowment, net	(15,659)	(22,551)
Contributions restricted for capital campaign, net	(52,531)	(48,592)
Net unrealized and realized losses on investments	186,271	11,188
Acquisitions and sales of art, net	11,741	7,335
Change in assets and liabilities:		
Accounts and investment income receivable	74	713
Prepaid expenses, other assets, and inventories	(4,755)	(248)
Building sale receivable		(620)
Unrestricted and temporarily restricted contributions	12,472	4,303
Accounts payable and other liabilities	(191)	(2,128)
Refundable advances	93	(11,830)
Deferred revenues	4,368	3,265
Net cash used in operating activities	**(20,630)**	**(12,920)**
Cash flows from investing activities:		
Purchases of property and equipment	(91,966)	(116,346)
Proceeds from sales of art objects	910	9,094
Acquisition of art objects	(12,651)	(16,429)
Proceeds from sales of investments	332,773	279,137
Purchases of investments	(346,111)	(234,544)
Net cash used in investing activities	**(117,045)**	**(79,088)**
Cash flows from financing activities:		
Proceeds from contributions restricted for permanently restricted endowment	15,155	21,743
Proceeds from capital campaign	40,539	31,010
Payments on notes payable	(203,100)	(21,815)
Proceeds from notes payable	307,716	59,141
Net cash provided by financing activities	**160,310**	**90,079**
Net increase (decrease) in cash and cash equivalents	**22,635**	**(1,929)**
Cash and cash equivalents at the beginning of year	2,360	4,289
Cash and cash equivalents at the end of year	**$ 24,995**	**$ 2,360**
Supplemental data: Interest paid (net of capitalized interest of $1,393 in 2009 and $174 in 2008)	$ 5,972	$ 7,402
Supplemental disclosure of noncash items: Property additions included in accounts payable	$ 11,197	$ 19,438

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 13.

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 and consistent with relevant law.

Unrestricted net assets include all resources 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 consolidated 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 are reported as net assets released from restrictions. By action of the Board, certain temporarily restricted assets have been designated for long-term investment in the endowment fund.

Permanently restricted net assets are those that are subject to donor-imposed restrictions that will never lapse, thus are restricted to long-term investments and maintained permanently as endowment funds. The portion of the donor restricted endowment funds classified as permanently restricted net assets are the original value of the assets contributed to the permanent endowment funds, subsequent contributions to such funds valued at the date of contribution and reinvested earnings on permanent endowment when specified by the donor.

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 consolidated 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 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 certain 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 fair market value, 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, which approximates fair market value. Amortization of the discount is recorded as additional contribution revenue.

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

Prepaid Expenses and Other Assets - Prepaid expenses include expenditures for operating supplies, lease commissions, lease buildout, bond issuance costs, and expenditures made in connection with the development of future exhibitions. These exhibition expenditures typically relate to research, organizational travel, insurance, transport costs of the works to be included in the exhibition and the development of exhibition catalogues. Other assets primarily include cash and cash equivalents restricted for debt service.

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 of June 30, 2009, the Institute had additions and improvements made to the Grant Park facility since 1984 which are capitalized at cost, net of related depreciation of $351.4 million. 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 depreciated using the straight-line method over the estimated useful lives of the assets. 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.

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 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 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.

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 and legal requirements.

Pension and Other Postretirement Plans - The Institute sponsors an employer defined benefit plan, whereas the overfunded or underfunded status of the defined benefit postretirement plan is recognized as an asset or liability in its statement of financial position. Additionally, the Institute measures plan assets and benefit obligations as of the date of the Institute's fiscal year-end.

Deferred Revenues - Membership dues received are recognized ratably as revenue over the membership period; tuition from students and residential revenues are recognized ratably as revenue over the applicable term. Gain on sale of property is recognized at such time when the transfer of ownership of the developed property occurs or when substantially all uncertainties no longer exist. The Institute intends to receive title to the property no later than December 2009.

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.

Auxiliary Activities - Auxiliary activities include revenues and certain direct expenditures related to the operation of museum shops, food service, and 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 $529,000 in 2009 and $1.1 million in 2008. 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In-Kind Support - The Institute records various types of in-kind support, including contributed equipment, 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.

For federal purposes, the Institute has reported federal net operating losses (NOLs) of approximately $4.0 million for tax periods through June 30, 2008. These NOLs will expire, if not utilized, between the years 2025 and 2028. The Institute has not recorded a tax benefit for these NOLs, because it is not more likely than not that the Institute will be able to realize the benefit.

In July 2006, the Financial Accounting Standards Board ("FASB") issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes—an interpretation of FASB Statement No. 109* ("FIN 48"). FIN 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 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 48 for the year ended June 30, 2008, and it resulted in no adjustment for unrecognized income tax benefits, which covered open tax periods for fiscal years ended 2004 through 2008. No adjustment for unrecognized income tax benefits was recorded for the year ended June 30, 2009.

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 2009, the Institute reclassified $7.5 million related to various funds from the temporarily restricted net assets to unrestricted net assets and permanently restricted net assets of $5.1 million and $2.4 million, respectively. These net assets were previously reported solely in temporarily restricted net assets instead of the proper net asset classification based on donor restrictions or the absence of donor restrictions.

Recently Adopted Accounting Pronouncements - Effective July 1, 2008, the Institute adopted Statement of Financial Accounting Standards ("SFAS") No. 157, *Fair Value Measurements,* ("SFAS 157") and early adopted the measurement component of FASB Staff Position ("FSP") SFAS No. 157-g, *Estimating the Fair value of Investments in Investment Companies that have calculated Net Asset Value per Share* ("FSP SFAS 157-g"), see Note 2. Effective July 1, 2008, the Institute adopted 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* ("FSP SFAS 117-1"), see Note 3.

The Institute adopted SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities-Including an amendment of SFAS No. 115* on July 1, 2008. 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 and the implementation do not have an impact on the Institute's consolidated financial statements.

As of June 30, 2009, the Institute adopted SFAS No. 165, *Subsequent Events* which provides guidance on the assessment of subsequent events. This standard clarifies that the Institute must evaluate, as of each reporting period, events or transactions that occur after the balance sheet date "through the date that the financial statements are issued or are available to be issued". An assessment of subsequent events through October 21, 2009 was performed.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New Accounting Pronouncements (issued not yet adopted) - In April 2009, the FASB issued SFAS No. 164, *Not-for-Profit Entities: Mergers and Acquisitions-Including an amendment of FASB Statement No. 142*. This statement improves the information that a not-for-profit provides in its financial reports about a combination with one or more other not-for-profit entities and establishes requirements for mergers and acquisitions. The statement also makes FASB Statement No. 142 *Goodwill and Other Intangibles Assets* fully applicable to not-for-profit entities. The statement is effective for reporting periods beginning on or after December 15, 2009. The Institute does not expect the adoption of this statement to materially impact its consolidated financial statements.

In June 2009, the FASB issued SFAS No. 168, *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles a replacement of FASB Statement No. 162* , which is effective for financial statements issued for annual periods ending after September 15, 2009. Under this SFAS, FASB Accounting Standards Codification becomes the source of authoritative U.S. accounting and reporting standard for non-governmental entities. The Institute does not expect the adoption of this statement to materially impact its consolidated financial statements.

In December 2008, the FASB issued FSP SFAS No. 132(R)-1 *Employers' Disclosure about Postretirement Benefit Plan Assets* ("FSP SFAS 132R-1") to provide guidance on an employer's disclosure about plan assets of a defined benefit pension or other postretirement plan. The new disclosure requirements for FSP SFAS 132(R)-1 are effective for fiscal years ending after December 15, 2009. The Institute does not expect the adoption of this position to materially impact its consolidated financial statements.

2. INVESTMENTS

Investments as of June 30, 2009 and 2008, consist of the following (in thousands):

	2009		
	Pooled	Non-Pooled Investments	Total
Cash and cash equivalents	$ 77,524	$ 39,733	$ 117,257
Fixed income securities	43,496	3,115	46,611
Equity securities	214,044	3,129	217,173
Hedge funds	99,714		99,714
Venture capital and private equity	45,358		45,358
Real assets	78,144		78,144
Total assets held for investment	558,280	45,977	604,257
Assets held in trust by others		37,237	37,237
Total investments	$ 558,280	$ 83,214	$ 641,494

For the year ended June 30, 2009, the non-pooled investment activity includes the Modern Wing and Reinstallation Investments.

	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

Cash and cash equivalents earmarked within investments 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.

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 also 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. Capital committed to private investments but not yet called, total $95.1 million and $109.2 million as of June 30, 2009 and 2008, respectively. 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)

Investments as of June 30, 2009 and 2008, as a percentage consist of the following:

	2009		
	Pooled	Non-Pooled Investments	Total
Cash and cash equivalents	13.9%	47.8%	18.3%
Fixed income securities	7.8	3.7	7.3
Equity securities	38.3	3.8	33.9
Hedge funds	17.9		15.5
Venture capital and private equity	8.1		7.0
Real assets	14.0		12.2
Total assets held for investment	100.0	55.3	94.2
Assets held in trust by others		44.7	5.8
Total investments	100.0%	100.0%	100.0%

	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%

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, 2009 and 2008 are as follows (in thousands):

	For the year ended 2009			
	Assets Held for Investment			
Change in market value:	Pooled	Non-Pooled	Assets Held in Trust	Total
Realized	$ (56,631)	$ (518)	$	$ (57,149)
Unrealized	(128,982)	(140)		(129,122)
Dividend and interest income	9,243	275	2,176	11,694
Cash gifts and other additions	12,520	40,539	(13,141)	39,918
Transfers in (out)	(6,563)	(2,131)		(8,694)
Investment management fees	(3,523)	(5)		(3,528)
Allocation of spendable funds	(37,017)		(2,176)	(39,193)
Net change in fair value	(210,953)	38,020	(13,141)	(186,074)
Fair value, beginning of year	769,233	7,957	50,378	827,568
Fair value, end of year	$ 558,280	$ 45,977	$ 37,237	$ 641,494

	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

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. The market values (in thousands) and the rates of investment return on the pooled investments for the years ended June 30, 2009 and 2008 are summarized as follows:

	2009		2008	
	Fair Market Value	Rate of Return	Fair Market Value	Rate of Return
Pooled Endowment Funds Investments	$ 558,280	(23.6)%	$ 769,233	0.1 %

2. INVESTMENTS (continued)

Effective July 1, 2008, the Institute adopted SFAS No. 157, *Fair Value Measurements,* ("SFAS 157"). SFAS 157 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 SFAS 157 as assumptions market participants would use in pricing an asset or liability. The Institute early adopted FSP SFAS 157-g, *Estimating the Fair value of Investments in Investment Companies that have calculated Net Asset Value per Share* ("FSP SFAS 157-g"). FSP SFAS 157-g provides guidance on measuring the fair value of certain alternative investments in which the value is measured using the net asset value per share. As permitted by FSP SFAS 157-g, the Institute adopted only the measurement component. The three levels of the fair value hierarchy under SFAS 157 are described below:

<u>Level 1</u> - 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 which are generally included in Level 1 include money market funds, mutual funds, and listed equities.

<u>Level 2</u> - Inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly or indirectly. Investments which are generally included in this category include corporate bonds, less liquid and restricted equity securities, institutional commingled funds, and certain hedge funds that are redeemable in the near term at net asset value.

<u>Level 3</u> - 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. Investments which are generally included in this category are liquidity-restricted commingled funds, certain hedge funds that are not redeemable in the near term at net asset value, and private limited partnerships.

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:

For government and corporate bonds, fair values are generally obtained from third party pricing services for comparable assets or liabilities. 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 net asset value, as determined by the administrator, based on readily determinable market values.

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, as determined by management. In determining fair value, management utilizes valuations provided by the investment partnerships, which value securities and other financial instruments on a fair value basis of accounting. 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 ready 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 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 the Institute's year end are valued based on the most recent partner capital account balances as reported by the partnership to the Institute, adjusted for capital contributions, distributions, and partnership estimates during the interim period.

2. INVESTMENTS (continued)

The Institute's financial instruments are classified as follows, based on fair values, as of June 30, 2009 (in thousands):

Pooled Investments	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 77,524	$	$	$ 77,524
Fixed income securities	12,069		31,427	43,496
Equity securities	202,781		11,263	214,044
Hedge funds		53,205	46,509	99,714
Venture capital and private equity			45,358	45,358
Real assets	7,187	21,717	49,240	78,144
Total Pooled Investments	$ 299,561	$ 74,922	$ 183,797	$ 558,280
Non-Pooled Investments				
Cash and cash equivalents	$ 39,733	$	$	$ 39,733
Fixed income securities		3,115		3,115
Equity securities	2,631		498	3,129
Assets held in trust by others	33,850	2,821	566	37,237
Total Non-Pooled Investments	$ 76,214	$ 5,936	$ 1,064	$ 83,214
Total Investments	$ 375,775	$ 80,858	$ 184,861	$ 641,494

The following table sets forth a reconciliation of beginning and ending balances for the Level 3 investments for the year ended June 30, 2009 (in thousands):

Beginning balance	$ 357,548
Total realized and unrealized gains or (losses)	(75,119)
Purchases and (sales), net	(97,568)
Ending balance	$ 184,861
Amount of gains and (losses) for the period attributable to unrealized gains and (losses) in income	$ (77,996)

Realized and unrealized gains and (losses) included in changes in net assets for the year ended June 30, 2009 are reported in investment return designated for current use, investment return designated for art purchases, investment return less than amounts designated for current operations and art purchases, and contributions.

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, in addition, 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 fund designated by the Board as funds functioning as endowment. 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.

In August 2008, the FASB issued 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* ("FSP SFAS 117-1"). FSP SFAS 117-1 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 a guideline for states to use in enacting legislation. FSP SFAS 117-1 also improves disclosures about an organization's endowment funds (both donor-restricted endowment and funds functioning as endowment), whether or not the organization is subject to UPMIFA. On June 30, 2009, the State of Illinois adopted UPMIFA which replaces and updates the 1972 Uniform Management of Institutional Funds Act and was effective upon adoption. Effective July 1, 2008, the Institute adopted FSP SFAS 117-1 which resulted in the reclassification of $136.5 million of unrestricted net assets to temporarily restricted net assets.

The Board has interpreted the State of Illinois's 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 as permanently restricted net assets, (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. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until any applicable purpose has been fulfilled and those amounts are appropriated for expenditure by the Institute in a manner consistent with the standard of prudence prescribed by UPMIFA. 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 effect of inflation and deflation
5) The expected total return from income and appreciation of investments
6) Other resources of the Institute
7) The investment policies of the Institute

Where the Board designates unrestricted funds to function as endowments they are classified as unrestricted net assets. Where the Board designates donor restricted non-endowment funds to function as endowments they are classified as temporarily restricted net assets.

The following tables present the Institute's endowment composition, changes, and net asset classifications as of June 30, 2009 (in thousands):

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$	$ 131,321	$ 278,781	$ 410,102
Board-designated endowment funds	181,045	26,719		207,764
Total funds	$ 181,045	$ 158,040	$ 278,781	$ 617,866

3. ENDOWMENT FUNDS (continued)

Changes in endowment net assets for the year ended June 30, 2009 are as follows (in thousands):

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 390,771	$ 174,256	$ 277,002	$ 842,029
Net asset reclassification based on change in law	(136,530)	136,530	-	-
Endowment net assets after reclassification	254,241	310,786	277,002	842,029
Investment income	5,476	3,357	2,176	11,009
Net depreciation on pooled investments	(58,235)	(131,890)	(546)	(190,671)
Net depreciation on non-pooled investments	(149)	(510)		(659)
Net depreciation on assets held in trust			(13,141)	(13,141)
Contributions and other revenue	270	19	10,580	10,869
Appropriation of endowment assets for expenditure	(23,413)	(13,604)	(2,176)	(39,193)
Other changes:				
Transfers to/from, net	2,855	(10,118)	4,886	(2,377)
Endowment net assets, end of year	$ 181,045	$ 158,040	$ 278,781	$ 617,866

Description of amounts classified as permanently restricted net assets and temporarily restricted net assets (endowment only) as of June 30, 2009 (in thousands):

Permanently restricted net assets

The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or UPMIFA	$ 278,781

Temporarily restricted net assets

Term endowment funds	$ 97,264
The portion of perpetual endowments subject to a time restriction under UPMIFA	60,776
Total endowment funds classified as temporarily restricted net assets	$ 158,040

3. ENDOWMENT FUNDS (continued)

Endowment Funds with Deficits
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 (“deficit”). When donor endowment deficits exist, they are classified as a reduction of temporarily restricted net assets or unrestricted net assets. Deficits of this nature reported in temporarily restricted net assets were $16.1 million as of June 30, 2009. These deficits resulted from unfavorable market conditions.

Relationship of Spending Policy to Investment Objectives
The Institute’s Investment and Executive Committees (the “Committees”) determine the method to be used to appropriate endowment funds for expenditure. The appropriation amounts are determined as of the end of the year, prior to when it becomes available for expenditure, and is equal to the spendable amount or additional amounts as approved by the Executive Committee during the year. Net assets released as a result of appropriations of endowment funds are shown as operating or nonoperating dependent upon the nature of the appropriation.

In establishing this method, the Committees consider the expected long-term rate of return on the investment of the Institute’s endowment funds. Accordingly, over the long-term, the Institute expects the current spending policy to allow its endowment to grow at rate of 5% in excess of the inflation rate annually, consistent with its intention to maintain the purchasing power of the endowment assets as well as to provide additional real growth through new gifts. The spendable amount for the years ended June 30, 2009 and 2008, which is classified in the revenues section of the consolidated statements of activities, is equal to 5% of the average market value of assets over 12 quarter periods ended December 31, 2007, and 2006, respectively. Additions to principal are factored in on a weighted-average basis through June 30, 2009 and 2008. 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 in excess of the spending policy as deemed prudent by the Committees.

4. 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 2009 ranged from 2.0% to 4.4% and for fiscal year 2008 ranged from 2.3% to 4.4%. Contributions receivable are expected to be realized as follows (in thousands):

Collectible during the following periods:	2009	2008
Year one	$ 26,404	$ 19,732
Year two	18,074	17,022
Year three	15,327	12,445
Year four	9,939	11,812
Year five and thereafter	13,585	7,983
Gross contributions receivable	83,329	68,994
Present value discount	(6,415)	(5,992)
Allowance for uncollectible contributions	(2,458)	(1,711)
Net contributions receivable	$ 74,456	$ 61,291

5. PROPERTY AND EQUIPMENT, NET

Property and equipment as of June 30, 2009 and 2008, consist of the following (in thousands):

	2009	2008
Land	$ 11,351	$ 11,351
Buildings and improvements	568,690	261,611
Equipment, furniture, and fixtures	22,259	15,068
Total property and equipment	602,300	288,030
Construction in progress	5,897	242,732
Accumulated depreciation	(116,263)	(102,582)
Property and equipment, net	$ 491,934	$ 428,180

In 2007, the Institute executed purchase and sale agreements related to four of its buildings. As part of these transactions, 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 the property development is completed. The Institute intends to receive title to the property no later than December 2009. At the time the title is conveyed, the Institute will receive an additional $605,000 in cash as well as building improvements to the property adjacent to the development valued at $1.2 million. The Institute recorded a receivable and construction in progress for the value of the property, cash, and improvements of $5.7 million and $11.4 million as of June 30, 2009 and 2008, respectively. Also recorded was an offsetting deferred gain of $5.7 million and $11.4 million as of June 30, 2009 and 2008, respectively. The deferred gain will be recognized when the conveyance of the title occurs or when substantially all uncertainties no longer exist.

6. ACCOUNTS PAYABLE AND OTHER LIABILITIES

Accounts payable and other liabilities as of June 30, 2009 and 2008, consist of the following (in thousands):

	2009	2008
Accounts payable	$ 25,427	$ 33,191
Art purchase liability	2,148	6,006
Asset retirement obligations	5,925	5,784
Accrued salaries and benefits	5,840	3,831
Accrued interest payable	2,725	1,859
Other liabilities	2,810	19,431
Total accounts payable and other liabilities	$ 44,875	$ 70,102

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, 2009 and 2008. The change in the asset retirement obligation for the years ended June 30, 2009 and 2008, are as follows (in thousands):

	2009	2008
Asset retirement obligations, beginning of year	$ 5,784	$ 5,521
Accretion expense	238	234
Settlements paid	(110)	(367)
Change in estimate	13	396
Asset retirement obligations, end of year	$ 5,925	$ 5,784

In fiscal years 2009 and 2008, the Institute participated in a securities lending program with its custodian bank. Under the terms of its securities lending agreement, the Institute required collateral of no less than 100% of the fair value of loaned investments. All cash collateral received was invested in approved money market and short-term funds. The Institute maintained effective control of the loaned investments during the term of the agreement. As of June 30, 2009, the Institute no longer participated in the securities lending program with its custodian bank. As of 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 was included in prepaid expenses and other assets and accounts payable and other liabilities, respectively.

7. COMMITMENTS AND CONTINGENCIES

At the end of fiscal year 2009, the Institute completed construction of a new wing of the museum, The Modern Wing, with a total anticipated cost of $294.2 million, of which $281.2 and $226.8 million has been paid as of June 30, 2009 and 2008, respectively. This project included a 264,000 square foot addition to its Grant Park facility and a bridgeway connecting The Modern Wing and Millennium Park. This addition increased the museum's gallery, education, and art storage space, as well as other public areas.

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 expiring in various years through 2019. Certain operating leases provide for renewal options for periods from 1 to 10 years. Total lease expenses are $2.7 million and $3.0 million for the years ended June 30, 2009 and 2008, respectively.

Minimum future lease payments under noncancelable operating leases having remaining terms in excess of one year as of June 30, 2009, are as follows (in thousands):

Year ending June 30,		
2010	$	2,772
2011		3,078
2012		2,877
2013		2,886
2014		2,932
2015 and thereafter		15,092
Total minimum lease payments	$	29,637

8. NOTES PAYABLE

Notes payable as of June 30, 2009, 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 2009B-1	$ 40,000			9/1/2038	At maturity	Monthly	Weekly	0.35%
Series 2009B-2	40,000			9/1/2038	At maturity	Monthly	Weekly	0.35%
Series 1996	31,700			3/1/2027	At maturity	Monthly	Weekly	0.35%
Series 1995	18,300			3/1/2027	At maturity	Monthly	Weekly	0.35%
Series 1992	18,000			3/1/2027	At maturity	Monthly	Weekly	0.35%
Total Variable/Short-term	148,000	44.8%	43.5%					
Medium/Long-term:								
Adjustable Interest Rates								
Demand Revenue - Tax Exempt:								
Series 2000A	78,525			3/1/2034	At maturity	March 1, September 1	1-9 years	3.65% to 5.25%
Medium-Term Revenue:								
Tax-exempt:								
Series 1998A	29,880			3/1/2030	At maturity	March 1, September 1	4-8 years	4.13% to 5.00%
Long-Term Revenue:								
Tax-exempt:								
Series 2009A	20,000			3/1/2019	At maturity	March 1, September 1	N/A	5.25%
Series 2009A	40,000			3/1/2038	At maturity	March 1, September 1	N/A	6.00%
Fixed Interest Rates:								
Tax-exempt:								
Revenue Refunding:								
Series 2003	14,095			3/1/2023	Varying dates and amounts	March 1, September 1	N/A	3.50% to 5.38%
Total Medium/Long-term	182,500	55.2%	53.7%					
Total Bonds	330,500	100.0%	97.2%					
Bank Debt:								
JP Morgan Chase								
$30 million working capital line of credit	8,800		2.6%	5/30/2012	At maturity	Varying dates	Varying dates	LIBOR+180bps
Bank of Holland								
$1 million working capital line of credit	649		0.2%	11/10/2009	At maturity	Monthly	N/A	Greater of 5.5% or Prime
Total Outstanding Debt	339,949		100.0%					
Unamortized discount	(401)							
Total	$ 339,548							

8. NOTES PAYABLE (continued)

Notes payable as of 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:								
Tax-Exempt:								
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							

8. NOTES PAYABLE (continued)

The fair market value of notes payable is approximately $5.7 million and $2.0 million greater than the carrying value as of June 30, 2009 and 2008, respectively, based upon quoted market prices or use of a third party pricing service. All bonds are issued through the Illinois Finance Authority. Taxable bond issues may be converted to tax-exempt upon the occurrence of certain events. Minimum mandatory redemption payment on the Illinois Finance Authority bond issues, which approximate minimum sinking fund requirements, is $715,000 for 2010 and an additional total of $329.8 million through the ultimate maturity dates of the bonds.

Adjustable interest rate bonds are remarketed with new interest rates and interest reset periods after the expiration of the applicable interest period. The Institute maintains standby credit facilities with commercial banks to provide alternative liquidity to support the repurchase of tendered variable rate bonds in the event they are unable to be remarketed. Financing obtained through standby credit facilities to fund the repurchase of such bonds would bear interest rates and maturities different from those associated with the original bond issues.

The Institute's debt and loan agreements require among other things, the maintenance of certain financial ratios. The Institute was in compliance with all financial covenants as of June 30, 2009 and 2008. Management believes that subject to certain conditions, at a minimum, the following temporarily restricted net assets can be used to meet the Institute's debt obligation as of June 30, 2009 (in thousands):

Restricted contributions received for acquisition or improvement of long-lived assets	$ 231,610
Contributions receivable for acquisition or improvement of long-lived assets funded wholly or partially by debt	55,298
Portion of perpetual endowments subject to a timing restriction under UPMIFA Consistent with state law, these funds are available upon appropriation by the Board	60,776
Other temporarily restricted net assets available for debt obligations	15,216
Total temporarily restricted net assets available for debt obligations	$ 362,900

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

On March 26, 2009, AIC issued $140.0 million in tax-exempt Series 2009 Revenue Bonds through the Illinois Finance Authority. The $60.0 million Series 2009A is made up of $20.0 million maturing March 1, 2019 at a fixed rate of 5.25% and $40.0 million maturing on March 1, 2038 at a fixed rate of 6%. AIC received cash from the Series 2009A issuances of $59.2 million, net of an $841,000 discount. The remaining $80.0 million consisted of $40.0 million Series 2009B-1 bonds and $40.0 million Series 2009B-2 bonds.

AIC has secured a $30.0 million working line of credit through JPMorgan Chase expiring on May 30, 2012. As of June 30, 2009 and 2008, $8.8 million and $2.4 million were borrowed against the credit line at a rate of 3.75% and 3.20%, respectively. In 2009, AIC paid off and terminated a line of credit through JPMorgan Chase for interim financing of construction for The Modern Wing and gallery reinstallations. As of June 30, 2008, $36.7 million was borrowed against this credit line at a rate of 2.68%. Ox-Bow has secured a $1.0 million line of credit through the Bank of Holland expiring on November 10, 2009. As of June 30, 2009, $649,000 was borrowed against the credit line at a rate of 5.50%. As of June 30, 2008, $341,000 was borrowed against the credit line at a rate of 5.00%.

9. RESTRICTIONS ON NET ASSETS

The nature of restrictions on net assets released from donor restrictions for the years ended June 30, 2009 and 2008, are summarized as follows (in thousands):

	2009	2008
Purchase of art objects	$ 12,715	$ 15,762
Purchase of books	184	49
Student aid	3,323	1,546
Museum exhibitions	2,081	2,379
Museum publications	325	33
Gallery maintenance, professorships, and curatorships	5,547	2,749
Restricted contributions received for acquisition or improvement of long-lived assets	6,363	4,071
Education, instruction, and other	12,183	5,909
Total	$ 42,721	$ 32,498

Net assets categorized by donor restrictions as of June 30, 2009, are summarized as follows (in thousands):

	Temporarily Restricted	Permanently Restricted
Purchase of art objects	$ 59,526	$ 38,757
Purchase of books	1,712	1,755
Student aid	23,101	21,459
Museum exhibitions	615	20,932
Museum publications	3,650	3,510
Gallery maintenance, professorships, and curatorships	21,351	58,019
Restricted contributions received for acquisition or improvement of long-lived assets	234,832	
Education, instruction, and other	49,708	57,370
Contributions receivable	60,126	12,939
Assets held in trust by others	811	36,890
General purposes	32,968	27,150
Total	$ 488,400	$ 278,781

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
Restricted contributions received for acquisition or improvement of long-lived assets	208,761	
Education, instruction, and other	72,231	55,885
Contributions receivable	48,283	12,436
Assets held in trust by others	879	49,166
General purposes		28,009
Total	$ 464,805	$ 277,002

10. 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. Staff employees hired prior to January 1, 2007 are eligible for the defined benefit 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 Institute's pension plan. A supplemental retirement plan is provided for certain employees whose benefits are restricted under the qualified plans. AIC also provides medical and dental benefits on a contributory basis and life insurance benefits ("Other Benefits") to certain Plan retirees 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.

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 as of June 30, 2009 and 2008 (in thousands):

	Pension Benefits		Other Benefits	
	2009	2008	2009	2008
Change in benefit obligation				
Benefit obligation—beginning of year	$ 89,686	$ 85,859	$ 449	$ 510
Service cost	2,065	2,071		
Interest cost	5,844	5,434	23	27
Amendments				
Actuarial (gain) loss	4,998	(480)	6	
Benefits paid	(3,419)	(3,198)	(91)	(88)
Projected benefit obligation—end of year	$ 99,174	$ 89,686	$ 387	$ 449
Change in plan assets				
Fair value of plan assets—beginning of year	$ 71,944	$ 73,946	$	$
Actual return on plan assets	(11,671)	(2,884)		
Employer contribution	2,796	4,080		
Benefits paid	(3,419)	(3,198)		
Fair value of plan assets—end of year	$ 59,650	$ 71,944	$ -	$ -
Funded status at the end of the year	$ (39,524)	$ (17,742)	$ (387)	$ (449)

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 as of June 30, 2009 and 2008, are as follows (in thousands):

	Pension Benefits		Other Benefits	
	2009	2008	2009	2008
Net actuarial loss	$ 48,865	$ 28,663	$ 28	$ 22
Prior service credit	(964)	(1,157)	(4)	(9)
Net amount recognized	$ 47,901	$ 27,506	$ 24	$ 13

10. PENSION AND OTHER POSTRETIREMENT BENEFITS (continued)

As of June 30, 2009 and 2008, information for pension plans with an accumulated benefit obligation in excess of plan assets consist of the following (in thousands):

	2009	2008
Projected benefit obligation	$ 99,174	$ 89,686
Accumulated benefit obligation	89,530	81,235
Fair value of plan assets	59,650	71,944

As of June 30, 2009 and 2008, components of net periodic benefit cost consist of the following (in thousands):

	Pension Benefits		Other Benefits	
	2009	2008	2009	2008
Service cost	$ 2,065	$ 2,071	$	$
Interest cost	5,844	5,434	17	26
Expected return on plan assets	(5,441)	(5,503)		
Amortization of prior service credit	(193)	(192)	(4)	(4)
Amortization of net actuarial loss	1,909	1,316		
Net periodic benefit cost	$ 4,184	$ 3,126	$ 13	$ 22

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 2010 are $3.9 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 2010 is $(4,000).

Assumptions—Weighted-average assumptions used to determine benefit obligations as of June 30, 2009 and 2008, are as follows:

	Pension Benefits		Other Benefits	
	2009	2008	2009	2008
Discount rate	6.20 %	6.50 %	5.01 %	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, 2009 and 2008, are as follows:

	Pension Benefits		Other Benefits	
	2009	2008	2009	2008
Discount rate	6.50 %	6.30 %	5.01 %	5.61 %
Expected long-term return on plan assets	7.50	7.50		
Rate of compensation increase	4.20	4.20		

10. PENSION AND OTHER POSTRETIREMENT BENEFITS (continued)

Assumed health care cost trend rates as of June 30, 2009 and 2008, are as follows:

	Other Benefits	
	2009	2008
Health care cost trend rate assumed for next year	11.00 %	12.00 %
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	5.00 %	5.00 %
Year that the rate reaches the ultimate trend rate	2014	2014

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	9	(9)

Plan Assets—The pension plan asset allocations as of June 30, 2009 and 2008, by asset category are as follows:

	Pension		
Asset Category	2009	2008	Target Allocation
Cash and cash equivalents	7 %	2 %	2 %
Equity securities	60	58	60
Fixed income securities	33	40	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 $1.4 million to its pension plan and $97,000 to its other postretirement benefit plan in fiscal year 2010.

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
2010	4,122	$ 97
2011	4,564	104
2012	4,856	111
2013	5,130	56
2014	5,446	41
2015 - 2018	33,175	

AIC employer contributions to the defined contribution plan totaled $2.1 million and $1.7 million for the years ended June 30, 2009 and 2008, respectively. AIC employer contributions to the supplemental retirement plan totaled $513,000 and $196,000 for the years ended June 30, 2009 and 2008, respectively. Ox-Bow did not make a discretionary employer contribution for the years ended June 30, 2009 and 2008.

11. NATURAL CLASSIFICATION OF EXPENSES

Expenses by natural classification for operating activities for the year ended June 30, 2009 are as follows (in thousands):

	Museum	School	Ox-Bow	Total	% of Total
Salaries and wages	$ 29,641	$ 40,543	$ 532	$ 70,716	36.1%
Fringe benefits	9,708	11,738	89	21,535	11.0%
Contracted services	13,678	10,149	199	24,026	12.3%
Equipment, rental, and maintenance	2,578	8,158	49	10,785	5.5%
Travel and entertainment	1,209	1,468	41	2,718	1.4%
Telephone, copy, fax, and postage	1,794	1,161	31	2,986	1.5%
Supplies, books, and subscriptions	2,311	1,429	66	3,806	1.9%
Publications and printing	3,159	1,050		4,209	2.1%
Publicity and promotions	2,520	662		3,182	1.6%
Cost of sales	5,300	1,709		7,009	3.6%
Utilities	4,514	2,616		7,130	3.6%
Bad debt	19	795		814	0.4%
Accretion expense	205	33		238	0.1%
Interest and debt issuance cost amortization	3,790	4,562	9	8,361	4.3%
Depreciation	12,239	7,724	148	20,111	10.3%
Other	5,303	2,740	267	8,310	4.3%
Total	$ 97,968	$ 96,537	$ 1,431	$ 195,936	100%

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, and 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 and debt issuance cost amortization	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%

12. RELATED-PARTY TRANSACTIONS

All members of the Board of Trustees, Board of Governors, and Standing and Advisory Committees, and all officers and vice presidents 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 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.

13. 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, 2009, is as follows (in thousands):

	AIC	Ox-Bow	Eliminating Entries	Total
Assets:				
Cash and cash equivalents	$ 24,018	$ 977	$	$ 24,995
Accounts and investment income receivable	7,935	331	(346)	7,920
Contributions receivable	74,233	223		74,456
Inventories	7,130	4		7,134
Prepaid expenses and other assets	9,413	52		9,465
Building sale receivable	4,960			4,960
Investments	641,494			641,494
Property and equipment, net	486,217	5,717		491,934
Total assets	**$ 1,255,400**	**$ 7,304**	**$ (346)**	**$ 1,262,358**
Liabilities and net assets:				
Liabilities:				
Accounts payable and other liabilities	$ 44,750	$ 471	$ (346)	$ 44,875
Deferred revenues	24,923	1		24,924
Refundable advances	3,166			3,166
Pension liability	39,524			39,524
Notes payable	338,899	649		339,548
Total liabilities	**451,262**	**1,121**	**(346)**	**452,037**
Net assets:				
Unrestricted	43,012	128		43,140
Temporarily restricted	483,495	4,905		488,400
Permanently restricted	277,631	1,150		278,781
Total net assets	**804,138**	**6,183**	**-**	**810,321**
Total liabilities and net assets	**$ 1,255,400**	**$ 7,304**	**$ (346)**	**$ 1,262,358**

13. CONSOLIDATING STATEMENTS (continued)

The consolidating statement of activities for the year ended June 30, 2009, is as follows (in thousands):

	AIC	Ox-Bow	Eliminating Entries	Total
Operating revenue, gains, and other support:				
Tuition and student program fees	$ 98,082	$ 938	$	$ 99,020
Student aid	(25,141)	(219)		(25,360)
Tuition and student program fees, net	72,941	719	-	73,660
Contributions	72,619	939	(310)	73,248
Chicago Park District tax	6,537			6,537
Museum admissions	6,644			6,644
Membership dues	4,550			4,550
Special exhibitions, catalogues, and other revenues	200			200
Other program revenues	10,416			10,416
Investment return designated for current use	36,455	(259)		36,196
Auxiliary activities	22,264			22,264
Other	1,353	69		1,422
Net assets released from restrictions				-
Total operating revenue, gains, and other support	233,979	1,468	(310)	235,137
Expenses and losses:				
Programs services				
Curatorial, libraries, and collections	32,572			32,572
Special exhibitions	4,124			4,124
Museum education	2,911			2,911
Other programs	7,791			7,791
Instructional and academic	63,468	1,113	(310)	64,271
Auxiliary activities	16,568			16,568
Managerial and general				
General administration	25,415	101		25,516
Depreciation	19,963	148		20,111
Interest and debt issuance cost amortization	8,352	9		8,361
Member development	1,387			1,387
Fund raising	11,954	370		12,324
Total expenses and losses	194,505	1,741	(310)	195,936
Change in net assets from operations	**39,474**	**(273)**	**-**	**39,201**
Nonoperating revenue, expenses, support, gains, and losses:				
Proceeds from the sale of art objects	910			910
Contributions for the purchase of art objects	2,914			2,914
Net assets released to fund acquisition of art objects				-
Investment return designated for art purchases	5,072			5,072
Acquisition of art objects	(12,651)			(12,651)
Pension-related changes other than net periodic pension cost	(20,406)			(20,406)
Investment return in excess of amounts designated for current operations and art purchases	(220,046)			(220,046)
Other transfers				-
Change in net assets	**(204,733)**	**(273)**	**-**	**(205,006)**
Net assets, beginning of year	1,008,871	6,456		1,015,327
Net assets, end of year	**$ 804,138**	**$ 6,183**	**$ -**	**$ 810,321**

13. CONSOLIDATING STATEMENTS (continued)

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**

13. 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 amortization	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**

13. CONSOLIDATING STATEMENTS (continued)

The consolidating condensed cash flow activity for the years ended June 30, 2009 and 2008, is as follows (in thousands):

	For the year ended 2009		
	AIC	Ox-Bow	Total
Net cash used in operating activities	$ (20,453)	$ (177)	$ (20,630)
Net cash used in investing activities	(116,348)	(697)	(117,045)
Net cash provided by financing activities	160,002	308	160,310
Net increase (decrease) in cash and cash equivalents	**23,201**	**(566)**	**22,635**
Cash and cash equivalents at the beginning of the year	817	1,543	2,360
Cash and cash equivalents at the end of the year	**$ 24,018**	**$ 977**	**$ 24,995**

	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**

14. AIC STATEMENTS OF ACTIVITIES

AIC statement of activities, which excludes Ox-Bow, for the year ended June 30, 2009, 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	$ 98,082	$	$	$ 98,082
Student aid	(25,141)			(25,141)
Tuition and student program fees, net	72,941	-	-	72,941
Contributions	20,856	55,024	(3,261)	72,619
Chicago Park District tax	6,537			6,537
Museum admissions	6,644			6,644
Membership dues	4,550			4,550
Special exhibitions, catalogues, and other revenues	200			200
Other program revenues	10,416			10,416
Investment return designated for current use	18,404	18,051		36,455
Auxiliary activities	22,264			22,264
Other	1,353			1,353
Net assets released from restrictions	29,899	(29,899)		-
Total operating revenue, gains, and other support	194,064	43,176	(3,261)	233,979
Expenses and losses:				
Programs services				
Curatorial, libraries, and collections	32,572			32,572
Special exhibitions	4,124			4,124
Museum education	2,911			2,911
Other programs	7,791			7,791
Instructional and academic	63,468			63,468
Auxiliary activities	16,568			16,568
Managerial and general				
General administration	25,415			25,415
Depreciation	19,963			19,963
Interest and debt issuance cost amortization	8,352			8,352
Member development	1,387			1,387
Fund raising	11,954			11,954
Total expenses and losses	194,505	-	-	194,505
Change in net assets from operations	**(441)**	**43,176**	**(3,261)**	**39,474**
Nonoperating revenue, expenses, support, gains, and losses:				
Proceeds from the sale of art objects		910		910
Contributions for the purchase of art objects		2,239	675	2,914
Net assets released to fund acquisition of art objects	12,715	(12,715)		-
Investment return designated for art purchases	(96)	5,113	55	5,072
Acquisition of art objects	(12,651)			(12,651)
Pension-related changes other than net periodic pension cost	(20,406)			(20,406)
Investment return less than amounts designated for current operations and art purchases	(76,372)	(143,073)	(601)	(220,046)
Other transfers	4,007	(9,347)	5,340	-
Net assets reclassified based on change in law	(136,530)	136,530		-
Change in net assets	**(229,774)**	**22,833**	**2,208**	**(204,733)**
Net assets, beginning of year	272,786	460,662	275,423	1,008,871
Net assets, end of year	**$ 43,012**	**$ 483,495**	**$ 277,631**	**$ 804,138**

14. AIC STATEMENTS OF ACTIVITIES (continued)

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 amortization	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**

14. AIC STATEMENTS OF ACTIVITIES (continued)

Unrestricted activity for Museum programs for the years ended June 30, 2009 and 2008, is as follows (in thousands):

	Museum	
	2009	2008
Operating revenue, gains, and other support:		
Contributions	$ 18,018	$ 11,467
Chicago Park District tax	6,537	6,559
Museum admissions	6,644	6,911
Membership dues	4,550	4,375
Special exhibitions	200	509
Other program revenues	5,390	3,496
Investment return designated for current use	14,135	19,376
Auxiliary activities	13,812	16,170
Other	567	803
Net assets released from restrictions	23,752	13,581
Total operating revenue, gains, and other support	93,605	83,247
Expenses and losses:		
Programs services:		
Curatorial, libraries, and collections	32,572	29,731
Special exhibitions	4,124	5,371
Museum education	2,911	2,904
Other programs	6,238	5,129
Auxiliary activities	12,917	13,784
Managerial and general:		
General administration	12,247	10,007
Depreciation	12,239	6,563
Interest and debt issuance cost amortization	3,790	2,399
Member development	1,387	1,461
Fund raising	9,543	5,285
Total expenses and losses	97,968	82,634
Change in net assets from operations	**$ (4,363)**	**$ 613**

14. AIC STATEMENTS OF ACTIVITIES (continued)

Unrestricted activity for School programs for the years ended June 30, 2009 and 2008, is as follows (in thousands):

	School	
	2009	2008
Operating revenue, gains, and other support:		
Tuition and student program fees	$ 98,082	$ 92,380
Student aid	(25,141)	(25,684)
Tuition and student program fees, net	72,941	66,696
Contributions	2,838	3,070
Other program revenues	5,026	5,286
Investment return designated for current use	4,269	5,924
Auxiliary activities	8,452	8,083
Other	786	744
Net assets released from restrictions	6,147	2,886
Total operating revenue, gains, and other support	100,459	92,689
Expenses:		
Programs services:		
Other programs	1,553	1,552
Instructional and academic	63,468	59,552
Auxiliary activities	3,651	3,123
Managerial and general:		
General administration	13,168	12,302
Depreciation	7,724	6,999
Interest and debt issuance cost amortization	4,562	5,306
Fund raising	2,411	1,817
Total expenses and losses	96,537	90,651
Change in net assets from operations	**$ 3,922**	**$ 2,038**