

Report of the Treasurer

AFTER FOUR YEARS of operating surpluses, the Art Institute of Chicago's consolidated operating results for FY2009 show a modest deficit of \$441,000. These results trail our consolidated break-even operating budget expectations, but they are not altogether surprising in light of the very adverse national and global economic climate of the past year. While the volatile equity and bond markets limited portfolio gains, increases in the School's net tuition combined with significant cost-containment measures across all areas of the organization enabled the Art Institute to mitigate losses for the year.

MUSEUM OPERATIONS

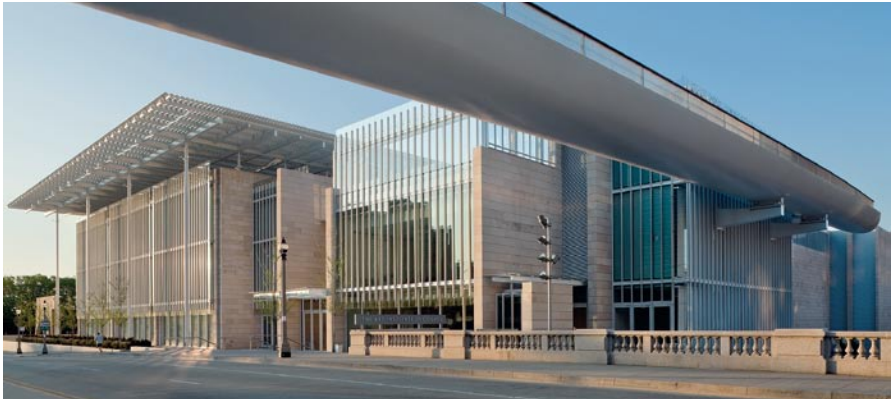
The museum ended the year with an operating deficit of approximately \$4.4 million. This was a year of transition for the museum, which significantly impacted financial performance. Key changes from the prior year included a \$1.3 million increase in employee benefits (primarily related to the defined-benefits plan) and a \$1.4 million decrease in net income from the Museum Shop. The main Museum Shop was closed for renovation for a significant portion of the year, which resulted in lower than normal sales for Shop-related items. Over the course of the year, a number of galleries were closed for renovation and reinstallation as we prepared for the opening of the Modern Wing. Despite these factors, museum attendance was approximately 1.5 million—an increase of 6.5% from last year. At the end of the fiscal year, the museum had approximately 89,000 members, a membership base that remains one of the largest in the country.

SCHOOL OPERATIONS

The School finished the fiscal year with an operating surplus of approximately \$3.9 million. Net tuition grew to \$72.9 million, a 9.4% increase over the prior year, propelled by a 5.9% increase in undergraduate tuition, a 3.5% increase in graduate tuition rates, and continued strong enrollment. The School's full-time-equivalent enrollment again reached a new record of 2,641 degree-seeking students.

INVESTMENT PERFORMANCE

The market value of the Art Institute's investments has been negatively impacted by the volatile U.S. and global markets. At June 30, 2009, our investment portfolio stood at approximately \$641 million. This is down \$187 million from the June 30, 2008, value.



The Modern Wing and the Nichols Bridgeway, both designed by architect Renzo Piano, opened on May 16, 2009.

After six straight years of positive returns, our pooled endowment returned -23.6% for the year ending June 30, 2009. This return compares favorably with the performance of other endowments, and we continue to outperform, on average, the S&P 500 total return index.

As of June 30, 2009, 18.8% of the pooled endowments was allocated to U.S. equity and 19.5% to global equity, followed by hedge funds (17.9%), real assets (14.0%), cash (13.9%), venture capital and private equity (8.1%), and U.S. bonds (7.8%).

THE MODERN WING

The Modern Wing opened on May 16, 2009, to extraordinary acclaim from the media, tourists, and Chicagoans alike. The building has already captured the hearts of most Chicagoans and is a reflection of the spirit and generosity prevalent in the city. In a period of significant economic upheaval, we are pleased to have secured cash and pledges in excess of \$400 million for the building and its operating endowment, and the various gallery reinstallation projects. The Modern Wing remains, without a doubt, a spectacular success story.

CONCLUSION

In light of the continued adverse nature of the global macroeconomic situation, we can expect difficult times ahead. With the leadership from the Board of Trustees of the Art Institute, the work of the very talented staff, the continued generosity of our donors, and our new and enhanced physical structure, we feel very confident that we are poised to meet the many challenges that lie ahead.

FREDERICK H. WADDELL

TREASURER AND CHAIRMAN OF THE FINANCE COMMITTEE

More detailed information on the Art Institute's FY2009 financial performance can be obtained online at our Web site, www.artic.edu. The Art Institute's audited financial statements are also available online or by contacting the Office of the Controller, 116 S. Michigan Avenue, 9th Floor, Chicago, IL 60603.