The Art Institute of Chicago

Financial Statements as of and for the Years Ended June 30, 2013 and 2012, Supplementary Information as of and for the Year Ended June 30, 2013, and Independent Auditors' Report

THE ART INSTITUTE OF CHICAGO

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

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

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of The Art Institute of Chicago (the "Institute") as of June 30, 2013 and 2012, and for the years then ended, as listed in the foregoing table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Institute's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Institute's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Institute as of June 30, 2013, the consolidated financial position as of June 30, 2012, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the financial statements. This supplementary information is the responsibility of the Institute's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in our audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, such information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Deloitte & Touche LLP

Chicago, Illinois
September 27, 2013

THE ART INSTITUTE OF CHICAGO

STATEMENT OF FINANCIAL POSITION AS OF JUNE 30, 2013 AND
CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF JUNE 30, 2012
(In thousands)

	2013	2012
Assets:		
Cash and cash equivalents	$ 6,196	$ 3,142
Accounts and investment income receivable	9,056	9,674
Contributions receivable	34,817	48,569
Inventories	5,662	5,569
Prepaid expenses and other assets	11,375	11,486
Investments	873,941	803,266
Property and equipment, net	463,513	477,870
Total assets	**$ 1,404,560**	**$ 1,359,576**
Liabilities and net assets:		
Liabilities:		
Accounts payable and other liabilities	$ 32,854	$ 37,919
Deferred revenues and other	23,243	19,561
Refundable advances	3,495	3,401
Pension liability	12,697	64,545
Notes payable	295,235	271,119
Total liabilities	**367,524**	**396,545**
Net assets:		
Unrestricted	127,764	76,549
Temporarily restricted	581,898	565,689
Permanently restricted	327,374	320,793
Total net assets	**1,037,036**	**963,031**
Total liabilities and net assets	**$ 1,404,560**	**$ 1,359,576**

See notes to consolidated financial statements.

THE ART INSTITUTE OF CHICAGO

CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013
(In thousands)

	Unrestricted Funds	Temporarily Restricted Funds	Permanently Restricted Funds	Total
Operating revenue, gains, and other support:				
Tuition and student program fees	$ 125,117	$	$	$ 125,117
Student aid	(33,281)			(33,281)
Tuition and student program fees, net	91,836			91,836
Contributions	20,628	10,796	7,237	38,661
Chicago Park District tax	5,576			5,576
Museum admissions	11,813			11,813
Membership dues	7,117			7,117
Special exhibitions, catalogues, and other revenues	553			553
Other program revenues	9,328			9,328
Investment return designated for current use	16,841	22,450		39,291
Auxiliary activities	27,048			27,048
Other	867			867
Net assets released from restrictions	38,515	(38,515)		-
Total operating revenue, gains, and other support	230,122	(5,269)	7,237	232,090
Expenses and losses:				
Programs services:				
Curatorial, libraries, and collections	34,622			34,622
Special exhibitions	5,332			5,332
Museum education	2,697			2,697
Other programs	7,838			7,838
Instructional and academic	81,374			81,374
Auxiliary activities	17,639			17,639
Managerial and general:				
General administration	27,974			27,974
Depreciation	27,723			27,723
Interest and debt issuance cost amortization	12,005			12,005
Member development	3,496			3,496
Fund raising	6,881			6,881
Other		383		383
Total expenses and losses	227,581	383	-	227,964
Change in net assets from operations before debt defeasance	2,541	(5,652)	7,237	4,126
Loss on debt defeasance	(1,564)			(1,564)
Change in net assets from operations	**977**	**(5,652)**	**7,237**	**2,562**
Nonoperating revenue, expenses, support, gains, and losses:				
Proceeds from the sale of art objects		6,231		6,231
Contributions for the purchase of art objects		1,807	454	2,261
Net assets released to fund acquisition of art objects	16,283	(16,283)		-
Investment return designated for art purchases	20	3,363		3,383
Acquisition of art objects	(16,457)			(16,457)
Pension-related changes other than net periodic pension cost	25,945			25,945
Investment return in excess of amounts designated for current operations and art purchases	24,257	32,556	268	57,081
Other transfers	942	(185)	(757)	-
Change in net assets before deconsolidation	**51,967**	**21,837**	**7,202**	**81,006**
Deconsolidation of Ox-Bow	(752)	(5,628)	(621)	(7,001)
Change in net assets	**51,215**	**16,209**	**6,581**	**74,005**
Net assets, beginning of year	76,549	565,689	320,793	963,031
Net assets, end of year	**$ 127,764**	**$ 581,898**	**$ 327,374**	**$ 1,037,036**

See notes to consolidated financial statements.

THE ART INSTITUTE OF CHICAGO

CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012
(In thousands)

	Unrestricted Funds	Temporarily Restricted Funds	Permanently Restricted Funds	Total
Operating revenue, gains, and other support:				
Tuition and student program fees	$ 120,470	$	$	$ 120,470
Student aid	(31,591)			(31,591)
Tuition and student program fees, net	88,879	-	-	88,879
Contributions	23,725	13,909	8,002	45,636
Chicago Park District tax	5,537			5,537
Museum admissions	9,529			9,529
Membership dues	6,725			6,725
Special exhibitions, catalogues, and other revenues	227			227
Other program revenues	8,909			8,909
Investment return designated for current use	13,700	23,652		37,352
Auxiliary activities	25,075			25,075
Other	3,511			3,511
Net assets released from restrictions	37,859	(37,859)		-
Total operating revenue, gains, and other support	223,676	(298)	8,002	231,380
Expenses and losses:				
Programs services:				
Curatorial, libraries, and collections	30,994			30,994
Special exhibitions	4,408			4,408
Museum education	2,512			2,512
Other programs	7,337			7,337
Instructional and academic	77,045			77,045
Auxiliary activities	16,754			16,754
Managerial and general:				
General administration	23,852			23,852
Depreciation	26,668			26,668
Interest and debt issuance cost amortization	12,100			12,100
Member development	2,260			2,260
Fund raising	7,195			7,195
Total expenses and losses	211,125	-	-	211,125
Change in net assets from operations before debt defeasance	12,551	(298)	8,002	20,255
Loss on debt defeasance	(209)			(209)
Change in net assets from operations	**12,342**	**(298)**	**8,002**	**20,046**
Nonoperating revenue, expenses, support, gains, and losses:				
Proceeds from the sale of art objects		9,453		9,453
Contributions for the purchase of art objects		1,786	208	1,994
Net assets released to fund acquisition of art objects	10,200	(10,200)		-
Investment return designated for art purchases	2	3,225	40	3,267
Acquisition of art objects	(10,289)			(10,289)
Pension-related changes other than net periodic pension cost	(27,195)			(27,195)
Investment return less than amounts designated for current operations and art purchases	(20,861)	(26,571)	(118)	(47,550)
Endowment transfer to third party not-for-profit entity		(576)	(79)	(655)
Other transfers	(3,300)	3,447	(147)	-
Change in net assets	**(39,101)**	**(19,734)**	**7,906**	**(50,929)**
Net assets, beginning of year	115,650	585,423	312,887	1,013,960
Net assets, end of year	**$ 76,549**	**$ 565,689**	**$ 320,793**	**$ 963,031**

See notes to consolidated financial statements.

THE ART INSTITUTE OF CHICAGO

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2013 and 2012
(In thousands)

	2013	2012
Cash flows from operating activities:		
Change in net assets	$ 74,005	$ (50,929)
Change in net assets from deconsolidation of Ox-Bow	7,001	
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	25,387	24,530
Loss on retirement of property	814	200
Loss on debt defeasance	1,564	209
Change in pension liability	(51,848)	23,836
Contributions restricted for permanently restricted endowment, net	(5,847)	(11,051)
Contributions restricted for capital campaign, net	(4,797)	(4,648)
Other losses	383	
Net unrealized and realized (gains) losses on investments	(93,161)	14,543
Acquisitions and sales of art, net	10,226	836
Change in assets and liabilities:		
Accounts and investment income receivable	755	39
Prepaid expenses, other assets, and inventories	(1,531)	932
Unrestricted and temporarily restricted contributions receivable	2,726	(1,172)
Accounts payable and other liabilities	(1,923)	(5,233)
Refundable advances	94	46
Deferred revenues and other	3,835	(745)
Net cash used in operating activities	**(32,317)**	**(8,607)**
Cash flows from investing activities:		
Purchases of property and equipment	(20,457)	(20,768)
Proceeds from sales of art objects	6,231	9,453
Acquisition of art objects	(18,363)	(11,073)
Other assets restricted for debt service	962	13,429
Proceeds from sales of investments	80,637	317,485
Purchases of investments	(56,468)	(300,321)
Net cash (used in) provided by investing activities	**(7,458)**	**8,205**
Cash flows from financing activities:		
Proceeds from contributions restricted for permanently restricted endowment	8,609	13,970
Proceeds from capital campaign	10,752	15,562
Payments on notes payable	(147,560)	(78,358)
Proceeds from notes payable	173,093	48,520
Net cash provided by (used in) financing activities	**44,894**	**(306)**
Net increase (decrease) in cash and cash equivalents	**5,119**	**(708)**
Cash and cash equivalents at the beginning of year	3,142	3,850
Decrease in cash and cash equivalents due to Ox-Bow deconsolidation	(2,065)	
Cash and cash equivalents at the end of year	**$ 6,196**	**$ 3,142**
Supplemental data: Interest paid	$ 13,716	$ 13,978
Supplemental disclosure of noncash items: Property and art purchase additions included in accounts payable	$ 5,851	$ 9,547

1. NATURE OF OPERATIONS AND 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.

Ox-Bow is a separate 501(c)(3) not-for-profit organization that conducts a school of the arts. Effective July 1, 2012, the sponsorship agreement with Ox-Bow was terminated and replaced with a new agreement. The terms contained in the new agreement no longer require AIC to consolidate Ox-Bow. The accompanying consolidated financial statements for fiscal year 2012 include the accounts of AIC and Ox-Bow, known collectively as the "Institute". The accompanying financial statements and notes to the financial statements for fiscal year 2013 include the deconsolidation of Ox-Bow from the Institute. The consolidating financial statements for fiscal year 2012 are shown in Note 14.

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with the accounting principles generally accepted in the United States of America. 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 consolidated financial statements, and the reported amounts of revenues and expenses recognized during the reporting period. Actual results could differ from those estimates.

Classification of 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.

1. **NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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.

Art objects and library collections - The value of the art objects in the permanent collection, as well as the holdings of the libraries, are 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 initially adopted in 1975 and revised in fiscal year 2013. The objects are generally offered for sale at a public auction, and the proceeds from such dispositions 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 includes currency on hand, as well as demand deposits with banks or financial institutions. The Institute maintains its cash balances in various bank deposit accounts which, at times, may exceed Federal Deposit Insurance Corporation limits. The Institute believes it is not exposed to any significant credit risk on cash balances. Cash equivalents are stated at cost, which approximates fair value, and consist of certificates of deposit or money market funds acquired within 90 days of maturity. Cash equivalents held by long-term investment managers are classified as investments, see Note 2 for further discussion.

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 discounted estimated future cash flows, net of the allowance for uncollectible pledges. The discount rate used is a risk-free interest rate based on the yield curve for U.S. Treasury securities. 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 build out, 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 maintained in a Restricted Pledge Fund, as stipulated in the Series 2012A and Series 2010B bond indenture agreements. As of June 30, 2013 and 2012, the Restricted Pledge Fund balance was $3.3 million and $4.3 million, respectively.

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. Records are not available to permit the capitalization of additions and improvements made to the Grant Park facility incurred prior to 1984.

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

The Institute adopted the optional method for reporting net assets released for long-lived assets. The Institute's accounting policy implies that the temporarily restricted net assets related to long-lived assets are released on a schedule that corresponds with the depreciation schedule of the related property and equipment.

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 consolidated 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 and other- 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. Deferred lease payments are recognized as an expense on a straight-line basis over the lease term.

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 - Special exhibitions, catalogues, and other revenues include certain exhibition participation fees and certain exhibition catalogue revenues. All other 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.

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Member development - Member development includes 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 $371,000 in 2013 and $339,000 in 2012. 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.

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.

Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 740, Income Taxes, prescribes a comprehensive model for how an institution should recognize, measure, present, and disclose in its financial statements uncertain tax positions that the institution has taken or expects to take on a tax return. For federal purposes, the Institute has reported federal net operating losses (NOLs) of approximately $7.7 million for tax periods through June 30, 2012. The Institute does not have the ability to estimate the NOL through June 30, 2013, 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 2032. The Institute has not recorded a tax benefit for these NOLs for the years ended June 30, 2013 and 2012, 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 2012, the Institute reclassified $2.9 million of unrestricted cumulative losses related to underwater endowment funds that were reported previously as temporarily restricted.

Recently adopted accounting pronouncements – Effective July 1, 2013, the Institute adopted Accounting Standards Update ("ASU") No. 2011-04, *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. Generally Accepted Accounting Principles* ("*U.S. GAAP") and International Financial Reporting Standards ("IFRS")*, which amends ASC 820, *Fair Value Measurements and Disclosures.* The amendments in this update require the categorization by level for items that are only required to be disclosed at fair value and information about transfers between Level 1 and Level 2. In addition, the ASU provides guidance on measuring the fair value of financial instruments managed within a portfolio and the application of premiums and discounts on fair value measurements. The ASU requires additional disclosure for Level 3 measurements regarding the sensitivity of fair value to changes in unobservable inputs and any interrelationships between those inputs. The adoption did not have a material effect on the statement of financial position and statement of activities nor the disclosures in the consolidated financial statements.

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New accounting pronouncements (issued not yet adopted) - In October 2012, the FASB issued ASU No. 2012-05, *Not-for-Profit Entities: Classification of the Sale Proceeds of Donated Financial Assets in the Statement of Cash Flows*, which amends ASC 320, *Statement of Cash Flows*. The amendment requires classification of cash receipts from the sale of donated financial assets consistent with cash donations received in the statement of cash flows if those cash receipts were from the sale of donated financial assets that upon receipt were directed without any organization-imposed limitations for sale and were converted nearly immediately into cash. Accordingly, the cash receipts from the sale of those financial assets should be classified as cash inflows from operating activities, unless the donor restricted the use of the contributed resources to long-term purposes, in which case, those cash receipts should be classified as cash flows from financing activities. Otherwise, cash receipts from the sale of donated financial assets should be classified as cash flows from investing activities by the organization. The amendment is effective for reporting periods beginning after June 15, 2013. The Institute does not expect the adoption of this amendment to materially impact its statements of cash flows.

2. INVESTMENTS

Investments as of June 30, 2013 and 2012, consist of the following (in thousands):

	2013		
	Pooled	Non-Pooled Investments	Total
Cash and cash equivalents	$ 7,974	$ 7,902	$ 15,876
Fixed income securities	41,443	3,516	44,959
Equity securities	415,550	3,564	419,114
Hedge funds	173,139		173,139
Venture capital and private equity	96,037		96,037
Real assets	82,212		82,212
Total assets held for investment	816,355	14,982	831,337
Assets held in trust by others		42,604	42,604
Total investments	$ 816,355	$ 57,586	$ 873,941

	2012		
	Pooled	Non-Pooled Investments	Total
Cash and cash equivalents	$ 7,369	$ 8,291	$ 15,660
Fixed income securities	16,642	3,721	20,363
Equity securities	351,725	3,289	355,014
Hedge funds	180,501		180,501
Venture capital and private equity	95,607		95,607
Real assets	95,199		95,199
Total assets held for investment	747,043	15,301	762,344
Assets held in trust by others		40,922	40,922
Total investments	$ 747,043	$ 56,223	$ 803,266

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, separately managed accounts, institutional commingled vehicles, or hedge funds with marketable underlying investments.

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, or derivatives. Venture capital and private equity investments consist of limited partnerships invested in a variety of strategies. Underlying investments in these funds may include private equity and private debt. Real assets consist of real estate, oil and gas, and commodity investments invested via mutual funds, institutional commingled funds, hedge funds, or 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, 2013 and 2012, as a percentage consist of the following:

	2013		
	Pooled	Non-Pooled Investments	Total
Cash and cash equivalents	1.0%	13.7%	1.8%
Fixed income securities	5.1	6.1	5.1
Equity securities	50.8	6.2	48.0
Hedge funds	21.2		19.8
Venture capital and private equity	11.8		11.0
Real assets	10.1		9.4
Total assets held for investment	100.0	26.0	95.1
Assets held in trust by others		74.0	4.9
Total investments	100.0%	100.0%	100.0%

	2012		
	Pooled	Non-Pooled Investments	Total
Cash and cash equivalents	1.0%	14.8%	1.9%
Fixed income securities	2.2	6.6	2.5
Equity securities	47.1	5.8	44.2
Hedge funds	24.2		22.5
Venture capital and private equity	12.8		11.9
Real assets	12.7		11.9
Total assets held for investment	100.0	27.2	94.9
Assets held in trust by others		72.8	5.1
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, 2013 and 2012, are as follows (in thousands):

	For the year ended 2013			
	Assets Held for Investment		Assets Held	
Change in fair value:	Pooled	Non-Pooled	in Trust	Total
Realized	$ 22,775	$ 298	$	$ 23,073
Unrealized	69,949	141		70,090
Dividend and interest income	7,463	187	2,128	9,778
Cash gifts and other additions	12,236	10,752	1,682	24,670
Transfers in (out)	444	(11,688)		(11,244)
Investment management fees	(2,634)	(9)		(2,643)
Allocation of spendable funds	(40,921)		(2,128)	(43,049)
Net change in fair value	69,312	(319)	1,682	70,675
Fair value, beginning of year	747,043	15,301	40,922	803,266
Fair value, end of year	$ 816,355	$ 14,982	$ 42,604	$ 873,941

	For the year ended 2012			
	Assets Held for Investment		Assets Held	
Change in fair value:	Pooled	Non-Pooled	in Trust	Total
Realized	$ 4,030	$ 54	$	$ 4,084
Unrealized	(18,701)	75		(18,626)
Dividend and interest income	8,117	165	1,927	10,209
Cash gifts and other additions	11,230	15,562	(2,824)	23,968
Transfers in (out)	1,420	(11,999)		(10,579)
Investment management fees	(2,640)	(12)		(2,652)
Allocation of spendable funds	(39,008)		(1,927)	(40,935)
Net change in fair value	(35,552)	3,845	(2,824)	(34,531)
Fair value, beginning of year	782,595	11,456	43,746	837,797
Fair value, end of year	$ 747,043	$ 15,301	$ 40,922	$ 803,266

Realized and unrealized gains and (losses) included in the consolidated statements of activities for the years ended June 30, 2013 and 2012, are reported in the financial statement lines investment return designated for current use, investment return designated for art purchases, investment return in excess of 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 fair values (in thousands) and the rates of investment return on the pooled investments for the years ended June 30, 2013 and 2012, are summarized as follows:

	2013		2012	
	Fair Value	Rate of Return	Fair Value	Rate of Return
Pooled Endowment Funds Investments	$ 816,355	13.5 %	$ 747,043	(0.9)%

2. INVESTMENTS (continued)

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. The measurement component of ASU No. 2009-12, *Fair Value Measurements and Disclosures: Investments in Certain Entities that Calculate Net Asset Value per Share or its Equivalent*, 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. 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:

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, which are generally included in Level 1 are money market funds, mutual funds, and listed equities.

Level 2 - Inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly or indirectly. Investments 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.

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. Investments which are generally included in this category are certain institutional commingled funds and 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.

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

Management obtains and considers the fund's audited financial statements when evaluating the overall reasonableness of the recorded value. Audited information is only available annually, based on the partnerships' or funds' year end. Investments in private limited partnerships are valued based on the June 30 partner capital account balances as reported by the partnership to the Institute or as estimated by the Institute.

2. INVESTMENTS (continued)

The Institute's investments are classified as follows, based on fair values, as of June 30, 2013 (in thousands):

	2013			
Pooled Investments	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 7,974	$	$	$ 7,974
Fixed income securities	41,443			41,443
Equity securities	130,240	256,323	28,987	415,550
Hedge funds		108,067	65,072	173,139
Venture capital and private equity			96,037	96,037
Real assets	11,411	27,582	43,219	82,212
Total Pooled Investments	191,068	391,972	233,315	816,355
Non-Pooled Investments				
Cash and cash equivalents	7,902			7,902
Fixed income securities		3,516		3,516
Equity securities	3,564			3,564
Assets held in trust by others	39,188	2,929	487	42,604
Total Non-Pooled Investments	50,654	6,445	487	57,586
Total Investments	$ 241,722	$ 398,417	$ 233,802	$ 873,941

The Institute's investments are classified as follows, based on fair values, as of June 30, 2012 (in thousands):

	2012			
Pooled Investments	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 7,369	$	$	$ 7,369
Fixed income securities	16,642			16,642
Equity securities	102,947	231,980	16,798	351,725
Hedge funds		72,867	107,634	180,501
Venture capital and private equity			95,607	95,607
Real assets	9,569	34,186	51,444	95,199
Total Pooled Investments	136,527	339,033	271,483	747,043
Non-Pooled Investments				
Cash and cash equivalents	8,291			8,291
Fixed income securities		3,721		3,721
Equity securities	3,289			3,289
Assets held in trust by others	31,623	8,833	466	40,922
Total Non-Pooled Investments	43,203	12,554	466	56,223
Total Investments	$ 179,730	$ 351,587	$ 271,949	$ 803,266

2. INVESTMENTS (continued)

The following table sets forth a reconciliation of beginning and ending balances for the Level 3 investments for the years ended June 30, 2013 and 2012 (in thousands):

	2013	2012
Beginning balance	$ 271,949	$ 238,014
Total gains		
Realized	13,432	8,897
Unrealized	10,912	2,362
Purchases	20,774	58,157
Sales	(41,973)	(24,480)
Transfers in to Level 3	5,444	7
Transfers out of Level 3	(46,736)	(11,008)
Ending balance	$ 233,802	$ 271,949
Amount of gains for the year attributable to unrealized gains relating to assets still held at year end	$ 10,308	$ 2,915

For the years ended June 30, 2013 and 2012, $23.9 million and $11.0 million was transferred from Level 3 to Level 2 due to the expiration of lockup restrictions on certain equity securities and hedge fund investments, respectively. For the year ended June 30, 2013, $5.4 million was transferred into Level 3 from Level 2 and $22.8 million was transferred from Level 3 to Level 2 for certain hedge fund investments as a result of the re-evaluation of certain characteristics for these investments. There were no transfers between Levels 1 and 2 for the year ended June 30, 2013.

The unfunded commitments, redemption frequency, and redemption notice period of investments held at net asset value or its equivalent are as follows as of June 30, 2013 and 2012 (in thousands):

	2013				
	Fair Value	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period	Lockup or Gate
Equity securities	$ 285,310	N/A	Daily-Annually	1-90 Days	None
Hedge funds	173,139	N/A	Monthly-Annually	45-120 Days	None
Venture capital and private equity	96,037	34,669	N/A	N/A	N/A
Real assets	70,801	8,216	Daily-Annually	1-90 Days	None
Total	$ 625,287	$ 42,885			

	2012				
	Fair Value	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period	Lockup or Gate
Equity securities	$ 248,778	N/A	Daily-Annually	1-90 Days	Some assets subject to 1 year lock-up
Hedge funds	180,501	N/A	Monthly-Annually	30-120 Days	Some assets subject to 1.5-3 year lock-up
Venture capital and private equity	95,607	38,051	N/A	N/A	N/A
Real assets	85,630	5,632	Daily-Annually	1-90 Days	None
Total	$ 610,516	$ 43,683			

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 and was adopted by the State of Illinois. The Board has interpreted the State of Illinois' UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Institute classifies the following as 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 in 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, 2013 and 2012, is as follows (in thousands):

	2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ (2,241)	$ 219,321	$ 327,374	$ 544,454
Board-designated endowment funds	290,129	35,851		325,980
Total funds	$ 287,888	$ 255,172	$ 327,374	$ 870,434

	2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ (6,049)	$ 189,479	$ 320,793	$ 504,223
Board-designated endowment funds	268,559	33,732		302,291
Total funds	$ 262,510	$ 223,211	$ 320,793	$ 806,514

3. ENDOWMENT FUNDS (continued)

Description of amounts classified as permanently restricted net assets and temporarily restricted net assets (endowment only) as of June 30, 2013 and 2012, are as follows (in thousands):

	2013	2012
Permanently restricted net assets		
The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or UPMIFA	$ 327,374	$ 320,793
Temporarily restricted net assets		
Term endowment funds	$ 143,863	$ 130,006
The portion of perpetual endowments subject to a time restriction under UPMIFA	111,309	93,205
Total endowment funds classified as temporarily restricted net assets	$ 255,172	$ 223,211

Changes in endowment net assets for the year ended June 30, 2013, are as follows (in thousands):

	2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 262,510	$ 223,211	$ 320,793	$ 806,514
Investment income	2,882	6,487	28	9,397
Net appreciation on pooled and non-pooled investments	37,562	52,397	349	90,308
Net appreciation on assets held in trust			1,845	1,845
Contributions		505	5,899	6,404
Appropriation of endowment assets for expenditure	(16,430)	(26,460)	(159)	(43,049)
Change due to deconsolidation of Ox-Bow		(1,158)	(621)	(1,779)
Other changes, net	1,364	190	(760)	794
Endowment net assets, end of year	$ 287,888	$ 255,172	$ 327,374	$ 870,434

3. ENDOWMENT FUNDS (continued)

Changes in endowment net assets for the year ended June 30, 2012, are as follows (in thousands):

	2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 284,496	$ 247,049	$ 312,887	$ 844,432
Investment income	3,783	6,531	33	10,347
Net depreciation on pooled and				-
non-pooled investments	(7,162)	(9,992)	(67)	(17,221)
Net depreciation on assets held in trust			(2,841)	(2,841)
Contributions		500	11,076	11,576
Appropriation of endowment assets				
for expenditure	(17,469)	(23,313)	(153)	(40,935)
Transfers to create board-designated				
endowment funds	1,467			1,467
Transfers to third-party				
not-for-profit entity		(576)	(79)	(655)
Other changes, net	(2,605)	3,012	(63)	344
Endowment net assets, end of year	$ 262,510	$ 223,211	$ 320,793	$ 806,514

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 unrestricted net assets. As of June 30, 2013 and 2012, $2.2 million and $6.0 million of donor endowment deficits were reported in unrestricted net assets, respectively. These deficits resulted from unfavorable market conditions.

Relationship of Spending Policy to Investment Objectives
The Institute's Executive Committee of the Board of Trustees determines 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 non-operating dependent upon the nature of the appropriation.

The Institute's spendable endowment payout formula is a controlled growth distribution formula. After considering among other factors the standard of prudence prescribed by UPMIFA, the spendable payout is expected to be the higher of a) the prior year's endowment payout increased by 2.5% or b) the prior year's endowment payout increased by the growth in the consumer's price index. Additions to principal during any fiscal period will increase the spendable payout by the same unit payout basis used for existing endowment funds adjusted for when the additions are received during the fiscal year. Endowment spendable amounts are reassessed by the Executive Committee every three years or more frequently as conditions warrant. Prior-year accumulated capital gains are utilized to the extent necessary to meet the annual spendable objective. Depending upon market conditions and the needs and available resources of the Institute, appropriations for expenditure from individual endowments may be temporarily suspended to facilitate preservation of the endowment or in excess of the spending policy as deemed prudent by the Executive Committee.

4. CONTRIBUTIONS RECEIVABLE

Unconditional promises to contribute to the Institute are recorded as contributions receivable at fair value based upon discounted estimated future cash flows, net of the allowance for uncollectible accounts. The discount rates for fiscal year 2013 ranged from 0.2% to 2.3% and for fiscal year 2012 ranged from 0.2% to 1.6%. Contributions receivable are expected to be realized as follows (in thousands):

Collectible during the following periods:	2013	2012
Year one	$ 12,847	$ 20,398
Year two	6,975	8,677
Year three	5,865	5,933
Year four	3,750	5,679
Year five and thereafter	7,309	9,985
Gross contributions receivable	36,746	50,672
Fair value adjustment	(984)	(797)
Allowance for uncollectible contributions	(945)	(1,306)
Net contributions receivable	$ 34,817	$ 48,569

The Institute's unconditional promises to contribute recorded at fair value have been categorized based upon a fair value hierarchy in accordance with ASC 820. All valuations are classified as Level 2 within the fair value hierarchy based on market valuation techniques. The Institute took into account historical and projected cash flow rates. The preceding method described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values.

5. PROPERTY AND EQUIPMENT, NET

Property and equipment as of June 30, 2013 and 2012, consist of the following (in thousands):

	2013	2012
Land	$ 11,325	$ 11,351
Buildings and improvements	614,588	606,694
Equipment, furniture, and fixtures	20,389	19,629
Total property and equipment	646,302	637,674
Construction in progress	6,319	6,995
Accumulated depreciation	(189,108)	(166,799)
Property and equipment, net	$ 463,513	$ 477,870

6. ACCOUNTS PAYABLE AND OTHER LIABILITIES

Accounts payable and other liabilities as of June 30, 2013 and 2012, consist of the following (in thousands):

	2013	2012
Accounts payable	$ 14,959	$ 17,233
Art purchase liability	1,000	3,375
Asset retirement obligations	5,639	5,721
Accrued salaries and benefits	4,142	4,731
Accrued interest payable	4,582	4,589
Other liabilities	2,532	2,270
Total accounts payable and other liabilities	$ 32,854	$ 37,919

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 $1.7 million as of June 30, 2013 and 2012. The change in the asset retirement obligation for the years ended June 30, 2013 and 2012, is as follows (in thousands):

	2013	2012
Asset retirement obligations, beginning of year	$ 5,721	$ 5,844
Accretion expense	31	30
Settlements paid	(115)	(163)
Change in estimate	2	10
Asset retirement obligations, end of year	$ 5,639	$ 5,721

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 consolidated statement of financial positions, consolidated statements of activities, or consolidated statements 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 $3.7 million and $3.3 million for the years ended June 30, 2013 and 2012, respectively.

Minimum future lease payments under non-cancelable operating leases having remaining terms in excess of one year as of June 30, 2013, are as follows (in thousands):

Year ending June 30,	
2014	$ 4,323
2015	3,859
2016	3,666
2017	3,589
2018	3,645
2019 and thereafter	7,142
Total minimum lease payments	$ 26,224

8. NOTES PAYABLE

Notes payable as of June 30, 2013, consist of the following (in thousands):

	Principal Amount	% of Total Bonds	% of Total O/S Debt	Final Maturity or Expiration	Principal Payable	Interest Payment Dates	Interest Reset Period	Coupon Interest Rates at June 30
Bonds:								
Medium/Long-Term Bonds Tax Exempt:								
Adjustable Interest Rate Demand Revenue Bonds:								
Series 2000A	$ 6,000			3/1/2034	At maturity, subject to mandatory tender in 2018	March 1, September 1	5 years	5.25%
Adjustable Interest Rate Medium-Term Revenue Bonds:								
Series 1998A	24,880			3/1/2030	At maturity, subject to mandatory tender in 2016-2017	March 1, September 1	3-4 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	45,170			3/1/2040	At maturity	March 1, September 1	N/A	5.25%
Series 2012A	52,940			3/1/2034	Varying dates and amounts	March 1, September 1	N/A	3.00% to 5.00%
Taxable Bonds:								
Series 2012	40,000			3/1/2027	Varying dates and amounts	March 1, September 1	N/A	1.34% to 3.78%
Total Bonds	287,180	100.0%	97.3%					
Bank Debt:								
Bank of America $10 million working capital line of credit				4/30/2014	At expiration	Varying dates	Varying dates	LIBOR-based
JP Morgan Chase $25 million working capital line of credit				5/30/2015	At expiration	Varying dates	Varying dates	LIBOR-based
Northern Trust $20 million working capital line of credit				1/24/2014	At expiration	Varying dates	Varying dates	LIBOR-based
Total Outstanding Debt	287,180		97.3%					
Unamortized premium	8,882							
Unamortized discount	(827)							
Total	$ 295,235							

8. NOTES PAYABLE (continued)

Notes payable as of June 30, 2012, consist of the following (in thousands):

	Principal Amount	% of Total Bonds	% of Total O/S Debt	Final Maturity or Expiration	Principal Payable	Interest Payment Dates	Interest Reset Period	Coupon Interest Rates at June 30
Bonds:								
Medium/Long-Term Bonds Tax Exempt:								
Adjustable Interest Rate Demand Revenue Bonds:								
Series 2000A	$ 31,985			3/1/2034	At maturity, subject to mandatory tender in 2014-2018	March 1, September 1	2-6 years	4.25% to 5.25%
Adjustable Interest Rate Medium-Term Revenue Bonds:								
Series 1998A	29,880			3/1/2030	At maturity, subject to mandatory tender in 2013-2017	March 1, September 1	1-5 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	45,170			3/1/2040	At maturity	March 1, September 1	N/A	5.25%
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	11,700			3/1/2023	Varying dates and amounts	March 1, September 1	N/A	4.00% to 5.38%
Total Bonds	264,300	100.0%	97.5%					
Bank Debt:								
Bank of America $10 million working capital line of credit				4/30/2013	At expiration	Varying dates	Varying dates	LIBOR-based
JP Morgan Chase $25 million working capital line of credit	1,100		0.4%	5/30/2015	At expiration	Varying dates	Varying dates	LIBOR-based
Northern Trust $20 million working capital line of credit				1/24/2014	At expiration	Varying dates	Varying dates	LIBOR-based
Bank of Holland $575,000 commercial real estate loan	575		0.2%	1/10/2015	At expiration	Monthly	N/A	4.25%
Bank of Holland $100,000 line of credit	70		0.0%	N/A	At expiration	Monthly	N/A	4.50%
Total Outstanding Debt	266,045		98.1%					
Unamortized premium	5,905							
Unamortized discount	(831)							
Total	$ 271,119							

8. NOTES PAYABLE (continued)

The fair value of notes payable as of June 30, 2013 and 2012, is $304.5 million and $289.8 million, respectively, based upon quoted market prices provided by a third-party pricing service. All bonds are issued through the Illinois Finance Authority. The aggregate scheduled maturities of bonds payable are summarized as follows:

2014	$ 9,890
2015	75,310
2016	13,695
2017	13,175
2018	7,130
2019 and thereafter	167,980
Total	$ 287,180

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, 2013 and 2012. 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, 2013 and 2012 (in thousands):

	2013	2012
Restricted contributions received for acquisition or improvement of long-lived assets	$ 249,553	$ 248,443
Contributions receivable for acquisition or improvement of long-lived assets funded wholly or partially by debt	13,628	19,497
Portion of perpetual endowments subject to a timing restriction under UPMIFA Consistent with state law, these funds are available upon appropriation by the Board	111,309	93,205
Other temporarily restricted net assets available for debt obligations	18,191	18,450
Total temporarily restricted net assets available for debt obligations	$ 392,681	$ 379,595

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

On October 18, 2012, the Institute issued $59.9 million in tax-exempt Series 2012A Revenue Bonds through the Illinois Finance Authority. The proceeds from the Series 2012A bonds were used to advance refund $5.0 million of the outstanding principal amount on the Series 1998A bonds, $26.0 million of the outstanding principal amount on the Series 2000A bonds, $10.9 million of the outstanding principal amount on the Series 2003A bonds, and the outstanding principal amount of the Series 2010B bonds. The Institute elected to make prepayments on these bond issues in order to provide for the legal defeasance of a total of $69.2 million of principal payments with various future maturity dates ranging from March 1, 2013 through March 1, 2023. The Institute deposited cash with the respective bond trustees in irrevocable escrow deposit trust funds for the purpose of purchasing defeasance obligations. The Institute recorded a loss on debt defeasance of $1.6 million for the year ended June 30, 2013.

On October 18, 2012, the Institute issued $40.0 million in Taxable Series 2012 Bonds, the proceeds of the bonds were used by the Institute for funding a portion of the Institute's unfunded pension benefit obligations.

In June 2012, the Institute purchased, redeemed, and/or defeased $2.6 million of bonds to prevent potential private use related to a management contract executed during the fiscal year. The Institute recorded a loss on debt defeasance of $209,000 for the year ended June 30, 2012.

9. RESTRICTIONS ON NET ASSETS

The nature of restrictions on net assets released from donor restrictions for the years ended June 30, 2013 and 2012, are summarized as follows (in thousands):

	2013	2012
Purchase of art objects	$ 16,283	$ 10,200
Purchase of books	198	246
Student aid	3,619	3,316
Museum exhibitions	3,924	3,291
Museum publications	239	315
Gallery maintenance, professorships, and curatorships	5,893	5,502
Restricted contributions received for acquisition or improvement of long-lived assets	11,326	10,951
Education, instruction, and other departmental purposes	13,316	14,238
Total	$ 54,798	$ 48,059

Net assets categorized by donor restrictions as of June 30, 2013, are summarized as follows (in thousands):

	Temporarily Restricted	Permanently Restricted
Purchase of art objects	$ 44,315	$ 34,769
Purchase of books	2,511	2,144
Student aid	33,587	27,081
Museum exhibitions	9,332	25,183
Museum publications	5,227	3,510
Gallery maintenance, professorships, and curatorships	41,775	83,125
Restricted contributions received for acquisition or improvement of long-lived assets	253,531	
Education, instruction, and other departmental purposes	117,931	80,706
Contributions receivable	26,943	2,634
Assets held in trust by others	347	42,258
General purposes	46,399	25,964
Total	$ 581,898	$ 327,374

Net assets categorized by donor restrictions as of June 30, 2012, are summarized as follows (in thousands):

	Temporarily Restricted	Permanently Restricted
Purchase of art objects	$ 42,563	$ 34,200
Purchase of books	2,212	2,144
Student aid	29,112	26,158
Museum exhibitions	6,896	24,809
Museum publications	4,370	3,510
Gallery maintenance, professorships, and curatorships	32,912	81,644
Restricted contributions received for acquisition or improvement of long-lived assets	256,464	
Education, instruction, and other departmental purposes	113,452	77,055
Contributions receivable	36,039	5,397
Assets held in trust by others	509	40,413
General purposes	41,160	25,463
Total	$ 565,689	$ 320,793

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 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 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 to certain Plan retirees until the retirees attain the age of 65.

In September 2012, AIC offered certain terminated vested participants of the Plan the option to elect to receive lump sum payments subject to an election window. The provisions of ASC 958-715, *Not-for-Profit Entities: Compensation – Retirement Benefits*, require the Institute to recognize settlement charges based on the lump-sum benefits paid. The re-measurement of the Plan as of November 30, 2012 resulted in a one-time settlement charge that was recorded in net periodic pension cost for the year ended June 30, 2013.

The following table sets forth the Plan's pension benefit obligation, plan assets, and funded status reconciled with the amounts set forth in the consolidated statements of financial position as of June 30, 2013 and 2012 (in thousands):

	2013	2012
Change in benefit obligation		
Benefit obligation—beginning of year	$ 145,992	$ 115,831
Service cost	3,035	2,360
Interest cost	5,487	6,376
Actuarial loss (gain)	(10,242)	25,416
Benefits paid	(4,688)	(4,356)
Plan amendments	(17,077)	365
Projected benefit obligation—end of year	$ 122,507	$ 145,992
Change in plan assets		
Fair value of plan assets—beginning of year	$ 81,447	$ 75,122
Actual return on plan assets	10,128	1,681
Employer contribution	40,000	9,000
Benefits paid	(4,688)	(4,356)
Lump-sum benefits paid	(17,077)	
Fair value of plan assets—end of year	$ 109,810	$ 81,447
Funded status at the end of the year	$ (12,697)	$ (64,545)

The pension plan items not yet recognized as a component of periodic pension expense, but included in net assets as of June 30, 2013 and 2012, are as follows (in thousands):

	2013	2012
Net actuarial loss	$ 39,171	$ 65,251
Prior-service cost (credit)	132	(20)
Net amount recognized	$ 39,303	$ 65,231

As of June 30, 2013 and 2012, information for pension plans with an accumulated benefit obligation in excess of plan assets consist of the following (in thousands):

	2013	2012
Projected benefit obligation	$ 122,507	$ 145,992
Accumulated benefit obligation	111,579	134,063
Fair value of plan assets	109,810	81,447

10. PENSION AND OTHER POSTRETIREMENT BENEFITS (continued)

As of June 30, 2013 and 2012, components of net periodic benefit cost for the pension plan consist of the following (in thousands):

	2013	2012
Service cost	$ 3,035	$ 2,360
Interest cost	5,487	6,376
Expected return on plan assets	(6,918)	(5,867)
Amortization of prior service credit	(153)	(193)
Amortization of net actuarial loss	5,237	2,947
One-time settlement charge	7,393	
Net periodic benefit cost	$ 14,081	$ 5,623

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 2014 are $3.0 million and $(152,000), respectively.

Assumptions—Weighted-average assumptions used to determine the pension benefit obligation as of June 30, 2013 and 2012, are as follows:

	2013	2012
Discount rate	4.70 %	4.10 %
Expected return on plan assets	7.50	7.50
Salary growth rate	4.20	4.20

Weighted-average assumptions used to determine pension net periodic cost for the years ended June 30, 2013 and 2012, are as follows:

	2013	2012
Discount rate*	4.10 / 3.80 %	5.50 %
Expected return on plan assets	7.50	7.50
Salary growth rate	4.20	4.20

*4.10% discount rate used from July 1, 2012 to November 30, 2012 and 3.80% discount rate used from December 1, 2012 to June 30, 2013, due to re-measurement of the Plan.

Contributions— AIC employer contributions to the defined contribution plan totaled $3.1million and $2.8 million for the years ended June 30, 2013 and 2012, respectively. AIC employer contributions to the supplemental retirement plan totaled $161,000 and $218,000 for the years ended June 30, 2013 and 2012, respectively. AIC expects to contribute $5.0 million to its defined benefit pension plan in fiscal year 2014.

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

Year Ending June 30,	
2014	$ 5,044
2015	5,439
2016	5,786
2017	6,140
2018	6,482
2019-2023	36,524

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, 2013 and 2012, by asset category are as follows:

Asset Category:	2013	2012	Target Allocation
Cash and cash equivalents	2 %	2 %	2 %
Equity securities	71	68	68
Fixed income securities	27	30	30
Total	100 %	100 %	100 %

The following presents information about AIC's Plan assets measured at fair value as of June 30, 2013 and 2012, 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, mutual funds, and publicly traded equity and fixed income securities.

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. Investments included in this category are institutional commingled funds that are not redeemable in the near term at net asset value or its equivalent.

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.

	2013			
Plan assets, at fair value	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 1,846	$	$	$ 1,846
Equity securities	47,809	28,254	2,488	78,551
Fixed income securities	14,901	14,512		29,413
Total plan assets, at fair value	$ 64,556	$ 42,766	$ 2,488	$ 109,810

	2012			
Plan assets, at fair value	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 1,993	$	$	$ 1,993
Equity securities	31,600	21,395	2,059	55,054
Fixed income securities	14,051	10,349		24,400
Total plan assets, at fair value	$ 47,644	$ 31,744	$ 2,059	$ 81,447

The change in Level 3 asset activity for the years ended June 30, 2013 and 2012, was $429,000 and $159,000 of unrealized gains, respectively.

11. NATURAL CLASSIFICATION OF EXPENSES

Expenses by natural classification for operating activities, excluding loss on debt defeasance, for the year ended June 30, 2013, are as follows (in thousands):

	Museum	School	Corporate Financial Services	Total	% of Total
Salaries and wages	$ 28,738	$ 49,308		$ 78,046	34.2%
Fringe benefits	9,995	14,638	7,981	32,614	14.3%
Contracted services	13,319	11,957		25,276	11.1%
Equipment, rental, and maintenance	2,364	8,808		11,172	4.9%
Travel and entertainment	1,380	1,595		2,975	1.3%
Telephone, copy, fax, and postage	1,646	1,339		2,985	1.3%
Supplies, books, and subscriptions	2,676	1,675		4,351	1.9%
Publications and printing	3,115	1,087		4,202	1.8%
Publicity and promotions	1,909	1,085		2,994	1.3%
Cost of sales	6,071	1,822		7,893	3.5%
Utilities	3,129	1,805		4,934	2.2%
Bad debt	13	878		891	0.4%
Interest and debt issuance cost amortization	5,969	4,031	2,005	12,005	5.3%
Depreciation	17,827	9,896		27,723	12.2%
Other	6,755	3,148		9,903	4.3%
Total	$ 104,906	$ 113,072	$ 9,986	$ 227,964	100%

The Institute's Corporate Financial Services activity represents internal bank activity that provides financing for various Museum and School initiatives and allocates certain other costs impacted by interest rate fluctuations. In 2012, ($558,000) of Corporate Financial Services expense activity was included in the Museum and School expenses below.

Expenses by natural classification for operating activities, excluding loss on debt defeasance, for the year ended June 30, 2012, are as follows (in thousands):

	Museum	School	Ox-Bow	Total	% of Total
Salaries and wages	$ 27,541	$ 47,291	$ 703	$ 75,535	35.9%
Fringe benefits	9,259	13,780	109	23,148	11.0%
Contracted services	13,073	11,353	148	24,574	11.6%
Equipment, rental, and maintenance	2,249	8,555	35	10,839	5.1%
Travel and entertainment	1,364	1,686	47	3,097	1.5%
Telephone, copy, fax, and postage	1,658	1,377	21	3,056	1.4%
Supplies, books, and subscriptions	2,286	1,672	51	4,009	1.9%
Publications and printing	2,722	836		3,558	1.7%
Publicity and promotions	1,191	796		1,987	0.9%
Cost of sales	5,934	1,707		7,641	3.6%
Utilities	3,335	2,755		6,090	2.9%
Bad debt	50	587		637	0.3%
Interest and debt issuance cost amortization	7,295	4,805		12,100	5.7%
Depreciation	17,538	8,914	216	26,668	12.6%
Other	4,701	3,121	364	8,186	3.9%
Total	$ 100,196	$ 109,235	$ 1,694	$ 211,125	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, "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 27, 2013, the date the financial statements were issued, and concluded that no subsequent events have occurred that would require recognition or that have not been disclosed elsewhere.

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 non-degree 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.

Effective July 1, 2012 the sponsorship agreement noted above was terminated and replaced with a new agreement. The terms contained in the new agreement no longer require AIC to consolidate Ox-Bow. The accompanying financial statements and notes to the financial statements for fiscal year 2013 include the deconsolidation of Ox-Bow from the Institute.

The consolidating statement of financial position as of June 30, 2012, is as follows (in thousands):

	AIC	Ox-Bow	Eliminating Entries	Total
Assets:				
Cash and cash equivalents	$ 1,077	$ 2,065	$	$ 3,142
Accounts and investment income receivable	9,811	9	(146)	9,674
Contributions receivable	48,350	219		48,569
Inventories	5,564	5		5,569
Prepaid expenses and other assets	10,904	582		11,486
Investments	803,266			803,266
Property and equipment, net	472,713	5,157		477,870
Total assets	**$ 1,351,685**	**$ 8,037**	**$ (146)**	**$ 1,359,576**
Liabilities and net assets:				
Liabilities:				
Accounts payable and other liabilities	$ 37,827	$ 238	$ (146)	$ 37,919
Deferred revenues and other	19,408	153		19,561
Refundable advances	3,401			3,401
Pension liability	64,545			64,545
Notes payable	270,474	645		271,119
Total liabilities	**395,655**	**1,036**	**(146)**	**396,545**
Net assets:				
Unrestricted	75,797	752		76,549
Temporarily restricted	560,061	5,628		565,689
Permanently restricted	320,172	621		320,793
Total net assets	**956,030**	**7,001**	**-**	**963,031**
Total liabilities and net assets	**$ 1,351,685**	**$ 8,037**	**$ (146)**	**$ 1,359,576**

14. CONSOLIDATING STATEMENTS (continued)

The consolidating statement of activities for the year ended June 30, 2012, is as follows (in thousands):

	AIC	Ox-Bow	Eliminating Entries	Total
Operating revenue, gains, and other support:				
Tuition and student program fees	$ 119,455	$ 1,015	$	$ 120,470
Student aid	(31,056)	(535)		(31,591)
Tuition and student program fees, net	88,399	480	-	88,879
Contributions	45,190	506	(60)	45,636
Chicago Park District tax	5,537			5,537
Museum admissions	9,529			9,529
Membership dues	6,725			6,725
Special exhibitions, catalogues, and other revenues	227			227
Other program revenues	8,909			8,909
Investment return designated for current use	37,352			37,352
Auxiliary activities	25,075			25,075
Other	3,590	(79)		3,511
Net assets released from restrictions				-
Total operating revenue, gains, and other support	230,533	907	(60)	231,380
Expenses and losses:				
Programs services:				
Curatorial, libraries, and collections	30,994			30,994
Special exhibitions	4,408			4,408
Museum education	2,512			2,512
Other programs	7,337			7,337
Instructional and academic	76,129	976	(60)	77,045
Auxiliary activities	16,754			16,754
Managerial and general:				
General administration	23,600	252		23,852
Depreciation	26,452	216		26,668
Interest and debt issuance cost amortization	12,100			12,100
Member development	2,260			2,260
Fund raising	6,885	310		7,195
Total expenses and losses	209,431	1,754	(60)	211,125
Change in net assets from operations before debt defeasance	21,102	(847)	-	20,255
Loss on debt defeasance	(209)			(209)
Change in net assets from operations	**20,893**	**(847)**	**-**	**20,046**
Nonoperating revenue, expenses, support, gains, and losses:				
Proceeds from the sale of art objects	9,453			9,453
Contributions for the purchase of art objects	1,994			1,994
Net assets released to fund acquisition of art objects				-
Investment return designated for art purchases	3,267			3,267
Acquisition of art objects	(10,289)			(10,289)
Pension-related changes other than net periodic pension cost	(27,195)			(27,195)
Investment return less than amounts designated for current operations and art purchases	(47,550)			(47,550)
Endowment transfer to third party not-for-profit entity	(655)			(655)
Other transfers				-
Change in net assets	**(50,082)**	**(847)**	**-**	**(50,929)**
Net assets, beginning of year	1,006,112	7,848		1,013,960
Net assets, end of year	**$ 956,030**	**$ 7,001**	**$ -**	**$ 963,031**

14. CONSOLIDATING STATEMENTS (continued)

The consolidating condensed cash flow activity for the year ended June 30 2012, is as follows (in thousands):

	For the year ended 2012		
	AIC	Ox-Bow	Total
Net cash (used in) provided by operating activities	$ (8,901)	$ 294	$ (8,607)
Net cash provided by (used in) investing activities	8,242	(37)	8,205
Net cash used in financing activities	(301)	(5)	(306)
Net (decrease) increase in cash and cash equivalents	**(960)**	**252**	**(708)**
Cash and cash equivalents at the beginning of the year	2,037	1,813	3,850
Cash and cash equivalents at the end of the year	**$ 1,077**	**$ 2,065**	**$ 3,142**

15. AIC STATEMENT OF ACTIVITIES

AIC's statement of activities, which excludes Ox-Bow, for the year ended June 30, 2012, 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	$ 119,455	$	$	$ 119,455
Student aid	(31,056)			(31,056)
Tuition and student program fees, net	88,399	-	-	88,399
Contributions	23,475	13,713	8,002	45,190
Chicago Park District tax	5,537			5,537
Museum admissions	9,529			9,529
Membership dues	6,725			6,725
Special exhibitions, catalogues, and other revenues	227			227
Other program revenues	8,909			8,909
Investment return designated for current use	13,700	23,652		37,352
Auxiliary activities	25,075			25,075
Other	3,590			3,590
Net assets released from restrictions	37,513	(37,513)		-
Total operating revenue, gains, and other support	222,679	(148)	8,002	230,533
Expenses and losses:				
Programs services:				
Curatorial, libraries, and collections	30,994			30,994
Special exhibitions	4,408			4,408
Museum education	2,512			2,512
Other programs	7,337			7,337
Instructional and academic	76,129			76,129
Auxiliary activities	16,754			16,754
Managerial and general:				
General administration	23,600			23,600
Depreciation	26,452			26,452
Interest and debt issuance cost amortization	12,100			12,100
Member development	2,260			2,260
Fund raising	6,885			6,885
Total expenses and losses	209,431	-	-	209,431
Change in net assets from operations before debt defeasance	13,248	(148)	8,002	21,102
Loss on debt defeasance	(209)			(209)
Change in net assets from operations	**13,039**	**(148)**	**8,002**	**20,893**
Nonoperating revenue, expenses, support, gains, and losses:				
Proceeds from the sale of art objects		9,453		9,453
Contributions for the purchase of art objects		1,786	208	1,994
Net assets released to fund acquisition of art objects	10,200	(10,200)		-
Investment return designated for art purchases	2	3,225	40	3,267
Acquisition of art objects	(10,289)			(10,289)
Pension-related changes other than net periodic pension cost	(27,195)			(27,195)
Investment return less than amounts designated for current operations and art purchases	(20,861)	(26,571)	(118)	(47,550)
Endowment transfer to third party not-for-profit entity		(576)	(79)	(655)
Other transfers	(3,283)	3,447	(164)	-
Change in net assets	**(38,387)**	**(19,584)**	**7,889**	**(50,082)**
Net assets, beginning of year	114,184	579,645	312,283	1,006,112
Net assets, end of year	**$ 75,797**	**$ 560,061**	**$ 320,172**	**$ 956,030**

SUPPLEMENTARY INFORMATION

THE ART INSTITUTE OF CHICAGO

SUPPLEMENTAL SCHEDULE OF
UNRESTRICTED OPERATING ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013
(In thousands)

	Museum	School	Corporate Financial Services*	Total
Operating revenue, gains, and other support:				
Tuition and student program fees	$	$ 125,117	$	$ 125,117
Student aid		(33,281)		(33,281)
Tuition and student program fees, net		91,836		91,836
Contributions	16,828	3,800		20,628
Chicago Park District tax	5,576			5,576
Museum admissions	11,813			11,813
Membership dues	7,117			7,117
Special exhibitions, catalogues, and other revenues	553			553
Other program revenues	4,043	5,285		9,328
Investment return designated for current use	12,227	2,584	2,030	16,841
Auxiliary activities	17,287	9,761		27,048
Other	355	512		867
Net assets released from restrictions	31,272	7,243		38,515
Total operating revenue, gains, and other support	107,071	121,021	2,030	230,122
Expenses and losses:				
Programs services:				
Curatorial, libraries, and collections	34,622			34,622
Special exhibitions	5,332			5,332
Museum education	2,697			2,697
Other programs	6,119	1,719		7,838
Instructional and academic		81,374		81,374
Auxiliary activities	14,125	3,514		17,639
Managerial and general:				
General administration	10,154	9,839	7,981	27,974
Depreciation	17,827	9,896		27,723
Interest and debt issuance cost amortization	5,969	4,031	2,005	12,005
Member development	3,496			3,496
Fund raising	4,182	2,699		6,881
Total expenses and losses	104,523	113,072	9,986	227,581
Change in net assets from operations before debt defeasance	2,548	7,949	(7,956)	2,541
Loss on debt defeasance	(566)	(808)	(190)	(1,564)
Change in net assets from operations	**$ 1,982**	**$ 7,141**	**$ (8,146)**	**$ 977**

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

THE ART INSTITUTE OF CHICAGO

SUPPLEMENTAL SCHEDULE OF
UNRESTRICTED OPERATING ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012
(In thousands)

	Museum	School	Corporate Financial Services*	Total
Operating revenue, gains, and other support:				
Tuition and student program fees	$	$ 119,455	$	$ 119,455
Student aid		(31,056)		(31,056)
Tuition and student program fees, net		88,399		88,399
Contributions	19,598	3,877		23,475
Chicago Park District tax	5,537			5,537
Museum admissions	9,529			9,529
Membership dues	6,725			6,725
Special exhibitions, catalogues, and other revenues	227			227
Other program revenues	3,660	5,249		8,909
Investment return designated for current use	10,119	2,491	1,090	13,700
Auxiliary activities	15,967	9,108		25,075
Other	2,876	714		3,590
Net assets released from restrictions	30,842	6,671		37,513
Total operating revenue, gains, and other support	105,080	116,509	1,090	222,679
Expenses and losses:				
Programs services:				
Curatorial, libraries, and collections	30,994			30,994
Special exhibitions	4,408			4,408
Museum education	2,512			2,512
Other programs	5,655	1,682		7,337
Instructional and academic		76,129		76,129
Auxiliary activities	13,370	3,384		16,754
Managerial and general:				
General administration	12,146	13,154	(1,700)	23,600
Depreciation	17,538	8,914		26,452
Interest and debt issuance cost amortization	6,726	4,232	1,142	12,100
Member development	2,260			2,260
Fund raising	5,004	1,881		6,885
Total expenses and losses	100,613	109,376	(558)	209,431
Change in net assets from operations before debt defeasance	4,467	7,133	1,648	13,248
Loss on debt defeasance			(209)	(209)
Change in net assets from operations	**$ 4,467**	**$ 7,133**	**$ 1,439**	**$ 13,039**

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