The Art Institute of Chicago

Financial Statements as of and for the Years Ended June 30, 2015 and 2014, Supplementary Information for the Years Ended June 30, 2015 and 2014, 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:

Report on the Financial Statements

We have audited the accompanying financial statements of The Art Institute of Chicago (the "Institute") as of and for the years ended June 30, 2015 and 2014, 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.

Auditors' 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, 2015 and 2014, the changes in its net assets, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on 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 supplementary 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 supplementary 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 supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Deloitte & Touche LLP

September 29, 2015

THE ART INSTITUTE OF CHICAGO

STATEMENTS OF FINANCIAL POSITION AS OF JUNE 30, 2015 AND 2014
(In thousands)

	2015	2014
Assets:		
Cash and cash equivalents	$ 17,015	$ 16,189
Accounts and investment income receivables	8,917	9,780
Contributions receivable	51,275	51,574
Inventories	4,870	5,480
Prepaid expenses and other assets	7,801	7,363
Investments	947,366	998,024
Property and equipment, net	467,344	454,133
Total assets	**$ 1,504,588**	**$ 1,542,543**
Liabilities and net assets:		
Liabilities:		
Accounts payable and other liabilities	$ 40,948	$ 32,843
Deferred revenues and other	20,390	20,994
Refundable advances	3,750	3,598
Pension liability	25,403	8,746
Bonds and notes payable	230,140	283,000
Total liabilities	**320,631**	**349,181**
Net assets:		
Unrestricted	176,898	183,572
Temporarily restricted	640,541	658,672
Permanently restricted	366,518	351,118
Total net assets	**1,183,957**	**1,193,362**
Total liabilities and net assets	**$ 1,504,588**	**$ 1,542,543**

See notes to financial statements.

THE ART INSTITUTE OF CHICAGO

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015
(In thousands)

	Unrestricted Funds	Temporarily Restricted Funds	Permanently Restricted Funds	Total
Operating revenue, gains, and other support:				
Tuition and student program fees	$ 146,986	$ -	$ -	$ 146,986
Student aid	(37,912)			(37,912)
Tuition and student program fees, net	109,074	-	-	109,074
Contributions	17,574	18,917	14,970	51,461
Chicago Park District tax	5,690			5,690
Museum admissions	14,842			14,842
Membership dues	8,368			8,368
Special exhibitions, catalogues, and other revenues	216			216
Other program revenues	8,365			8,365
Investment return designated for current use	17,250	24,882		42,132
Auxiliary activities	27,860			27,860
Other	606			606
Net assets released from restrictions	42,108	(42,108)		-
Total operating revenue, gains, and other support	251,953	1,691	14,970	268,614
Expenses and losses:				
Programs services:				
Instructional and academic	85,238			85,238
Curatorial, libraries, and collections	34,164			34,164
Special exhibitions	6,619			6,619
Museum education	3,135			3,135
Other programs	8,377			8,377
Auxiliary activities	17,469			17,469
Managerial and general:				
General administration	26,801			26,801
Depreciation	27,700			27,700
Interest and debt issuance cost amortization	11,595			11,595
Member development	3,293			3,293
Fund raising	7,873			7,873
Total expenses and losses	232,264	-	-	232,264
Change in net assets from operations	**19,689**	**1,691**	**14,970**	**36,350**
Nonoperating revenue, expenses, support, gains, and losses:				
Proceeds from the sale of art objects		2,947	285	3,232
Contributions for the purchase of art objects		3,862	177	4,039
Net assets released to fund acquisition of art objects	14,676	(14,676)		-
Net assets released, other	8,000	(8,000)		-
Investment return designated for art purchases	11	3,576		3,587
Acquisition of art objects	(14,814)			(14,814)
Pension-related changes other than net periodic pension cost	(19,787)			(19,787)
Investment return less than amounts designated for current operations and art purchases	(6,340)	(7,674)	2	(14,012)
Other transfers	(109)	143	(34)	-
Other nonoperating expenses	(8,000)			(8,000)
Change in net assets	**(6,674)**	**(18,131)**	**15,400**	**(9,405)**
Net assets, beginning of year	183,572	658,672	351,118	1,193,362
Net assets, end of year	**$ 176,898**	**$ 640,541**	**$ 366,518**	**$ 1,183,957**

See notes to financial statements.

THE ART INSTITUTE OF CHICAGO

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014
(In thousands)

	Unrestricted Funds	Temporarily Restricted Funds	Permanently Restricted Funds	Total
Operating revenue, gains, and other support:				
Tuition and student program fees	$ 133,296	$ -	$ -	$ 133,296
Student aid	(35,074)			(35,074)
Tuition and student program fees, net	98,222	-	-	98,222
Contributions	21,401	25,289	23,076	69,766
Chicago Park District tax	5,614			5,614
Museum admissions	12,959			12,959
Membership dues	8,156			8,156
Special exhibitions, catalogues, and other revenues	1,097			1,097
Other program revenues	11,609			11,609
Investment return designated for current use	17,098	23,636		40,734
Auxiliary activities	27,423			27,423
Other	853			853
Net assets released from restrictions	39,588	(39,588)		-
Total operating revenue, gains, and other support	244,020	9,337	23,076	276,433
Expenses and losses:				
Programs services:				
Instructional and academic	82,461			82,461
Curatorial, libraries, and collections	33,440			33,440
Special exhibitions	6,985			6,985
Museum education	2,842			2,842
Other programs	8,622			8,622
Auxiliary activities	17,695			17,695
Managerial and general:				
General administration	25,432			25,432
Depreciation	27,808			27,808
Interest and debt issuance cost amortization	11,900			11,900
Member development	3,041			3,041
Fund raising	6,795			6,795
Total expenses and losses	227,021	-	-	227,021
Change in net assets from operations	**16,999**	**9,337**	**23,076**	**49,412**
Nonoperating revenue, expenses, support, gains, and losses:				
Proceeds from the sale of art objects		16,677		16,677
Contributions for the purchase of art objects		4,512	242	4,754
Net assets released to fund acquisition of art objects	17,409	(17,409)		-
Investment return designated for art purchases	16	3,473		3,489
Acquisition of art objects	(17,908)			(17,908)
Pension-related changes other than net periodic pension cost	1,976			1,976
Investment return in excess of amounts designated for current operations and art purchases	37,247	60,252	427	97,926
Other transfers	69	(68)	(1)	-
Change in net assets	**55,808**	**76,774**	**23,744**	**156,326**
Net assets, beginning of year	127,764	581,898	327,374	1,037,036
Net assets, end of year	**$ 183,572**	**$ 658,672**	**$ 351,118**	**$ 1,193,362**

See notes to financial statements.

THE ART INSTITUTE OF CHICAGO

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2015 AND 2014
(In thousands)

	2015	2014
Cash flows from operating activities:		
Change in net assets	$ (9,405)	$ 156,326
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	26,150	25,463
Loss on retirement of property		15
Change in pension liability	16,657	(3,951)
Contributions restricted for permanently restricted endowment, net	(16,820)	(18,561)
Contributions restricted for capital campaign, net	703	(1,135)
Other losses	14	10
Net unrealized and realized gains on investments	(24,054)	(134,492)
Acquisitions and sales of art, net	11,503	1,652
Change in assets and liabilities:		
Accounts and investment income receivables	863	(724)
Prepaid expenses, other assets, and inventories	695	1,536
Unrestricted and temporarily restricted contributions receivables	815	(16,891)
Accounts payable and other liabilities	10,544	(453)
Refundable advances	152	103
Deferred revenues and other	(604)	(2,249)
Net cash provided by operating activities	**17,213**	**6,649**
Cash flows from investing activities:		
Purchases of property and equipment	(43,271)	(18,419)
Proceeds from sales of art objects	3,232	16,677
Acquisition of art objects	(14,814)	(17,908)
Other assets restricted for debt service	(523)	2,654
Proceeds from sales of investments	123,549	83,883
Purchases of investments	(50,302)	(68,714)
Net cash provided by (used in) investing activities	**17,871**	**(1,827)**
Cash flows from financing activities:		
Proceeds from contributions restricted for permanently restricted endowment	13,647	9,109
Proceeds from capital campaign	3,405	5,952
Payments on notes payable	(75,310)	(10,490)
Proceeds from notes payable	24,000	600
Net cash (used in) provided by financing activities	**(34,258)**	**5,171**
Net increase in cash and cash equivalents	**826**	**9,993**
Cash and cash equivalents at the beginning of year	16,189	6,196
Cash and cash equivalents at the end of year	**$ 17,015**	**$ 16,189**
Supplemental data: Interest paid	$ 13,557	$ 13,747
Supplemental disclosure of noncash items: Property and art purchase additions included in accounts payable	$ 3,857	$ 6,296

See notes to financial statements.

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Art Institute of Chicago ("Institute") is a not-for-profit corporation that exists to provide appreciation and education in visual fine arts and design. The Institute 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 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 (US GAAP). A summary of the Institute's significant accounting policies is set forth below:

Management estimates - The preparation of financial statements in conformity with US GAAP requires management to make estimates and judgments that affect the reported amounts of assets and liabilities, 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.

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 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 and 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 is 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, and the holdings of the libraries, are excluded from the statements of financial position. Additions to the permanent collection are made either by gifts, bequests, or through purchases using Institute's acquisition funds. Institute's 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 last 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. Therefore, they are not included in the Statements of Financial Position.

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 institutional money market funds or bank deposits. Cash equivalents held by long-term investment managers are classified as investments; see Note 2 for further discussion.

Accounts and investment income receivables 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 US 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.

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

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 bond indenture agreement. As of June 30, 2015 and 2014, the restricted pledge fund balance was $721,000 and $693,000, 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.

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 5.0 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 prescribes 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 financial statements.

Long-term investing is governed by the Institute's investment pool policy. The Investment Committee of the Board 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 the Institute'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.

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

The Institute 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 liability - 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 statements 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 consist primarily of asbestos removal costs for which the Institute may have a legal obligation to remediate; 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.

Member development - Member development includes identifying and offering memberships to prospective members, member relations, and member communications. The imputed value of membership benefits to upper level and Sustaining Fellow members for fiscal year 2014 was approximately $379,000, and in 2015 the benefits were no longer provided. The full 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, excluding art objects, and services are recognized at fair value when received. The amounts reflected in the accompanying 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 financial statements.

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

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 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 $7.8 million for tax periods through June 30, 2014. The Institute does not have the ability to estimate the NOL through June 30, 2015, 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 2033. The Institute has not recorded a tax benefit for these NOLs for the years ended June 30, 2015 and 2014, because it is unlikely 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.

Upcoming Financial Accounting Standards **-** In May of 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2015-07, *Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent) (a consensus of the FASB Emerging Issues Task Force)*. This ASU removes the requirement to categorize within the fair value hierarchy investments for which fair values are measured at net asset value (NAV) using the practical expedient. The ASU also removes the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the NAV per share practical expedient. Rather, those disclosures are limited to investments for which the entity has elected to measure the fair value using that practical expedient. The ASU is effective for fiscal years beginning after December 15, 2016. The Institute is currently evaluating the impact of adopting this provision.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*. The pronouncement was issued to clarify the principles for recognizing revenue and to develop a common revenue standard and disclosure requirements for US GAAP and International Financial Reporting Standards. The FASB has approved a one-year deferral of the effective date of ASU No. 2014-09, such that it will become effective for the annual period ending after December 15, 2017. The Institute is currently evaluating the impact of adopting this provision.

2. INVESTMENTS

Investments as of June 30, 2015 and 2014, consist of the following (in thousands):

	2015		
	Pooled	Non Pooled Investments	Total
Cash and cash equivalents	$ 6,169	$ 1,778	$ 7,947
Fixed income securities	46,309	3,929	50,238
Equity securities	438,572	4,079	442,651
Hedge funds	236,890		236,890
Venture capital and private equity	100,038		100,038
Real assets	63,842		63,842
Total assets held for investment	891,820	9,786	901,606
Assets held in trust by others		45,760	45,760
Total investments	$ 891,820	$ 55,546	$ 947,366

	2014		
	Pooled	Non Pooled Investments	Total
Cash and cash equivalents	$ 10,433	$ 7,635	$ 18,068
Fixed income securities	50,299	3,776	54,075
Equity securities	462,201	3,973	466,174
Hedge funds	218,337		218,337
Venture capital and private equity	101,457		101,457
Real assets	92,502		92,502
Total assets held for investment	935,229	15,384	950,613
Assets held in trust by others		47,411	47,411
Total investments	$ 935,229	$ 62,795	$ 998,024

Cash and cash equivalents included in long-term investments may consist of short-term US Treasury obligations, high-grade commercial paper, certificates of deposit, or money market funds. 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 are 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 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.

Assets held in trust by others include the Institute's beneficial interest in perpetual trusts, charitable remainder trusts, and pooled income funds held by third parties. The Institute recognizes the initial contribution, subsequent adjustments, and the asset at fair value based on market value of the trust's underlying assets as provided by the trustee. Subsequent adjustments to the fair value are included in permanently restricted contributions in the statements of activities. Income distributions received from the trusts are recognized in unrestricted or temporarily restricted investment return designated for current use in accordance with the donor restrictions.

2. INVESTMENTS (continued)

Investments as of June 30, 2015 and 2014, as a percentage, consist of the following:

	2015		
	Pooled	Non Pooled Investments	Total
Cash and cash equivalents	0.7 %	3.2 %	0.8 %
Fixed income securities	5.2	7.1	5.3
Equity securities	49.1	7.3	46.8
Hedge funds	26.6		25.0
Venture capital and private equity	11.2		10.6
Real assets	7.2		6.7
Total assets held for investment	100.0	17.6	95.2
Assets held in trust by others		82.4	4.8
Total investments	100.0 %	100.0 %	100.0 %

	2014		
	Pooled	Non Pooled Investments	Total
Cash and cash equivalents	1.1 %	12.2 %	1.8 %
Fixed income securities	5.4	6.0	5.4
Equity securities	49.4	6.3	46.7
Hedge funds	23.4		21.9
Venture capital and private equity	10.8		10.2
Real assets	9.9		9.3
Total assets held for investment	100.0	24.5	95.3
Assets held in trust by others		75.5	4.7
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, 2015 and 2014, are as follows (in thousands):

	For the Year Ended 2015			
	Assets Held for Investment		Assets Held	
Change in fair value:	Pooled	Non Pooled	in Trust	Total
Realized	$ 39,921	$ 253	$ -	$ 40,174
Unrealized	(16,137)	16		(16,121)
Dividend and interest income	8,061	154	2,109	10,324
Cash gifts and other additions	14,509	3,405	(1,466)	16,448
Transfers out	(43,690)	(9,328)	(185)	(53,203)
Investment management fees	(2,561)			(2,561)
Allocation of spendable funds	(43,512)	(98)	(2,109)	(45,719)
Net change in fair value	(43,409)	(5,598)	(1,651)	(50,658)
Fair value, beginning of year	935,229	15,384	47,411	998,024
Fair value, end of year	$ 891,820	$ 9,786	$ 45,760	$ 947,366

	For the Year Ended 2014			
	Assets Held for Investment		Assets Held	
Change in fair value:	Pooled	Non Pooled	in Trust	Total
Realized	$ 30,723	$ 250	$ 6	$ 30,979
Unrealized	102,983	488	42	103,513
Dividend and interest income	7,992	163	2,068	10,223
Cash gifts and other additions	10,161	5,952	4,759	20,872
Transfers in (out)	12,321	(6,445)	(8)	5,868
Investment management fees	(2,651)	(6)		(2,657)
Allocation of spendable funds	(42,655)		(2,060)	(44,715)
Net change in fair value	118,874	402	4,807	124,083
Fair value, beginning of year	816,355	14,982	42,604	873,941
Fair value, end of year	$ 935,229	$ 15,384	$ 47,411	$ 998,024

Realized and unrealized gains included in the statements of activities for the years ended June 30, 2015 and 2014, are reported in the financial statement as 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, 2015 and 2014, are summarized as follows:

	2015		2014	
	Fair Value	Rate of Return	Fair Value	Rate of Return
Pooled endowment funds investments	$ 891,820	3.6%	$ 935,229	17.3%

2. INVESTMENTS (continued)

ASC 820, *Fair Value Measurements and Disclosures*, 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 (Topic 820): 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 NAV per share or its equivalent. The guidance clarifies that if an organization is able to redeem the investment at NAV 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 NAV 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:

<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 NAV 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 certain institutional commingled funds and hedge funds that are not redeemable in the near term at NAV 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 NAV, 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

2. INVESTMENTS (continued)

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 based on capital markets or other methods deemed appropriate.

The Institute's investments are classified as follows, based on fair values, as of June 30, 2015 (in thousands):

	2015			
Pooled investments	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 6,169	$ -	$ -	$ 6,169
Fixed income securities	46,309			46,309
Equity securities *	91,953	310,436	36,183	438,572
Hedge funds		107,711	129,179	236,890
Venture capital and private equity			100,038	100,038
Real assets	8,715	15,485	39,642	63,842
Total pooled investments	153,146	433,632	305,042	891,820
Non pooled investments				
Cash and cash equivalents	1,778			1,778
Fixed income securities	1,795	2,134		3,929
Equity securities	4,079			4,079
Assets held in trust by others	40,751	3,948	1,061	45,760
Total non pooled investments	48,403	6,082	1,061	55,546
Total investments	$ 201,549	$ 439,714	$ 306,103	$ 947,366

*Included in Level 2 equity securities are investment subscriptions paid in advance totaling $15 million.

The Institute's investments are classified as follows, based on fair values, as of June 30, 2014 (in thousands):

	2014			
Pooled investments	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 10,433	$ -	$ -	$ 10,433
Fixed income securities	50,299			50,299
Equity securities	111,312	317,314	33,575	462,201
Hedge funds		127,501	90,836	218,337
Venture capital and private equity			101,457	101,457
Real assets	25,458	19,754	47,290	92,502
Total pooled investments	197,502	464,569	273,158	935,229
Non pooled investments				
Cash and cash equivalents	7,635			7,635
Fixed income securities	1,766	2,010		3,776
Equity securities	3,973			3,973
Assets held in trust by others	41,340	5,264	807	47,411
Total non pooled investments	54,714	7,274	807	62,795
Total investments	$ 252,216	$ 471,843	$ 273,965	$ 998,024

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, 2015 and 2014 (in thousands):

	2015	2014
Beginning balance	$ 273,965	$ 233,802
Total gains:		
Realized	19,141	16,352
Unrealized	663	25,867
Purchases	56,106	36,048
Sales	(54,133)	(39,880)
Transfers into Level 3	10,404	1,841
Transfers out of Level 3	(43)	(65)
Ending balance	$ 306,103	$ 273,965
Amount of unrealized gains relating to assets still held at year end	$ 663	$ 25,867

For the years ended June 30, 2015 and 2014, $43,000 and $65,000, respectively, was transferred from Level 3 to Level 2 due to the expiration of lock-up restrictions on certain equity securities and hedge fund investments. For the year ended June 30, 2015, $10.4 million was transferred from Level 2 to Level 3 due to a change in one fund's liquidity. For the year ended June 30, 2014, $1.8 million was transferred from Level 2 to Level 3 due to a change in the value of the redeemable portion of a certain hedge fund investment. There were no transfers between Level 1 and Level 2 for the years ended June 30, 2015 and 2014.

For Level 2 and Level 3 assets, the unfunded commitments, redemption frequency, and redemption notice period of the pooled investments held at NAV or its equivalent are as follows as of June 30, 2015 and 2014 (in thousands):

	2015				
	Fair Value	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period	Lockup or Gate
Equity securities	$ 346,619	N/A	Daily-Annually	1-90 Days	None
Hedge funds	236,890	N/A	Monthly-Biennially	30-120 Days	One fund subject to a 2 year lockup
Venture capital and private equity	100,038	$ 48,019	N/A	N/A	N/A
Real assets	55,127	37,466	Daily-Annually	1-90 Days	None
Total	$ 738,674	$ 85,485			

	2014				
	Fair Value	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period	Lockup or Gate
Equity securities	$ 350,889	N/A	Daily-Annually	1-90 Days	None
Hedge funds	218,337	N/A	Monthly-Annually	45-120 Days	One fund subject to 1 year lockup
Venture capital and private equity	101,457	$ 51,012	N/A	N/A	N/A
Real assets	67,044	27,205	Daily-Annually	1-90 Days	None
Total	$ 737,727	$ 78,217			

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 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

When the Board designates unrestricted funds to function as endowments, they are classified as unrestricted net assets. When the Board designates donor-restricted non-endowment funds to function as endowments, they are classified as temporarily restricted net assets. 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, 2015 and 2014, $427,000 and $292,000, respectively, of donor endowment deficits were reported in unrestricted net assets.

3. ENDOWMENT FUNDS (continued)

The Institute's endowment net asset composition (including pledges) as of June 30, 2015 and 2014, is as follows (in thousands):

	2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ (427)	$ 268,858	$ 366,518	$ 634,949
Board-designated endowment funds	285,215	41,992		327,207
Total funds	$ 284,788	$ 310,850	$ 366,518	$ 962,156

	2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ (292)	$ 275,990	$ 351,118	$ 626,816
Board-designated endowment funds	337,754	39,534		377,288
Total funds	$ 337,462	$ 315,524	$ 351,118	$ 1,004,104

Description of amounts classified as permanently restricted net assets and temporarily restricted net assets (endowment only) as of June 30, 2015 and 2014, are as follows (in thousands):

	2015	2014
Permanently restricted net assets		
The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or UPMIFA	$ 366,518	$ 351,118
Temporarily restricted net assets		
Term endowment funds	$ 162,199	$ 162,176
The portion of perpetual endowments subject to a time restriction under UPMIFA	148,651	153,348
Total endowment funds classified as temporarily restricted net assets	$ 310,850	$ 315,524

Changes in endowment net assets for the year ended June 30, 2015, are as follows (in thousands):

	2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 337,462	$ 315,524	$ 351,118	$ 1,004,104
Investment income	2,949	7,197	31	10,177
Net appreciation on pooled and non pooled investments	6,595	14,714	88	21,397
Net depreciation on assets held in trust			(1,474)	(1,474)
Contributions		6	16,960	16,966
Appropriation of endowment assets for expenditure	(16,195)	(29,776)	(170)	(46,141)
Transfers to create board-designated endowment funds	19,879	2,896		22,775
Transfers to remove board-designated endowment funds	(65,213)			(65,213)
Other changes, net	(689)	289	(35)	(435)
Endowment net assets, end of year	$ 284,788	$ 310,850	$ 366,518	$ 962,156

3. ENDOWMENT FUNDS (continued)

Changes in endowment net assets for the year ended June 30, 2014, are as follows (in thousands):

	2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 287,888	$ 255,172	$ 327,374	$ 870,434
Investment income	2,283	8,081	32	10,396
Net appreciation on pooled and non pooled investments	46,543	84,576	504	131,623
Net appreciation on assets held in trust			4,760	4,760
Contributions		205	18,613	18,818
Appropriation of endowment assets for expenditure	(11,687)	(32,863)	(165)	(44,715)
Transfers to create board-designated endowment funds	12,373	(47)	(207)	12,119
Other changes, net	62	400	207	669
Endowment net assets, end of year	$ 337,462	$ 315,524	$ 351,118	$ 1,004,104

Relationship of Spending Policy to Investment Objectives

The Institute's Executive Committee of the Board determines the method to be used to appropriate endowment funds for expenditure.

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 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 2015 ranged from 0.3% to 2.6% and for fiscal year 2014 ranged from 0.1% to 2.7%. Contributions receivable are expected to be realized as follows (in thousands):

Collectible during the following periods:		2015		2014
Year one	$	15,305	$	15,115
Year two		8,117		9,152
Year three		6,970		5,136
Year four		4,433		4,315
Year five and thereafter		21,746		23,022
Gross contributions receivable		56,571		56,740
Fair value adjustment		(3,658)		(3,593)
Allowance for uncollectible contributions		(1,638)		(1,573)
Net contributions receivable	$	51,275	$	51,574

The Institute's unconditional promises to contribute are recorded at fair value and are classified as Level 2 within the fair value hierarchy, except that, promises to give that are payable upon the death of the donor are classified as Level 3 due to uncertain timing. Level 2 contributions receivable were $35.8 million and $36.2 million for the fiscal years 2015 and 2014, respectively. Level 3 contributions receivable were $15.5 million and $15.4 million for the fiscal years 2015 and 2014, respectively. In determining the classification within the fair value hierarchy, the Institute considered historical and projected cash flow rates. The fair value calculations may not be indicative of net realizable value or reflective of future fair values.

In fiscal year 2014, the Institute revised its policy regarding legally enforceable promises to give that are payable upon the death of the donor. Previously, such agreements were interpreted as intentions to give and, accordingly, were not recognized in the financial statements.

5. PROPERTY AND EQUIPMENT, NET

Property and equipment as of June 30, 2015 and 2014, consist of the following (in thousands):

		2015		2014
Land	$	35,057	$	11,325
Buildings and improvements		641,019		628,223
Equipment, furniture, and fixtures		24,584		22,536
Total property and equipment		700,660		662,084
		5,036		6,393
Accumulated depreciation		(238,352)		(214,344)
Property and equipment, net	$	467,344	$	454,133

The Institute wrote off fully depreciated assets because they were no longer in use in fiscal years 2015 and 2014. The 2015 and 2014 write-offs were $3.7 million and $2.6 million, respectively.

6. ACCOUNTS PAYABLE AND OTHER LIABILITIES

Accounts payable and other liabilities as of June 30, 2015 and 2014, consist of the following (in thousands):

	2015	2014
Accounts payable	$ 24,203	$ 16,148
Art purchase liability	750	
Asset retirement obligations	5,505	5,569
Accrued salaries and benefits	5,041	4,749
Accrued interest payable	3,435	4,450
Other liabilities	2,014	1,927
Total accounts payable and other liabilities	$ 40,948	$ 32,843

Accounts payable includes a $4 million balance, due to the Chicago Park District, related to the restoration of Buckingham Fountain for which the total obligation was $8 million. This $8 million expense is shown as an other nonoperating expense and has been funded from temporarily restricted funds.

The asset retirement obligations primarily consist of asbestos removal costs. The assets for which there is an asset retirement obligation are $1.7 million, less accumulated depreciation of $1.7 million as of June 30, 2015 and 2014. The change in the asset retirement obligation for the years ended June 30, 2015 and 2014, is as follows (in thousands):

	2015	2014
Asset retirement obligations, beginning of year	$ 5,569	$ 5,639
Settlements paid	(64)	(70)
Asset retirement obligations, end of year	$ 5,505	$ 5,569

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

The Institute has operating lease agreements for academic, office and storage space, and office equipment expiring in various years through 2021. Certain operating leases provide for renewal options for periods from 1 to 10 years. Total lease expenses are $4.9 million and $5.0 million for the years ended June 30, 2015 and 2014, respectively.

Minimum future lease payments under noncancelable operating leases having remaining terms in excess of one year as of June 30, 2015, are as follows (in thousands):

Years ending June 30,	
2016	$ 4,481
2017	4,049
2018	4,117
2019	4,184
2020	3,931
Thereafter	2,180
Total minimum lease payments	$ 22,942

8. BONDS AND NOTES PAYABLE

Bonds and notes payable as of June 30, 2015, consist of the following (in thousands):

	Principal Amount	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	2-3 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	45,170	3/1/2040	At maturity	March 1, September 1	N/A	5.25%
Series 2012A	35,930	3/1/2034	Varying dates and amounts	March 1, September 1	N/A	3.00% to 5.00%
Taxable Bonds:						
Series 2012	30,000	3/1/2027	Varying dates and amounts	March 1, September 1	N/A	2.48% to 3.78%
Total Bonds	201,980					
Bank Debt:						
Wells Fargo $24 million term loan	24,000	10/24/2019	At expiration	Quarterly	N/A	1.94%
Bank of America $10 million working capital line of credit		4/30/2018	At expiration	Varying dates	Varying dates	LIBOR-based
JPMorgan Chase $25 million working capital line of credit		5/30/2017	At expiration	Varying dates	Varying dates	LIBOR-based
Northern Trust $20 million working capital line of credit		1/24/2016	At expiration	Varying dates	Varying dates	LIBOR-based
Total Outstanding Debt	225,980					
Unamortized premium	4,980					
Unamortized discount	(820)					
Total	$ 230,140					

8. BONDS AND NOTES PAYABLE (continued)

Bonds and notes payable as of June 30, 2014, consist of the following (in thousands):

	Principal Amount	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	2-3 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	43,050	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	277,290					
Bank Debt:						
Bank of America $10 million working capital line of credit		4/30/2015	At expiration	Varying dates	Varying dates	LIBOR-based
JPMorgan 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		1/24/2016	At expiration	Varying dates	Varying dates	LIBOR-based
Total Outstanding Debt	277,290					
Unamortized premium	6,534					
Unamortized discount	(824)					
Total	$ 283,000					

8. BONDS AND NOTES PAYABLE (continued)

The fair value of bonds payable as of June 30, 2015 and 2014, is $218.3 million and $294.0 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 and notes payable are summarized as follows (in thousands):

2016	$ 13,695
2017	13,175
2018	7,130
2019	31,125
2020	25,220
2021 and thereafter	135,635
Total	$ 225,980

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, 2015 and 2014. 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, 2015 and 2014 (in thousands):

	2015	2014
Restricted contributions received for acquisition or improvement of long-lived assets	$ 243,336	$ 246,761
Contributions receivable for acquisition or improvement of long-lived assets funded wholly or partially by debt	17,150	19,371
Portion of perpetual endowments subject to a timing restriction under UPMIFA consistent with state law, these funds are available upon appropriation by the Board	148,651	153,348
Other temporarily restricted net assets available for debt obligations	17,057	17,266
Total temporarily restricted net assets available for debt obligations	$ 426,194	$ 436,746

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

9. RESTRICTIONS ON NET ASSETS

The nature of restrictions on net assets released from donor restrictions for the years ended June 30, 2015 and 2014, are summarized as follows (in thousands):

	2015	2014
Purchase of art objects	$ 14,676	$ 17,409
Purchase of books	207	203
Student aid	4,309	4,204
Museum exhibitions	4,381	4,595
Museum publications	188	184
Gallery maintenance, professorships, and curatorships	8,258	6,579
Restricted contributions received for acquisition or improvement of long-lived assets	9,875	10,440
Education, instruction, and other departmental purposes	14,890	13,383
General purposes *	8,000	
Total	$ 64,784	$ 56,997

*Relates to the restoration of Buckingham Fountain (see Note 6).

Net assets categorized by donor restrictions as of June 30, 2015, are summarized as follows (in thousands):

	Temporarily Restricted	Permanently Restricted
Purchase of art objects	$ 56,042	$ 35,759
Purchase of books	2,947	2,144
Student aid	42,711	32,346
Museum exhibitions	13,096	26,333
Museum publications	5,879	3,510
Gallery maintenance, professorships, and curatorships	64,289	115,491
Restricted contributions received for acquisition or improvement of long-lived assets	245,875	
Education, instruction, and other departmental purposes	120,638	63,651
Contributions receivable	34,421	15,243
Assets held in trust by others	401	45,358
General purposes	54,242	26,683
Total	$ 640,541	$ 366,518

Net assets categorized by donor restrictions as of June 30, 2014, are summarized as follows (in thousands):

	Temporarily Restricted	Permanently Restricted
Purchase of art objects	$ 60,873	$ 35,323
Purchase of books	2,992	2,144
Student aid	39,671	28,006
Museum exhibitions	12,467	25,233
Museum publications	5,989	3,510
Gallery maintenance, professorships, and curatorships	66,365	107,173
Restricted contributions received for acquisition or improvement of long-lived assets	249,876	
Education, instruction, and other departmental purposes	121,109	64,385
Contributions receivable	35,787	12,083
Assets held in trust by others	392	47,018
General purposes	63,151	26,243
Total	$ 658,672	$ 351,118

10. PENSION BENEFITS

The Institute 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.

As of June 30, 2015, the Institute updated the assumptions for revised mortality projections for the measurement of the Plan that reflect longevity improvements of Plan participants, resulting in an increase to future pension expense and to the benefit obligation.

The following table sets forth the Plan's pension benefit obligation, plan assets, and funded status reconciled with the amounts set forth in the statements of financial position as of June 30, 2015 and 2014 (in thousands):

	2015	2014
Change in benefit obligation		
Benefit obligation—beginning of year	$ 135,936	$ 122,507
Service cost	2,821	2,638
Interest cost	5,854	5,765
Actuarial loss	12,998	9,632
Benefits paid	(4,830)	(4,606)
Plan amendments	2,953	
Projected benefit obligation—end of year	155,732	135,936
Change in plan assets		
Fair value of plan assets—beginning of year	127,190	109,810
Actual return on plan assets	2,969	16,986
Employer contribution	5,000	5,000
Benefits paid	(4,830)	(4,606)
Fair value of plan assets—end of year	130,329	127,190
Funded status at the end of the year	$ (25,403)	$ (8,746)

The pension plan items not yet recognized as a component of periodic pension cost, but included in net assets as of June 30, 2015 and 2014, are as follows (in thousands):

	2015	2014
Net actuarial loss	$ 53,881	$ 37,007
Prior-service cost	3,197	284
Net amount recognized	$ 57,078	$ 37,291

As of June 30, 2015 and 2014, information for pension plans with an accumulated benefit obligation in excess of plan assets consist of the following (in thousands):

	2015	2014
Projected benefit obligation	$ 155,732	$ 135,936
Accumulated benefit obligation	139,156	123,597
Fair value of the plan assets	130,329	127,190

10. PENSION BENEFITS (CONTINUED)

As of June 30, 2015 and 2014, components of net periodic benefit cost for the pension plan consist of the following (in thousands):

	2015	2014
Service cost	$ 2,821	$ 2,638
Interest cost	5,854	5,765
Expected return on plan assets	(9,531)	(8,235)
Amortization of prior service credit	40	(153)
Amortization of net actuarial loss	2,687	3,045
Net periodic benefit cost	$ 1,871	$ 3,060

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 2016 are $4.5 million and $385,000, respectively.

Assumptions - Weighted-average assumptions used to determine the pension benefit obligation as of June 30, 2015 and 2014, are as follows:

	2015	2014
Discount rate	4.50 %	4.30 %
Expected return on plan assets	7.50	7.50
Salary growth rate	3.75	4.20

Weighted-average assumptions used to determine pension net periodic cost for the years ended June 30, 2015 and 2014, are as follows:

	2015	2014
Discount rate	4.50 %	4.70 %
Expected return on plan assets	7.50	7.50
Salary growth rate	3.75	4.20

Contributions - Employer contributions to the defined contribution plan totaled $3.9 million and $3.4 million, respectively, for the years ended June 30, 2015 and 2014. Employer contributions to the supplemental retirement plan totaled $253,000 and $185,000, respectively, for the years ended June 30, 2015 and 2014. The Institute expects to contribute $5 million to its defined benefit pension plan in fiscal year 2016.

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

Years Ending June 30,	
2016	$ 10,990
2017	9,380
2018	9,218
2019	9,208
2020	9,755
2021-2025	51,719

10. PENSION BENEFITS (continued)

Plan Assets - Investment objectives and policies are approved by the Institute's Executive Committee based on recommendations by the Compensation and Benefits 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. The Institute 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.

In fiscal year 2015, the Plan assets were segregated into two separate investment pools, the retiree portion and the active portion. The assets of the retiree portion of the Plan are invested in a liability-driven investment strategy designed to match the duration and expected cash flows of the benefit distributions for retired Plan participants. The assets of the active portion of the Plan are invested to cover the future obligations due to active and terminated vested Plan participants. The active portion of the Plan is invested in a mix of return seeking and liability hedging assets.

The asset allocation of the active portion of the Plan was as follows as of June 30, 2015:

Asset category:	2015	Target Allocation
Equity securities	75 %	75 %
Fixed income securities and cash and cash equivalents	25	25
Total	100 %	100 %

The pension plan asset allocations as of June 30, 2014, by asset category, were as follows:

Asset category:	2014	Target Allocation
Equity securities	76 %	75 %
Fixed income securities and cash and cash equivalents	24	25
Total	100 %	100 %

The following presents information about the Institute's Plan assets measured at fair value as of June 30, 2015 and 2014, 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 US 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 NAV or its equivalent.

10. PENSION BENEFITS (continued)

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 NAV, as determined by the administrator, based on readily determinable market values (in thousands):

	2015			
Plan assets, at fair value:	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 3,119	$	$	$ 3,119
Equity securities	24,149	32,695	3,063	59,907
Fixed income securities	8,361	58,942		67,303
Total plan assets, at fair value	$ 35,629	$ 91,637	$ 3,063	$ 130,329

	2014			
Plan assets, at fair value:	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 1,803	$	$	$ 1,803
Equity securities	51,486	42,668	2,855	97,009
Fixed income securities	14,204	14,174		28,378
Total plan assets, at fair value	$ 67,493	$ 56,842	$ 2,855	$ 127,190

The change in Level 3 asset activity for the years ended June 30, 2015 and 2014, was $208,000 and $367,000, respectively, of unrealized gains.

11. NATURAL CLASSIFICATION OF EXPENSES

Expenses by natural classification for operating activities for the year ended June 30, 2015, are as follows (in thousands):

	Museum	School	Corporate Financial Services	Total	% of Total
Salaries and wages	$ 33,109	$ 54,985	$ -	$ 88,094	37.9 %
Fringe benefits	8,959	14,298	171	23,428	10.1 %
Contracted services	14,065	11,760		25,825	11.1 %
Equipment, rental, and maintenance	2,819	10,960		13,779	5.9 %
Travel and entertainment	1,862	2,026		3,888	1.7 %
Telephone, copy, fax, and postage	1,763	1,413		3,176	1.4 %
Supplies, books, and subscriptions	2,398	1,827		4,225	1.8 %
Publications and printing	2,542	982		3,524	1.5 %
Publicity and promotions	1,900	908		2,808	1.2 %
Cost of sales	6,278	329		6,607	2.9 %
Utilities	3,428	1,994		5,422	2.3 %
Bad debt	(44)	768		724	0.3 %
Interest and debt issuance cost amortization	5,078	3,739	2,778	11,595	5.0 %
Depreciation	16,739	10,961		27,700	11.9 %
Other	6,677	4,792		11,469	5.0 %
Total	$ 107,573	$ 121,742	$ 2,949	$ 232,264	100.0 %

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 affected by interest rate fluctuations.

Expenses by natural classification for operating activities for the year ended June 30, 2014, are as follows (in thousands):

	Museum	School	Corporate Financial Services	Total	% of Total
Salaries and wages	$ 31,127	$ 51,503	$ -	$ 82,630	36.4 %
Fringe benefits	10,745	14,906	(3,340)	22,311	9.9 %
Contracted services	13,085	11,679		24,764	10.9 %
Equipment, rental, and maintenance	2,643	10,641		13,284	5.9 %
Travel and entertainment	1,658	1,773		3,431	1.5 %
Telephone, copy, fax, and postage	1,799	1,223		3,022	1.3 %
Supplies, books, and subscriptions	2,862	1,766		4,628	2.0 %
Publications and printing	2,598	1,041		3,639	1.6 %
Publicity and promotions	2,830	976		3,806	1.7 %
Cost of sales	6,300	1,837		8,137	3.6 %
Utilities	3,778	2,433		6,211	2.7 %
Bad debt	13	764		777	0.3 %
Interest and debt issuance cost amortization	5,786	3,810	2,304	11,900	5.3 %
Depreciation	17,222	10,586		27,808	12.2 %
Other	6,370	4,303		10,673	4.7 %
Total	$ 108,816	$ 119,241	$ (1,036)	$ 227,021	100.0 %

12. RELATED-PARTY TRANSACTIONS

All members of the Board, 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 or approve 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 may 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 advisory committees and the board of governors, 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 29, 2015, 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.

SUPPLEMENTARY INFORMATION

THE ART INSTITUTE OF CHICAGO

SUPPLEMENTAL SCHEDULE OF
UNRESTRICTED OPERATING ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015
(In thousands)

	Museum	School	Corporate Financial Services*	Total
Operating revenue, gains, and other support:				
Tuition and student program fees	$ -	$ 146,986	$ -	$ 146,986
Student aid		(37,912)		(37,912)
Tuition and student program fees, net	-	109,074	-	109,074
Contributions	14,130	3,444		17,574
Chicago Park District tax	5,690			5,690
Museum admissions	14,842			14,842
Membership dues	8,368			8,368
Special exhibitions, catalogues, and other revenues	216			216
Other program revenues	3,484	4,881		8,365
Investment return designated for current use	11,126	3,117	3,007	17,250
Auxiliary activities	17,028	10,832		27,860
Other	216	390		606
Net assets released from restrictions	33,824	8,284		42,108
Total operating revenue, gains, and other support	108,924	140,022	3,007	251,953
Expenses and losses:				
Programs services:				
Instructional and academic		85,238		85,238
Curatorial, libraries, and collections	34,164			34,164
Special exhibitions	6,619			6,619
Museum education	3,135			3,135
Other programs	6,639	1,738		8,377
Auxiliary activities	13,783	3,686		17,469
Managerial and general:				
General administration	13,274	13,356	171	26,801
Depreciation	16,739	10,961		27,700
Interest and debt issuance cost amortization	5,078	3,739	2,778	11,595
Member development	3,293			3,293
Fund raising	4,849	3,024		7,873
Total expenses and losses	107,573	121,742	2,949	232,264
Change in net assets from operations	**$ 1,351**	**$ 18,280**	**$ 58**	**$ 19,689**

*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, 2014
(In thousands)

	Museum	School	Corporate Financial Services*	Total
Operating revenue, gains, and other support:				
Tuition and student program fees	$ -	$ 133,296	$ -	$ 133,296
Student aid		(35,074)		(35,074)
Tuition and student program fees, net	-	98,222	-	98,222
Contributions	17,836	3,565		21,401
Chicago Park District tax	5,614			5,614
Museum admissions	12,959			12,959
Membership dues	8,156			8,156
Special exhibitions, catalogues, and other revenues	1,097			1,097
Other program revenues	6,090	5,519		11,609
Investment return designated for current use	12,176	2,586	2,336	17,098
Auxiliary activities	16,962	10,461		27,423
Other	351	502		853
Net assets released from restrictions	31,292	8,296		39,588
Total operating revenue, gains, and other support	112,533	129,151	2,336	244,020
Expenses and losses:				
Programs services:				
Instructional and academic		82,461		82,461
Curatorial, libraries, and collections	33,440			33,440
Special exhibitions	6,985			6,985
Museum education	2,842			2,842
Other programs	6,965	1,657		8,622
Auxiliary activities	13,833	3,862		17,695
Managerial and general:				
General administration	14,957	13,815	(3,340)	25,432
Depreciation	17,222	10,586		27,808
Interest and debt issuance cost amortization	5,786	3,810	2,304	11,900
Member development	3,041			3,041
Fund raising	3,745	3,050		6,795
Total expenses and losses	108,816	119,241	(1,036)	227,021
Change in net assets from operations	**$ 3,717**	**$ 9,910**	**$ 3,372**	**$ 16,999**

*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.