The Art Institute of Chicago

Consolidated Financial Statements as of and for the Years Ended June 30, 2010 and 2009, and Independent Auditors' Report

THE ART INSTITUTE OF CHICAGO

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INDEPENDENT AUDITORS' REPORT

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

We have audited the consolidated statements of financial position of The Art Institute of Chicago (the "Institute") as of June 30, 2010 and 2009, 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. 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, 2010 and 2009, and the changes in its net assets and the 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 July 1, 2008, 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

September 30, 2010

THE ART INSTITUTE OF CHICAGO

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2010 AND 2009
(In thousands)

	2010	2009
Assets:		
Cash and cash equivalents	$ 5,286	$ 24,995
Accounts and investment income receivable	8,738	7,920
Contributions receivable	57,424	74,456
Inventories	7,140	7,134
Prepaid expenses and other assets	7,529	9,465
Building sale receivable	-	4,960
Investments	694,996	641,494
Property and equipment, net	495,152	491,934
Total assets	**$ 1,276,265**	**$ 1,262,358**
Liabilities and net assets:		
Liabilities:		
Accounts payable and other liabilities	$ 38,758	$ 44,875
Deferred revenues	18,672	24,924
Refundable advances	3,224	3,166
Pension liability	55,181	39,524
Notes payable	305,721	339,548
Total liabilities	**421,556**	**452,037**
Net assets:		
Unrestricted	55,054	43,140
Temporarily restricted	509,329	488,400
Permanently restricted	290,326	278,781
Total net assets	**854,709**	**810,321**
Total liabilities and net assets	**$ 1,276,265**	**$ 1,262,358**

See notes to consolidated financial statements.

THE ART INSTITUTE OF CHICAGO

CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010
(In thousands)

	Unrestricted Funds	Temporarily Restricted Funds	Permanently Restricted Funds	Total
Operating revenue, gains, and other support:				
Tuition and student program fees	$ 107,606	$	$	$ 107,606
Student aid	(27,758)			(27,758)
Tuition and student program fees, net	79,848	-	-	79,848
Contributions	27,247	20,041	12,921	60,209
Chicago Park District tax	6,500			6,500
Museum admissions	9,148			9,148
Membership dues	6,416			6,416
Special exhibitions, catalogues, and other revenues	773			773
Other program revenues	7,468			7,468
Investment return designated for current use	13,493	20,810		34,303
Auxiliary activities	25,375			25,375
Other	1,024			1,024
Net assets released from restrictions	35,607	(35,607)		-
Total	212,899	5,244	12,921	231,064
Expenses and losses:				
Programs services:				
Curatorial, libraries, and collections	32,089			32,089
Special exhibitions	4,029			4,029
Museum education	2,828			2,828
Other programs	5,657			5,657
Instructional and academic	62,994			62,994
Auxiliary activities	19,099			19,099
Managerial and general:				
General administration	29,574			29,574
Depreciation	26,150			26,150
Interest and debt issuance cost amortization	10,816			10,816
Member development	1,646			1,646
Fund raising	7,827			7,827
Other			1,136	1,136
Total	202,709	-	1,136	203,845
Change in net assets from operations before building sale and debt defeasance	10,190	5,244	11,785	27,219
Gain on building sale	5,932			5,932
Loss on debt defeasance	(2,009)			(2,009)
Change in net assets from operations	**14,113**	**5,244**	**11,785**	**31,142**
Nonoperating revenue, expenses, support, gains, and losses:				
Proceeds from the sale of art objects		111		111
Contributions for the purchase of art objects		1,891	52	1,943
Net assets released to fund acquisition of art objects	5,987	(5,987)		-
Investment return designated for art purchases	171	4,906	77	5,154
Acquisition of art objects	(6,110)			(6,110)
Pension-related changes other than net periodic pension cost	(9,342)			(9,342)
Investment return less than amounts designated for current operations and art purchases	6,830	14,526	134	21,490
Other transfers	265	238	(503)	-
Change in net assets	**11,914**	**20,929**	**11,545**	**44,388**
Net assets, beginning of year	43,140	488,400	278,781	810,321
Net assets, end of year	**$ 55,054**	**$ 509,329**	**$ 290,326**	**$ 854,709**

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 STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2010 and 2009
(In thousands)

	2010	2009
Cash flows from operating activities:		
Change in net assets	$ 44,388	$ (205,006)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	25,983	20,079
Loss on retirement of property	67	632
Gain on building sale	(5,932)	
Loss on debt defeasance	2,009	
Pension-related changes other than net periodic pension cost	9,342	20,406
Net periodic pension cost	6,315	1,376
Contributions restricted for permanently restricted endowment, net	(11,864)	(15,659)
Contributions restricted for capital campaign, net	(11,487)	(52,531)
Other losses	1,136	
Net unrealized and realized (gains) losses on investments	(54,530)	186,271
Acquisitions and sales of art, net	5,999	11,741
Change in assets and liabilities:		
Accounts and investment income receivable	(818)	74
Prepaid expenses, other assets, and inventories	1,930	(4,755)
Unrestricted and temporarily restricted contributions	(2,043)	12,472
Accounts payable and other liabilities	470	(191)
Refundable advances	58	93
Deferred revenues	(520)	4,368
Net cash provided by (used in) operating activities	**10,503**	**(20,630)**
Cash flows from investing activities:		
Purchases of property and equipment	(30,828)	(91,966)
Proceeds from sales of art objects	111	910
Acquisition of art objects	(6,110)	(12,651)
Proceeds from sales of investments	148,314	332,773
Purchases of investments	(146,142)	(346,111)
Net cash used in investing activities	**(34,655)**	**(117,045)**
Cash flows from financing activities:		
Proceeds from contributions restricted for permanently restricted endowment	13,967	15,155
Proceeds from capital campaign	26,144	40,539
Payments on notes payable	(272,199)	(203,100)
Proceeds from notes payable	236,531	307,716
Net cash provided by financing activities	**4,443**	**160,310**
Net (decrease) increase in cash and cash equivalents	**(19,709)**	**22,635**
Cash and cash equivalents at the beginning of year	24,995	2,360
Cash and cash equivalents at the end of year	**$ 5,286**	**$ 24,995**
Supplemental data: Interest paid (net of capitalized interest of $0 in 2010 and $1,393 in 2009)	$ 9,433	$ 5,972
Supplemental disclosure of noncash items: Property additions included in accounts payable	$ 4,482	$ 11,197

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 14.

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. Additions to the permanent collection are made either by gifts, bequests, or through purchases using Institute acquisition funds. Institute acquisition funds may be classified as 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 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 fair value based upon the present value of estimated future cash flows, net of the allowance for uncollectible pledges. The present value discount rate used is a credit adjusted rate based on government securities market data. 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. 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, 2010 and 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 $356.7 million and $351.4 million, respectively. Records are not available to permit the capitalization of such costs incurred prior to 1984.

The Institute owns 17 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; the overfunded or underfunded status of the plan is recognized as an asset or liability in its statement of financial position. 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.

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 $389,000 in 2010 and $529,000 in 2009. 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.

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 $3.5 million for tax periods through June 30, 2009. The Institute does not have the ability to estimate the NOL through June 30, 2010 as the NOL calculation is reliant upon third party information which is not yet available. These NOLs will expire, if not utilized, between the years 2025 and 2028. The Institute has not recorded a tax benefit for these NOLs for the years ended June 30, 2010 and 2009, respectively; because it is not more likely than not that the Institute will be able to realize the benefit.

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, 2009, the Institute adopted the disclosure requirements within Accounting Standards Update ("ASU") No. 2009-12 *Fair Value Measurements and Disclosures: Investments in Certain Entities that Calculate Net Asset Value per Share or its Equivalent*, see Note 2. The guidance requires enhanced disclosures about the nature and risks of investments within its scope that are measured at fair value on a recurring or non-recurring basis.

Effective July 1, 2009, the Institute early adopted ASU No. 2010-06 *Fair Value Measurements and Disclosures: Improving Disclosures about Fair Value Measurements*, see Note 2. This guidance requires new disclosures and also clarifies existing disclosures. The new disclosures relate to the transfers in and out of Level 1 and Level 2 investments, and purchases, sales, issuance and settlements in the roll forward of activity in Level 3 fair value measurements. The guidance also clarifies existing disclosure regarding the level of disaggregation, inputs and valuation techniques.

Effective June 30, 2010, the Institute adopted the authoritative guidance issued by the Financial Accounting Standards Board ("FASB") under which Accounting Standards Codification ("ASC") becomes the sole source of authoritative U.S. accounting and reporting standards for non-governmental entities. The adoption of this guidance did not impact the Institute's consolidated financial statements as the FASB Codification is not intended to change or alter existing generally accepted accounting principles in the United States of America.

ASC 715-20-65 ("ASC 715"), *Employers' Disclosure about Postretirement Benefit Plan Assets* requires enhanced disclosures about the plan assets of a defined benefit pension or other postretirement plan. These disclosures include how investment allocation decisions are made, the factors pertinent to understanding investment polices and strategies, the fair value of each major category of plan assets for pension plans and other post-retirement benefits plans separately, the inputs and valuation techniques used to measure the fair value of plan assets, the effect of fair value measurement using significant unobservable inputs on changes in plan assets and significant concentrations of risk within plan assets. ASC 715 was adopted effective June 30, 2010 and the related disclosures are included in Note 10.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Recently Adopted Accounting Pronouncements (continued) – In February 2010, the FASB issued ASU No. 2010-09, *Subsequent Events: Amendments to Certain Recognition and Disclosure Requirements*. The amendments require a conduit bond obligor for conduit debt securities that are traded in a public market to evaluate subsequent events through the date the financial statements are issued and to disclose the date and indicate whether it is when the financial statements were issued or were available to be used. ASU No. 2010-09 was adopted effective June 30, 2010 and the related disclosures are included in Note 13.

New Accounting Pronouncements (issued not yet adopted) - In April 2009, the FASB issued Statement 164, *Not-for-Profit Entities: Mergers and Acquisitions*.). 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 ASC 350, *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. In January 2010, the FASB issued ASU No. 2010-07, *Not-for Profit Entities: Mergers and Acquisitions*, to codify the guidance in FASB Statement 164 (ASC 958-805). The Institute does not expect the adoption of this statement to impact its consolidated financial statements.

2. INVESTMENTS

Investments as of June 30, 2010 and 2009, consist of the following (in thousands):

	2010		
	Pooled	Non-Pooled Investments	Total
Cash and cash equivalents	$ 25,959	$ 44,255	$ 70,214
Fixed income securities	43,583	3,421	47,004
Equity securities	258,011	2,801	260,812
Hedge funds	124,224		124,224
Venture capital and private equity	65,174		65,174
Real assets	89,187		89,187
Total assets held for investment	606,138	50,477	656,615
Assets held in trust by others		38,381	38,381
Total investments	$ 606,138	$ 88,858	$ 694,996

	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

Cash and cash equivalents earmarked as long-term 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 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. 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, 2010 and 2009, as a percentage consist of the following:

	2010		
	Pooled	Non-Pooled Investments	Total
Cash and cash equivalents	4.2%	49.8%	10.1%
Fixed income securities	7.2	3.8	6.8
Equity securities	42.6	3.2	37.5
Hedge funds	20.5		17.9
Venture capital and private equity	10.8		9.4
Real assets	14.7		12.8
Total assets held for investment	100.0	56.8	94.5
Assets held in trust by others		43.2	5.5
Total investments	100.0%	100.0%	100.0%

	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%

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, 2010 and 2009 are as follows (in thousands):

	For the year ended 2010			
	Assets Held for Investment		Assets Held	
Change in fair value:	Pooled	Non-Pooled	in Trust	Total
Realized	$ 30,181	$ 88	$	$ 30,269
Unrealized	24,015	246		24,261
Dividend and interest income	6,067	204	2,065	8,336
Cash gifts and other additions	19,758	26,144	1,144	47,046
Transfers in (out)	7,409	(22,168)		(14,759)
Investment management fees	(1,863)	(14)		(1,877)
Allocation of spendable funds	(37,709)		(2,065)	(39,774)
Net change in fair value	47,858	4,500	1,144	53,502
Fair value, beginning of year	558,280	45,977	37,237	641,494
Fair value, end of year	$ 606,138	$ 50,477	$ 38,381	$ 694,996

	For the year ended 2009			
	Assets Held for Investment		Assets Held	
Change in fair value:	Pooled	Non-Pooled	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

Realized and unrealized gains and (losses) included in the consolidated statement of activities for the years ended June 30, 2010 and 2009 are reported in lines 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.

The annualized rate of return is net of investment manager fees and 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 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, 2010 and 2009 are summarized as follows:

	2010		2009	
	Fair Market Value	Rate of Return	Fair Market Value	Rate of Return
Pooled Endowment Funds Investments	$ 606,138	10.8 %	$ 558,280	(23.6)%

2. INVESTMENTS (continued)

FASB ASC 820, *Fair Value Measurements and Disclosures* ("ASC 820") defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and sets out a fair value hierarchy. Inputs are broadly defined under ASC 820 as assumptions market participants would use in pricing an asset or liability. Effective July 1, 2008, the Institute adopted the measurement component of ASU No. 2009-12 which provides guidance on measuring the fair value of certain alternative investments in which the value is measured using the net asset value per share or its equivalent. The guidance clarifies that if an organization is able to redeem the investment at net asset value or its equivalent as of the measurement date or within a near-term period, such an investment may be classified as a Level 2 asset. If an organization does not have the ability to redeem the investment with the fund manager as of the measurement date or a near-term period at net asset value or its equivalent, the investment must be classified as a Level 3 asset. The Institute defines near-term to be within 90 days of the measurement date based upon additional guidance received surrounding ASU No. 2009-12. The Institute's policy is to recognize transfers in and out of levels as of the beginning of the fiscal year taking into consideration subsequent events which may require a different transfer recognition date.

The following presents information about the Institute's assets that are measured at fair value on a recurring basis and indicates the fair value hierarchy of the valuation techniques the Institute utilized to determine such fair value. The three levels of the fair value hierarchy under ASC 820 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 are 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 are 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 or its equivalent.

<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 or its equivalent, 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:

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. For government and corporate bonds, fair values are generally obtained from third party pricing services for comparable assets or liabilities.

2. INVESTMENTS (continued)

Investments in limited partnerships are valued at fair value based on the applicable percentage ownership of the investment partnerships' net assets as of the measurement date. In determining fair value, management utilizes valuations provided by the investment partnerships. The estimated fair values of certain investments of the investment partnerships, which may include private placements and other securities for which prices are not readily available, are determined by the general partner or sponsor of the respective investment partnerships and may not reflect amounts that could be realized upon immediate sale, nor amounts that ultimately may be realized. Accordingly, the estimated fair values may differ significantly from the values that would have been used had a 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.

The Institute's investments are classified as follows, based on fair values, as of June 30, 2010 (in thousands):

	2010			
Pooled Investments	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 25,959	$	$	$ 25,959
Fixed income securities	24,417	19,166		43,583
Equity securities	256,413	1,598		258,011
Hedge funds		54,256	69,968	124,224
Venture capital and private equity			65,174	65,174
Real assets	7,760	38,547	42,880	89,187
Total Pooled Investments	$ 314,549	$ 113,567	$ 178,022	$ 606,138
Non-Pooled Investments				
Cash and cash equivalents	$ 44,255	$	$	$ 44,255
Fixed income securities		3,421		3,421
Equity securities	2,801			2,801
Assets held in trust by others	33,956	3,902	523	38,381
Total Non-Pooled Investments	$ 81,012	$ 7,323	$ 523	$ 88,858
Total Investments	$ 395,561	$ 120,890	$ 178,545	$ 694,996

2. INVESTMENTS (continued)

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

	2009			
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 years ended June 30, 2010 and 2009 (in thousands):

	2010	2009
Beginning balance	$ 184,861	$ 357,548
Total gains and (losses)		
Realized	4,031	2,877
Unrealized	15,343	(77,996)
Purchases	39,476	40,946
Sales	(43,245)	(138,514)
Transfers in to Level 3	16,071	
Transfers out of Level 3	(37,992)	
Ending balance	$ 178,545	$ 184,861
Amount of gains and (losses) for the year attributable to unrealized gains and (losses) relating to assets still held at year end	$ 14,776	$ (64,642)

As previously discussed, new interpretations surrounding ASU No. 2009-12 regarding hedge fund liquidity resulted in $17.4 million of transfers in to Level 3 and $11.7 million of transfers out of Level 3. In June 2010 the Institute received notification that redemption restrictions were lifted, effective August 2010, for certain fixed income and equity security commingled funds resulting in $20.8 million of transfers out from Level 3 to Level 2.

2. INVESTMENTS (continued)

The category, redemption frequency, and redemption notice period of investments held at net asset value or its equivalent are as follows as of June 30, 2010 (in thousands):

	Fair Value	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period	Lock-Up or Gate
Fixed income securities funds	$ 19,166	N/A	Monthly	30 Days	None
Equity securities funds	1,598	N/A	Monthly	30 Days	None
Hedge funds	124,224	N/A	Monthly-Annually	30-120 Days	Some assets subject to 1-3 year lock-up
Venture capital and private equity	65,174	61,194	N/A	N/A	N/A
Real assets	81,427	17,507	Monthly-Annually	1-90 Days	Some assets subject to 3 year lock-up
Total	$ 291,589	$ 78,701			

Capital committed to private investments but not yet called, total $95.1 million as of June 30, 2009.

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 funds 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.

The Uniform Prudent Management of Institutional Funds Act ("UPMIFA") is a model act approved by the Uniform Law Commission that serves as a guideline for states to use in enacting legislation. 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 ASC 958-205-45 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 effects 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 Institute's endowment composition as of June 30, 2010 and 2009 is as follows (in thousands):

	2010			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$	$ 146,229	$ 290,326	$ 436,555
Board-designated endowment funds	197,877	31,247		229,124
Total funds	$ 197,877	$ 177,476	$ 290,326	$ 665,679

	2009			
	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)

Description of amounts classified as permanently restricted net assets and temporarily restricted net assets (endowment only) as of June 30, 2010 and 2009 are as follows (in thousands):

	2010	2009
Permanently restricted net assets		
The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or UPMIFA	$ 290,326	$ 278,781
Temporarily restricted net assets		
Term endowment funds	$ 109,129	$ 97,264
The portion of perpetual endowments subject to a time restriction under UPMIFA	68,347	60,776
Total endowment funds classified as temporarily restricted net assets	$ 177,476	$ 158,040

Changes in endowment net assets for the year ended June 30, 2010 are as follows (in thousands):

	2010			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 181,045	$ 158,040	$ 278,781	$ 617,866
Investment income	3,177	2,935	2,065	8,177
Net appreciation on pooled investments	23,623	29,167	212	53,002
Net appreciation on non-pooled investments	56	263		319
Net appreciation on assets held in trust			1,144	1,144
Contributions		1,050	11,829	12,879
Appropriation of endowment assets for expenditure	(20,029)	(17,680)	(2,065)	(39,774)
Transfers to create board-designated endowment funds	10,195	4,207		14,402
Transfers to remove board-designated endowment funds	(201)	(561)		(762)
Other changes, net	11	55	(1,640)	(1,574)
Endowment net assets, end of year	$ 197,877	$ 177,476	$ 290,326	$ 665,679

3. ENDOWMENT FUNDS (continued)

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

	2009			
	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

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 $12.9 million and $16.1 million as of June 30, 2010 and 2009, respectively. 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 a 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, 2010 and 2009, 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 ending December 31, 2008, and 2007, respectively. Additions to principal are factored in on a weighted-average basis through June 30, 2010 and 2009. 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 2010 ranged from 1.2% to 3.5% and for fiscal year 2009 ranged from 2.0% to 4.4%. Contributions receivable are expected to be realized as follows (in thousands):

Collectible during the following periods:	2010	2009
Year one	$ 20,380	$ 26,404
Year two	16,012	18,074
Year three	10,724	15,327
Year four	5,773	9,939
Year five and thereafter	9,455	13,585
Gross contributions receivable	62,344	83,329
Present value discount	(3,102)	(6,415)
Allowance for uncollectible contributions	(1,818)	(2,458)
Net contributions receivable	$ 57,424	$ 74,456

5. PROPERTY AND EQUIPMENT, NET

Property and equipment as of June 30, 2010 and 2009 consist of the following (in thousands):

	2010	2009
Land	$ 11,351	$ 11,351
Buildings and improvements	584,984	568,690
Equipment, furniture, and fixtures	17,095	22,259
Total property and equipment	613,430	602,300
Construction in progress	5,736	5,897
Accumulated depreciation	(124,014)	(116,263)
Property and equipment, net	$ 495,152	$ 491,934

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 recorded a $5.7 million receivable and construction in progress for the value of the property, cash, and improvements and an offsetting deferred gain of $5.7 million as of June 30, 2009. In 2010, the Institute received title to the property and an additional $200,000 of improvements to the property resulting in a $5.9 million gain on building sale.

6. ACCOUNTS PAYABLE AND OTHER LIABILITIES

Accounts payable and other liabilities as of June 30, 2010 and 2009, consist of the following (in thousands):

	2010	2009
Accounts payable	$ 21,871	$ 25,427
Art purchase liability	1,183	2,148
Asset retirement obligations	5,830	5,925
Accrued salaries and benefits	4,560	5,840
Accrued interest payable	2,851	2,725
Other liabilities	2,463	2,810
Total accounts payable and other liabilities	$ 38,758	$ 44,875

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, 2010 and 2009. The change in the asset retirement obligation for the years ended June 30, 2010 and 2009 are as follows (in thousands):

	2010	2009
Asset retirement obligations, beginning of year	$ 5,925	$ 5,784
Accretion expense	52	238
Settlements paid	(141)	(110)
Change in estimate	(6)	13
Asset retirement obligations, end of year	$ 5,830	$ 5,925

7. COMMITMENTS AND CONTINGENCIES

The Institute is party to various legal proceedings and claims incidental to its business. Institute management currently believes that the ultimate outcome of these proceedings and/or claims, either individually or in the aggregate, will not have a material adverse effect on the Institute's 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 2020. Certain operating leases provide for renewal options for periods from 1 to 10 years. Total lease expenses are $3.1 million and $2.7 million for the years ended June 30, 2010 and 2009, respectively.

Minimum future lease payments under noncancelable operating leases having remaining terms in excess of one year as of June 30, 2010, are as follows (in thousands):

Year ending June 30,	
2011	$ 3,283
2012	3,191
2013	3,255
2014	3,308
2015	3,361
2016 and thereafter	17,295
Total minimum lease payments	$ 33,693

8. NOTES PAYABLE

Notes payable as of June 30, 2010, 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:								
Medium/Long-Term Bonds Tax Exempt:								
Adjustable Interest Rate Demand Revenue Bonds: Series 2000A	$ 32,000			3/1/2034	At maturity	March 1, September 1	4-8 years	4.25% to 5.25%
Adjustable Interest Rate Medium-Term Revenue Bonds: Series 1998A	29,880			3/1/2030	At maturity	March 1, September 1	3-7 years	4.13% to 5.00%
Fixed Interest Rate Revenue Bonds: 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%
Series 2010A	58,190			3/1/2015	At maturity	March 1, September 1	N/A	5.00%
Series 2010A	47,575			3/1/2040	At maturity	March 1, September 1	N/A	5.25%
Series 2010B	26,580			7/1/2013	At maturity	January 1, July 1	N/A	3.00%
Series 2010B	27,375			7/1/2015	At maturity	January 1, July 1	N/A	4.00%
Fixed Interest Rate Revenue Refunding Bonds: Series 2003	13,380			3/1/2023	Varying dates and amounts	March 1, September 1	N/A	4.00% to 5.38%
Total Bonds	294,980	100.0%	96.5%					
Bank Debt:								
JP Morgan Chase $30 million working capital line of credit	900		0.3%	5/30/2012	At maturity	Varying dates	Varying dates	LIBOR+180bps
Bank of Holland $750,000 working capital line of credit	650		0.2%	1/10/2012	At maturity	Monthly	N/A	Greater of 5.5% or Prime
Total Outstanding Debt	296,530		97.0%					
Unamortized premium	10,029							
Unamortized discount	(838)							
Total	$ 305,721							

8. NOTES PAYABLE (continued)

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)

The fair value of notes payable as of June 30, 2010 and 2009 is $315.4 million and $336.2 million, respectively, based upon quoted market prices provided by a third party pricing service. All bonds are issued through the Illinois Finance Authority. Minimum mandatory redemption payment on the Illinois Finance Authority bond issues, which approximate minimum sinking fund requirements, is $715,000 for 2011, and an additional total of $294.3 million through the ultimate maturity dates of the bonds.

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, 2010 and 2009. 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, 2010 and 2009 (in thousands):

	2010	2009
Restricted contributions received for acquisition or improvement of long-lived assets	$ 242,229	$ 231,610
Contributions receivable for acquisition or improvement of long-lived assets funded wholly or partially by debt	41,591	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	68,347	60,776
Other temporarily restricted net assets available for debt obligations	12,726	15,216
Total temporarily restricted net assets available for debt obligations	$ 364,893	$ 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.

AIC has secured a $30.0 million working capital line of credit through JPMorgan Chase expiring on May 30, 2012. As of June 30, 2010 and 2009, $900,000 and $8.8 million were borrowed against the credit line at a rate of 3.75% in each year. Ox-Bow has secured a $750,000 line of credit through the Bank of Holland expiring on January 10, 2012. As of June 30, 2010 and 2009, $650,000 and $649,000 was borrowed against the credit line at a rate of 5.50% in each year.

On May 20, 2010, AIC issued $54.0 million in tax-exempt Series 2010B Revenue Bonds through the Illinois Finance Authority. The proceeds from the Series 2010B bonds were used to refund the outstanding principal amounts on the Institute's Series 2009B-1 and Series 2009B-2 bonds.

On June 9, 2010, AIC issued $105.8 million in tax-exempt Series 2010A Revenue Bonds through the Illinois Finance Authority. The proceeds from the Series 2010A bonds were used to refund the outstanding principal amounts on the Institute's Series 1996, Series 1995, and Series 1992 bonds and $12.0 million of the outstanding principal amount on the Series 2000A bonds. The Institute elected to make a partial prepayment on the Series 2000A issue in order to provide for the defeasance of $34.5 million of principal payments due from March 1, 2011 through March 1, 2013. The Institute deposited cash with the Series 2000A trustee in the Securities Trust Fund for the purpose of purchasing defeasance obligations. The Institute recorded a loss on debt defeasance of $2.0 million for the year ended June 30, 2010.

9. RESTRICTIONS ON NET ASSETS

The nature of restrictions on net assets released from donor restrictions for the years ended June 30, 2010 and 2009, are summarized as follows (in thousands):

	2010	2009
Purchase of art objects	$ 5,987	$ 12,715
Purchase of books	366	184
Student aid	3,513	3,323
Museum exhibitions	4,052	2,081
Museum publications	745	325
Gallery maintenance, professorships, and curatorships	6,874	5,547
Restricted contributions received for acquisition or improvement of long-lived assets	10,166	6,363
Education, instruction, and other	9,891	12,183
Total	$ 41,594	$ 42,721

Net assets categorized by donor restrictions as of June 30, 2010, are summarized as follows (in thousands):

	Temporarily Restricted	Permanently Restricted
Purchase of art objects	$ 64,171	$ 38,929
Purchase of books	1,976	1,755
Student aid	24,627	24,062
Museum exhibitions	1,987	22,390
Museum publications	3,462	3,510
Gallery maintenance, professorships, and curatorships	24,384	61,532
Restricted contributions received for acquisition or improvement of long-lived assets	245,808	
Education, instruction, and other	60,835	62,582
Contributions receivable	45,988	9,701
Assets held in trust by others	845	37,960
General purposes	35,246	27,905
Total	$ 509,329	$ 290,326

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

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 defined benefit 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, 2010 and 2009 (in thousands):

	Pension Benefits		Other Benefits	
	2010	2009	2010	2009
Change in benefit obligation				
Benefit obligation—beginning of year	$ 99,174	$ 89,686	$ 387	$ 449
Service cost	2,299	2,065		
Interest cost	6,166	5,844	17	23
Actuarial (gain) loss	14,613	4,998	20	6
Benefits paid	(3,936)	(3,419)	(97)	(91)
Projected benefit obligation—end of year	$ 118,316	$ 99,174	$ 327	$ 387
Change in plan assets				
Fair value of plan assets—beginning of year	$ 59,650	$ 71,944	$	$
Actual return on plan assets	6,001	(11,671)		
Employer contribution	1,420	2,796		
Benefits paid	(3,936)	(3,419)		
Fair value of plan assets—end of year	$ 63,135	$ 59,650	$ -	$ -
Funded status at the end of the year	$ (55,181)	$ (39,524)	$ (327)	$ (387)

The pension plan and other benefit plan items not yet recognized as a component of periodic pension and postretirement expense, but included in net assets as of June 30, 2010 and 2009, are as follows (in thousands):

	Pension Benefits		Other Benefits	
	2010	2009	2010	2009
Net actuarial loss	$ 57,989	$ 48,865	$ 48	$ 28
Prior service credit	(771)	(964)		(4)
Net amount recognized	$ 57,218	$ 47,901	$ 48	$ 24

10. PENSION AND OTHER POSTRETIREMENT BENEFITS (continued)

As of June 30, 2010 and 2009, information for pension plans with an accumulated benefit obligation in excess of plan assets consist of the following (in thousands):

	2010	2009
Projected benefit obligation	$ 118,316	$ 99,174
Accumulated benefit obligation	107,107	89,530
Fair value of plan assets	63,135	59,650

As of June 30, 2010 and 2009, components of net periodic benefit cost consist of the following (in thousands):

	Pension Benefits		Other Benefits	
	2010	2009	2010	2009
Service cost	$ 2,299	$ 2,065	$	$
Interest cost	6,166	5,844	13	17
Expected return on plan assets	(4,363)	(5,441)		
Amortization of prior service credit	(193)	(193)		(4)
Amortization of net actuarial loss	3,850	1,909	5	
Net periodic benefit cost	$ 7,759	$ 4,184	$ 18	$ 13

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 2011 are $4.6 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 2011 is $(5,000).

Assumptions—Weighted-average assumptions used to determine benefit obligations as of June 30, 2010 and 2009, are as follows:

	Pension Benefits		Other Benefits	
	2010	2009	2010	2009
Discount rate	5.20 %	6.20 %	4.91 %	5.01 %
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, 2010 and 2009 are as follows:

	Pension Benefits		Other Benefits	
	2010	2009	2010	2009
Discount rate	6.20 %	6.50 %	5.01 %	5.01 %
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, 2010 and 2009, are as follows:

	Other Benefits	
	2010	2009
Health care cost trend rate assumed for next year	10.00 %	11.00 %
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	3	(3)

Contributions— AIC employer contributions to the defined contribution plan totaled $2.1 million for the years ended June 30, 2010 and 2009, respectively. AIC employer contributions to the supplemental retirement plan totaled $145,000 and $513,000 for the years ended June 30, 2010 and 2009, respectively. Ox-Bow did not make a discretionary employer contribution for the years ended June 30, 2010 and 2009.

AIC expects to contribute $3.8 million to its pension plan and $121,000 to its other postretirement benefit plan in fiscal year 2011.

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
2011	$ 4,487	$ 121
2012	4,817	133
2013	5,108	66
2014	5,450	25
2015	5,860	2
2016 - 2020	35,200	3

10. PENSION AND OTHER POSTRETIREMENT BENEFITS (continued)

Plan Assets— 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.

The pension plan asset allocations as of June 30, 2010 and 2009, by asset category are as follows:

	Pension		
Asset Category	2010	2009	Target Allocation
Cash and cash equivalents	3 %	7 %	2 %
Equity securities	58	60	60
Fixed income securities	39	33	38
Total	100 %	100 %	100 %

The following presents information about AIC's Pension Plan assets measured at fair value as of June 30, 2010, and the inputs and valuation techniques used to determine those fair values. The three levels of the fair value hierarchy under ASC 820 are described below:

Level 1 - Unadjusted quoted prices at the measurement date in active markets for identical assets or liabilities that the reporting entity has the ability to access. Investments included in Level 1 are money market funds and mutual funds.

Level 2 - Inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly or indirectly. Investments included in this category are institutional commingled funds. The underlying investments for these funds are marketable securities and/or publicly traded U.S. Treasury, Corporate, and Government bonds, however, the Plan does not own the underlying investments directly.

Level 3 - Inputs are unobservable for the asset or liability and include situations where there is little, if any, market activity for the asset or liability. The inputs into the determination of fair value may require significant management judgment or estimation. The Plan does not hold any financial assets valued using Level 3 inputs.

The Plan's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment. Investments in mutual funds traded on a national securities exchange are stated at the last reported sales price on the date of valuation. Institutional commingled funds are stated at fair value of the underlying securities or at net asset value, as determined by the administrator, based on readily determinable market values.

Plan assets, at fair value	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 1,955	$	$	$ 1,955
Equity securities	36,863			36,863
Fixed income securities	16,502	7,815		24,317
Total plan assets, at fair value	$ 55,320	$ 7,815	$ -	$ 63,135

11. NATURAL CLASSIFICATION OF EXPENSES

Expenses by natural classification for operating activities, excluding gain on building sale and loss on debt defeasance, for the year ended June 30, 2010 are as follows (in thousands):

	Museum	School	Ox-Bow	Total	% of Total
Salaries and wages	$ 28,624	$ 41,090	$ 515	$ 70,229	34.5%
Fringe benefits	10,797	13,088	91	23,976	11.8%
Contracted services	11,127	10,508	156	21,791	10.7%
Equipment, rental, and maintenance	2,017	8,530	51	10,598	5.2%
Travel and entertainment	1,299	1,354	46	2,699	1.3%
Telephone, copy, fax, and postage	1,866	1,198	22	3,086	1.5%
Supplies, books, and subscriptions	2,004	1,405	52	3,461	1.7%
Publications and printing	2,992	1,144		4,136	2.0%
Publicity and promotions	946	616		1,562	0.8%
Cost of sales	5,878	1,747		7,625	3.7%
Utilities	4,246	2,259		6,505	3.2%
Bad debt	4	514		518	0.3%
Accretion expense	17	35		52	0.0%
Interest and debt issuance cost amortization	6,688	4,128		10,816	5.3%
Depreciation	17,868	8,076	206	26,150	12.8%
Other	5,146	4,972	523	10,641	5.2%
Total	$ 101,519	$ 100,664	$ 1,662	$ 203,845	100%

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%

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 Life Trustees and members of the curatorial, museum education, library, conservation, and other 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. SUBSEQUENT EVENTS

The Institute evaluated activity through September 30, 2010, the date the consolidated financial statements were issued, and concluded that no subsequent events have occurred that would require recognition or additional disclosure.

14. 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, 2010, is as follows (in thousands):

	AIC	Ox-Bow	Eliminating Entries	Total
Assets:				
Cash and cash equivalents	$ 3,785	$ 1,501	$	$ 5,286
Accounts and investment income receivable	8,880	149	(291)	8,738
Contributions receivable	56,771	653		57,424
Inventories	7,137	3		7,140
Prepaid expenses and other assets	6,956	573		7,529
Investments	694,996			694,996
Property and equipment, net	489,639	5,513		495,152
Total assets	**$ 1,268,164**	**$ 8,392**	**$ (291)**	**$ 1,276,265**
Liabilities and net assets:				
Liabilities:				
Accounts payable and other liabilities	$ 38,694	$ 355	$ (291)	$ 38,758
Deferred revenues	18,667	5		18,672
Refundable advances	3,224			3,224
Pension liability	55,181			55,181
Notes payable	305,071	650		305,721
Total liabilities	**420,837**	**1,010**	**(291)**	**421,556**
Net assets:				
Unrestricted	53,966	1,088		55,054
Temporarily restricted	503,679	5,650		509,329
Permanently restricted	289,682	644		290,326
Total net assets	**847,327**	**7,382**	**-**	**854,709**
Total liabilities and net assets	**$ 1,268,164**	**$ 8,392**	**$ (291)**	**$ 1,276,265**

14. CONSOLIDATING STATEMENTS (continued)

The consolidating statement of activities for the year ended June 30, 2010, is as follows (in thousands):

	AIC	Ox-Bow	Eliminating Entries	Total
Operating revenue, gains, and other support:				
Tuition and student program fees	$ 106,512	$ 1,094	$	$ 107,606
Student aid	(27,510)	(248)		(27,758)
Tuition and student program fees, net	79,002	846	-	79,848
Contributions	58,194	2,015		60,209
Chicago Park District tax	6,500			6,500
Museum admissions	9,148			9,148
Membership dues	6,416			6,416
Special exhibitions, catalogues, and other revenues	773			773
Other program revenues	7,468			7,468
Investment return designated for current use	34,303			34,303
Auxiliary activities	25,375			25,375
Other	1,024			1,024
Net assets released from restrictions				-
Total	228,203	2,861	-	231,064
Expenses and losses:				
Programs services				
Curatorial, libraries, and collections	32,089			32,089
Special exhibitions	4,029			4,029
Museum education	2,828			2,828
Other programs	5,657			5,657
Instructional and academic	62,152	842		62,994
Auxiliary activities	19,099			19,099
Managerial and general				
General administration	29,259	315		29,574
Depreciation	25,944	206		26,150
Interest and debt issuance cost amortization	10,816			10,816
Member development	1,646			1,646
Fund raising	7,528	299		7,827
Other	1,136			1,136
Total	202,183	1,662	-	203,845
Change in net assets from operations before building sale and debt defeasance	26,020	1,199	-	27,219
Gain on building sale	5,932			5,932
Loss on debt defeasance	(2,009)			(2,009)
Change in net assets from operations	**29,943**	**1,199**	**-**	**31,142**
Nonoperating revenue, expenses, support, gains, and losses:				
Proceeds from the sale of art objects	111			111
Contributions for the purchase of art objects	1,943			1,943
Net assets released to fund acquisition of art objects				-
Investment return designated for art purchases	5,154			5,154
Acquisition of art objects	(6,110)			(6,110)
Pension-related changes other than net periodic pension cost	(9,342)			(9,342)
Investment return in excess of amounts designated for current operations and art purchases	21,490			21,490
Other transfers				-
Change in net assets	**43,189**	**1,199**	**-**	**44,388**
Net assets, beginning of year	804,138	6,183		810,321
Net assets, end of year	**$ 847,327**	**$ 7,382**	**$ -**	**$ 854,709**

14. CONSOLIDATING STATEMENTS (continued)

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**

14. 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**

14. CONSOLIDATING STATEMENTS (continued)

The consolidating condensed cash flow activity for the years ended June 30, 2010 and 2009 is as follows (in thousands):

	For the year ended 2010		
	AIC	Ox-Bow	Total
Net cash provided by operating activities	$ 9,980	$ 523	$ 10,503
Net cash used in investing activities	(34,655)		(34,655)
Net cash provided by financing activities	4,442	1	4,443
Net (decrease) increase in cash and cash equivalents	**(20,233)**	**524**	**(19,709)**
Cash and cash equivalents at the beginning of the year	24,018	977	24,995
Cash and cash equivalents at the end of the year	**$ 3,785**	**$ 1,501**	**$ 5,286**

	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**

15. AIC STATEMENTS OF ACTIVITIES

AIC statement of activities, which excludes Ox-Bow, for the year ended June 30, 2010, 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	$ 106,512	$	$	$ 106,512
Student aid	(27,510)			(27,510)
Tuition and student program fees, net	79,002	-	-	79,002
Contributions	26,309	18,964	12,921	58,194
Chicago Park District tax	6,500			6,500
Museum admissions	9,148			9,148
Membership dues	6,416			6,416
Special exhibitions, catalogues, and other revenues	773			773
Other program revenues	7,468			7,468
Investment return designated for current use	13,493	20,810		34,303
Auxiliary activities	25,375			25,375
Other	1,024			1,024
Net assets released from restrictions	35,250	(35,250)		-
Total	210,758	4,524	12,921	228,203
Expenses and losses:				
Programs services				
Curatorial, libraries, and collections	32,089			32,089
Special exhibitions	4,029			4,029
Museum education	2,828			2,828
Other programs	5,657			5,657
Instructional and academic	62,152			62,152
Auxiliary activities	19,099			19,099
Managerial and general				
General administration	29,259			29,259
Depreciation	25,944			25,944
Interest and debt issuance cost amortization	10,816			10,816
Member development	1,646			1,646
Fund raising	7,528			7,528
Other			1,136	1,136
Total	201,047	-	1,136	202,183
Change in net assets from operations before building sale and debt defeasance	9,711	4,524	11,785	26,020
Gain on building sale	5,932			5,932
Loss on debt defeasance	(2,009)			(2,009)
Change in net assets from operations	**13,634**	**4,524**	**11,785**	**29,943**
Nonoperating revenue, expenses, support, gains, and losses:				
Proceeds from the sale of art objects		111		111
Contributions for the purchase of art objects		1,891	52	1,943
Net assets released to fund acquisition of art objects	5,987	(5,987)		-
Investment return designated for art purchases	171	4,906	77	5,154
Acquisition of art objects	(6,110)			(6,110)
Pension-related changes other than net periodic pension cost	(9,342)			(9,342)
Investment return less than amounts designated for current operations and art purchases	6,830	14,526	134	21,490
Other transfers	(216)	213	3	-
Change in net assets	**10,954**	**20,184**	**12,051**	**43,189**
Net assets, beginning of year	43,012	483,495	277,631	804,138
Net assets, end of year	**$ 53,966**	**$ 503,679**	**$ 289,682**	**$ 847,327**

15. AIC STATEMENTS OF ACTIVITIES (continued)

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**

15. AIC STATEMENTS OF ACTIVITIES (continued)

Unrestricted activity for Museum programs for the years ended June 30, 2010 and 2009 is as follows (in thousands):

	Museum	
	2010	2009
Operating revenue, gains, and other support:		
Contributions	$ 21,685	$ 18,018
Chicago Park District tax	6,500	6,537
Museum admissions	9,148	6,644
Membership dues	6,416	4,550
Special exhibitions	773	200
Other program revenues	2,799	5,390
Investment return designated for current use	10,810	14,135
Auxiliary activities	16,623	13,812
Other	532	567
Net assets released from restrictions	28,189	23,752
Total	103,475	93,605
Expenses:		
Programs services:		
Curatorial, libraries, and collections	32,089	32,572
Special exhibitions	4,029	4,124
Museum education	2,828	2,911
Other programs	3,987	6,238
Auxiliary activities	14,691	12,917
Managerial and general:		
General administration	12,526	12,247
Depreciation	17,868	12,239
Interest and debt issuance cost amortization	6,688	3,790
Member development	1,646	1,387
Fund raising	5,167	9,543
Total	101,519	97,968
Change in net assets from operations before debt defeasance	1,956	(4,363)
Loss on debt defeasance	(675)	
Change in net assets from operations	**$ 1,281**	**$ (4,363)**

15. AIC STATEMENTS OF ACTIVITIES (continued)

Unrestricted activity for School programs for the years ended June 30, 2010 and 2009 is as follows (in thousands):

	School 2010	School 2009
Operating revenue, gains, and other support:		
Tuition and student program fees	$ 106,512	$ 98,082
Student aid	(27,510)	(25,141)
Tuition and student program fees, net	79,002	72,941
Contributions	4,624	2,838
Other program revenues	4,669	5,026
Investment return designated for current use	2,683	4,269
Auxiliary activities	8,752	8,452
Other	492	786
Net assets released from restrictions	7,061	6,147
Total	107,283	100,459
Expenses:		
Programs services:		
Other programs	1,670	1,553
Instructional and academic	62,152	63,468
Auxiliary activities	4,408	3,651
Managerial and general:		
General administration	16,733	13,168
Depreciation	8,076	7,724
Interest and debt issuance cost amortization	4,128	4,562
Fund raising	2,361	2,411
Total	99,528	96,537
Change in net assets from operations before building sale and debt defeasance	7,755	3,922
Gain on building sale	5,932	
Loss on debt defeasance	(1,334)	
Change in net assets from operations	**$ 12,353**	**$ 3,922**