

The Art Institute of Chicago

*Financial Statements as of and for the Years Ended
June 30, 2016 and 2015, Supplementary Information
for the Years Ended June 30, 2016 and 2015, 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, 2016 and 2015, 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, 2016 and 2015, 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

October 5, 2016

THE ART INSTITUTE OF CHICAGO

STATEMENTS OF FINANCIAL POSITION AS OF JUNE 30, 2016 AND 2015
(In thousands)

	2016	2015
Assets:		
Cash and cash equivalents	\$ 8,222	\$ 17,015
Accounts and investment income receivables	9,857	8,917
Contributions receivable	71,228	51,275
Inventories	4,481	4,870
Prepaid expenses and other assets	9,744	7,801
Investments	926,188	947,366
Property and equipment, net	459,845	467,344
Total assets	\$ 1,489,565	\$ 1,504,588
 Liabilities and net assets:		
Liabilities:		
Accounts payable and other liabilities	\$ 35,113	\$ 40,948
Deferred revenues and other	20,100	20,390
Refundable advances	3,834	3,750
Pension liability	42,969	25,403
Bonds and notes payable	216,039	230,140
Total liabilities	318,055	320,631
 Net assets:		
Unrestricted	155,718	176,898
Temporarily restricted	590,044	640,541
Permanently restricted	425,748	366,518
Total net assets	1,171,510	1,183,957
Total liabilities and net assets	\$ 1,489,565	\$ 1,504,588

See notes to financial statements.

THE ART INSTITUTE OF CHICAGO

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2016

(In thousands)

	Unrestricted Funds	Temporarily Restricted Funds	Permanently Restricted Funds	Total
Operating revenue, gains, and other support:				
Tuition and student program fees	\$ 149,577	\$ -	\$ -	\$ 149,577
Student aid	(39,751)			(39,751)
Tuition and student program fees, net	109,826			109,826
Contributions	19,943	13,849	59,164	92,956
Chicago Park District tax	5,733			5,733
Museum admissions	20,007			20,007
Membership dues	8,827			8,827
Special exhibitions, catalogues, and other revenues	676			676
Other program revenues	9,133			9,133
Investment return designated for current use	16,613	25,974		42,587
Auxiliary activities	28,628			28,628
Other	656			656
Net assets released from restrictions	44,888	(44,888)		-
Total operating revenue, gains, and other support	264,930	(5,065)	59,164	319,029
Expenses and losses:				
Programs services:				
Instructional and academic	91,255			91,255
Curatorial, libraries, and collections	37,911			37,911
Special exhibitions	6,634			6,634
Museum education	3,558			3,558
Other programs	8,032			8,032
Auxiliary activities	18,918			18,918
Managerial and general:				
General administration	30,157			30,157
Depreciation	28,491			28,491
Interest and debt issuance cost amortization	10,189			10,189
Member development	3,434			3,434
Fund raising	9,009			9,009
Total expenses and losses	247,588			247,588
Change in net assets from operations	17,342	(5,065)	59,164	71,441
Nonoperating revenue, expenses, support, gains, and losses:				
Proceeds from the sale of art objects		3,871		3,871
Contributions for the purchase of art objects		2,169	19	2,188
Net assets released to fund acquisition of art objects	17,232	(17,232)		-
Investment return designated for art purchases		3,674		3,674
Acquisition of art objects	(17,559)			(17,559)
Pension-related changes other than net periodic pension cost	(16,865)			(16,865)
Investment return less than amounts designated for current operations and art purchases	(21,205)	(37,814)	(178)	(59,197)
Other transfers	(125)	(100)	225	-
Change in net assets	(21,180)	(50,497)	59,230	(12,447)
Net assets, beginning of year	176,898	640,541	366,518	1,183,957
Net assets, end of year	\$ 155,718	\$ 590,044	\$ 425,748	\$ 1,171,510

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

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

(In thousands)

	2016	2015
Cash flows from operating activities:		
Change in net assets	\$ (12,447)	\$ (9,405)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	28,085	26,150
Change in pension liability	17,566	16,657
Contributions restricted for permanently restricted endowment, net	(63,486)	(16,820)
Contributions restricted for capital campaign, net	(1,039)	703
Other losses	82	14
Net unrealized and realized losses (gains) on investments	18,407	(24,054)
Acquisitions and sales of art, net	13,688	11,503
Change in assets and liabilities:		
Accounts and investment income receivables	(940)	863
Prepaid expenses, other assets, and inventories	1,271	695
Unrestricted and temporarily restricted contributions receivable	6,832	815
Accounts payable and other liabilities	(6,234)	10,544
Refundable advances	84	152
Deferred revenues and other	(290)	(604)
Net cash provided by operating activities	1,579	17,213
Cash flows from investing activities:		
Purchases of property and equipment	(18,797)	(43,271)
Proceeds from sales of art objects	3,871	3,232
Acquisition of art objects	(19,356)	(14,814)
Other assets restricted for debt service	(2,825)	(523)
Proceeds from sales of investments	75,708	123,549
Purchases of investments	(77,152)	(50,302)
Net cash (used in) provided by investing activities	(38,551)	17,871
Cash flows from financing activities:		
Proceeds from contributions restricted for permanently restricted endowment	38,149	13,647
Proceeds from capital campaign	3,725	3,405
Payments on notes payable	(13,695)	(75,310)
Proceeds from notes payable		24,000
Net cash provided by (used in) financing activities	28,179	(34,258)
Net (decrease) increase in cash and cash equivalents	(8,793)	826
Cash and cash equivalents at the beginning of year	17,015	16,189
Cash and cash equivalents at the end of year	\$ 8,222	\$ 17,015
Supplemental data: Interest paid	\$ 10,425	\$ 13,557
Supplemental disclosure of noncash items: Property and art purchase additions included in accounts payable	\$ 7,421	\$ 3,857

See notes to financial statements.

THE ART INSTITUTE OF CHICAGO

Notes to Financial Statements

As of and for the Years Ended June 30, 2016 and 2015

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”) or its designee, 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 or its designee, 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; they 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, 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, 2016 and 2015, the restricted pledge fund balance was \$3.5 million and \$721,000, 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 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 \$7.2 million for tax periods through June 30, 2015. The Institute does not have the ability to estimate the NOL through June 30, 2016, 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 2027 and 2033. The Institute has not recorded a tax benefit for these NOLs for the years ended June 30, 2016 and 2015, 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.

Recently adopted accounting pronouncements - In May 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)* (“ASU No. 2015-07”). 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 these investments. Removing these investments from the fair value hierarchy eliminates the diversity in categorization of investments within the hierarchy. The ASU is effective for fiscal years beginning after December 15, 2016 with early adoption permitted. The Institute has early adopted ASU No. 2015-07 effective in fiscal year 2016. Fiscal year 2015 disclosures have been restated to reflect the implementation of the new guidance retrospectively. See Note 2 and Note 10 for further detail.

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

Upcoming accounting pronouncements not yet adopted - In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers* (“ASU No. 2014-09”). 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. ASU No. 2014-09 will become effective for the annual period ending after December 15, 2017. The Institute is currently evaluating the impact of adopting this standard.

In April 2015, the FASB issued ASU No. 2015-03, *Interest – Imputation of Interest* (“ASU No. 2015-03”) which requires that deferred debt issuance costs be presented with debt liabilities, rather than reported as an asset in the financial statements. This ASU is effective for fiscal years beginning after December 15, 2015. The Institute is currently evaluating the impact of adopting this standard

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)* (“ASU No. 2016-02”). The guidance requires a lessee to recognize a liability to make lease payments and an asset representing its right to use the underlying asset for the lease term in the statement of financial position for both operating and capital leases. The guidance will be effective for fiscal years beginning after December 15, 2018, and early adoption is permitted. The Institute is currently evaluating the impact of adopting this standard.

In August 2016, the FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* (“ASU No. 2016-14”). This standard simplifies and improves how a not-for-profit organization classifies its net assets as well as the information it presents in financial statements and notes about its liquidity, financial performance, and cash flows. The provisions of this standard are effective for fiscal years beginning after December 15, 2017, and early adoption is permitted. The Institute is currently evaluating the impact of adopting this standard.

2. INVESTMENTS

Investments as of June 30, 2016 and 2015, consist of the following (in thousands):

	2016		
	Pooled	Non Pooled Investments	Total
Cash and cash equivalents	\$ 47,842	\$ 2,119	\$ 49,961
Fixed income securities	47,151	3,933	51,084
Equity securities	394,082	3,936	398,018
Hedge funds	229,071		229,071
Venture capital and private equity	95,804		95,804
Real assets	60,705		60,705
Total assets held for investment	874,655	9,988	884,643
Assets held in trust by others		41,545	41,545
Total investments	<u>\$ 874,655</u>	<u>\$ 51,533</u>	<u>\$ 926,188</u>

	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	<u>\$ 891,820</u>	<u>\$ 55,546</u>	<u>\$ 947,366</u>

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

2. INVESTMENTS (continued)

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.

Investments include 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 the 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.

Investments as of June 30, 2016 and 2015, as a percentage, consist of the following:

	2016		
	Pooled	Non Pooled Investments	Total
Cash and cash equivalents	5.5 %	4.1 %	5.4 %
Fixed income securities	5.4	7.6	5.5
Equity securities	45.0	7.7	43.0
Hedge funds	26.2		24.7
Venture capital and private equity	11.0		10.3
Real assets	6.9		6.6
Total assets held for investment	<u>100.0</u>	<u>19.4</u>	<u>95.5</u>
Assets held in trust by others		80.6	4.5
Total investments	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
	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	<u>100.0</u>	<u>17.6</u>	<u>95.2</u>
Assets held in trust by others		82.4	4.8
Total investments	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>

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, 2016 and 2015 are as follows (in thousands):

	For the Year Ended 2016			
	Assets Held for Investment		Assets Held	
	Pooled	Non Pooled	in Trust	Total
Change in fair value:				
Realized	\$ 28,987	\$ 215	\$ -	\$ 29,202
Unrealized	(47,283)	(326)		(47,609)
Dividend and interest income	5,882	158	2,190	8,230
Cash gifts and other additions	38,432	3,725	(4,215)	37,942
Transfers in (out)	3,229	(3,410)		(181)
Investment management fees	(2,495)	(6)		(2,501)
Allocation of spendable funds	(43,917)	(154)	(2,190)	(46,261)
Net change in fair value	(17,165)	202	(4,215)	(21,178)
Fair value, beginning of year	891,820	9,786	45,760	947,366
Fair value, end of year	<u>\$ 874,655</u>	<u>\$ 9,988</u>	<u>\$ 41,545</u>	<u>\$ 926,188</u>

	For the Year Ended 2015			
	Assets Held for Investment		Assets Held	
	Pooled	Non Pooled	in Trust	Total
Change in fair value:				
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	<u>\$ 891,820</u>	<u>\$ 9,786</u>	<u>\$ 45,760</u>	<u>\$ 947,366</u>

Realized and unrealized gains included in the statements of activities for the years ended June 30, 2016 and 2015 are reported in the financial statement as investment return designated for current use, investment return designated for art purchases, and investment return in excess of amounts designated for current operations and art purchases.

The annualized rate of return is net of investment manager fees and is computed using monthly net returns of individual investment managers. The fair values (in thousands) and the rates of investment return on the pooled investments for the years ended June 30, 2016 and 2015 are summarized as follows:

	2016		2015	
	Fair Value	Rate of Return	Fair Value	Rate of Return
Pooled endowment funds investments	<u>\$ 874,655</u>	<u>-1.5%</u>	<u>\$ 891,820</u>	<u>3.6%</u>

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.

As discussed in Note 1, the Institute adopted the provisions of ASU No. 2015-07, *Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)* in fiscal year 2016 with retrospective application to fiscal year 2015 disclosures. In presenting the investments fair value hierarchy table as of June 30, 2015 to comply with the adoption of ASU 2015-07 as discussed in Note 1, \$310.4 million of equity securities investments, \$107.7 million of hedge funds, and \$15.5 million of real asset funds were reclassified from Level 2 within the fair value hierarchy to being reported under their NAV as a practical expedient; \$36.2 million of equity securities investments, \$129.2 million of hedge funds, \$100.0 million of venture capital and private equity investments, and \$39.6 million of real asset funds were reclassified from Level 3 to reporting under their NAV as a practical expedient.

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 and institutional commingled funds.

Level 3 - Inputs are unobservable for the asset or liability and include situations where there is little, if any, market activity for the asset or liability. The inputs into the determination of fair value may require significant management judgment or estimation.

The 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 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 typically 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

2. INVESTMENTS (continued)

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, 2016 (in thousands):

	Investments Measured at NAV or Equivalent	2016			Total
		Level 1	Level 2	Level 3	
Pooled investments					
Cash and cash equivalents	\$ -	\$ 47,842	\$ -	\$ -	\$ 47,842
Fixed income securities		47,151			47,151
Equity securities	309,236	84,846			394,082
Hedge funds	229,071				229,071
Venture capital and private equity	95,804				95,804
Real assets	52,929	7,776			60,705
Total pooled investments	687,040	187,615		-	874,655
Non pooled investments					
Cash and cash equivalents		2,119			2,119
Fixed income securities		1,779	2,154		3,933
Equity securities		3,936			3,936
Assets held in trust by others		35,914	3,958	1,673	41,545
Total non pooled investments	-	43,748	6,112	1,673	51,533
Total investments	\$ 687,040	\$ 231,363	\$ 6,112	\$ 1,673	\$ 926,188

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

	Investments Measured at NAV or Equivalent	2015			Total
		Level 1	Level 2	Level 3	
Pooled investments					
Cash and cash equivalents	\$ -	\$ 6,169	\$ -	\$ -	\$ 6,169
Fixed income securities		46,309			46,309
Equity securities	346,619	91,953			438,572
Hedge funds	236,890				236,890
Venture capital and private equity	100,038				100,038
Real assets	55,127	8,715			63,842
Total pooled investments	738,674	153,146		-	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	\$ 738,674	\$ 201,549	\$ 6,082	\$ 1,061	\$ 947,366

2. INVESTMENTS (continued)

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, 2016 and 2015 (in thousands):

2016					
	Fair Value	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period	Lockup or Gate
Equity securities	\$ 309,236	N/A	Daily-Annually	1-90 Days	None
Hedge funds	229,071	N/A	Monthly-Biennially	30-120 Days	One fund subject to a 2 year lockup
Venture capital and private equity	95,804	70,459	N/A	N/A	N/A
Real assets	52,929	35,647	Quarterly	45 Days	None
Total	<u>\$ 687,040</u>	<u>\$ 106,106</u>			

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	Quarterly-Annually	45-90 Days	None
Total	<u>\$ 738,674</u>	<u>\$ 85,485</u>			

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, 2016 and 2015, \$2.0 million and \$427,000, respectively, of donor endowment deficits were reported in unrestricted net assets.

The Institute’s endowment net asset composition (including pledges) as of June 30, 2016 and 2015 is as follows (in thousands):

	2016			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Donor-restricted endowment funds	\$ (1,983)	\$ 232,496	\$ 425,748	\$ 656,261
Board-designated endowment funds	275,098	39,568		314,666
Total funds	<u>\$ 273,115</u>	<u>\$ 272,064</u>	<u>\$ 425,748</u>	<u>\$ 970,927</u>

3. ENDOWMENT FUNDS (continued)

	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	<u>\$ 284,788</u>	<u>\$ 310,850</u>	<u>\$ 366,518</u>	<u>\$ 962,156</u>

Description of amounts classified as permanently restricted net assets and temporarily restricted net assets (endowment only) as of June 30, 2016 and 2015 are as follows (in thousands):

	2016	2015
<u>Permanently restricted net assets</u>		
The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or UPMIFA	<u>\$ 425,748</u>	<u>\$ 366,518</u>
<u>Temporarily restricted net assets</u>		
Term endowment funds	\$ 146,720	\$ 162,199
The portion of perpetual endowments subject to a time restriction under UPMIFA	<u>125,344</u>	<u>148,651</u>
Total endowment funds classified as temporarily restricted net assets	<u>\$ 272,064</u>	<u>\$ 310,850</u>

Changes in endowment net assets for the year ended June 30, 2016, are as follows (in thousands):

	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 284,788	\$ 310,850	\$ 366,518	\$ 962,156
Investment income	2,182	5,880		8,062
Net depreciation on pooled and non pooled investments	(8,209)	(13,158)	(178)	(21,545)
Net depreciation on assets held in trust			(4,221)	(4,221)
Contributions		72	63,486	63,558
Appropriation of endowment assets for expenditure	(16,613)	(29,648)		(46,261)
Transfers to create board-designated endowment funds	22,323			22,323
Transfers to remove board-designated endowment funds	(14,699)			(14,699)
Other changes, net	<u>3,343</u>	<u>(1,932)</u>	<u>143</u>	<u>1,554</u>
Endowment net assets, end of year	<u>\$ 273,115</u>	<u>\$ 272,064</u>	<u>\$ 425,748</u>	<u>\$ 970,927</u>

3. ENDOWMENT FUNDS (continued)

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

	2015			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
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	<u>\$ 284,788</u>	<u>\$ 310,850</u>	<u>\$ 366,518</u>	<u>\$ 962,156</u>

Relationship of Spending Policy to Investment Objectives

The Institute's Executive Committee of the Board of Trustees considers, among other factors, the standard of prudence prescribed by the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") in determining the method to be used to appropriate endowment funds for expenditure.

The Institute's spendable endowment payout formula is a controlled growth distribution formula. Effective July 1, 2015, the Executive Committee set the fiscal year 2016 spendable payout equal to \$44.4 million. For years subsequent to fiscal year 2016, the spending shall be the prior year's endowment payout increased by the higher of the prior June 30th growth in the consumer price index (CPI-U) as published by U.S. Bureau of Labor Statistics or the Higher Education Price Index (HEPI) published by the Commonfund Institute. Prior to July 1, 2015, the spendable payout was calculated as 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 CPI-U.

Endowment spendable amounts are reassessed by the Finance and Executive Committees 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 2016 ranged from 0.4% to 1.6% and for fiscal year 2015 ranged from 0.3% to 2.6%. Contributions receivable are expected to be realized as follows (in thousands):

Collectible during the following periods:	2016	2015
Year one	\$ 15,134	\$ 15,305
Year two	26,249	8,117
Year three	8,567	6,970
Year four	6,294	4,433
Year five and thereafter	19,160	21,746
Gross contributions receivable	<u>75,404</u>	<u>56,571</u>
Fair value adjustment	(1,930)	(3,658)
Allowance for uncollectible contributions	<u>(2,246)</u>	<u>(1,638)</u>
Net contributions receivable	<u>\$ 71,228</u>	<u>\$ 51,275</u>

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 \$40.5 million and \$35.8 million for the fiscal years 2016 and 2015, respectively. Level 3 contributions receivable were \$30.8 million and \$15.5 million for the fiscal years 2016 and 2015, 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.

5. PROPERTY AND EQUIPMENT, NET

Property and equipment as of June 30, 2016 and 2015 consist of the following (in thousands):

	2016	2015
Land	\$ 35,057	\$ 35,057
Buildings and improvements	654,662	641,019
Equipment, furniture, and fixtures	<u>27,450</u>	<u>24,584</u>
Total property and equipment	717,169	700,660
Construction in progress	9,519	5,036
Accumulated depreciation	<u>(266,843)</u>	<u>(238,352)</u>
Property and equipment, net	<u>\$ 459,845</u>	<u>\$ 467,344</u>

6. ACCOUNTS PAYABLE AND OTHER LIABILITIES

Accounts payable and other liabilities as of June 30, 2016 and 2015, consist of the following (in thousands):

	2016	2015
Accounts payable	\$ 18,217	\$ 24,203
Art purchase liability	500	750
Asset retirement obligations	6,077	5,505
Accrued salaries and benefits	4,809	5,041
Accrued interest payable	3,245	3,435
Other liabilities	2,265	2,014
Total accounts payable and other liabilities	<u>\$ 35,113</u>	<u>\$ 40,948</u>

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, 2016 and 2015. The change in the asset retirement obligation for the years ended June 30, 2016 and 2015 is as follows (in thousands):

	2016	2015
Asset retirement obligations, beginning of year	\$ 5,505	\$ 5,569
Accretion expense	672	-
Settlements paid	(100)	(64)
Asset retirement obligations, end of year	<u>\$ 6,077</u>	<u>\$ 5,505</u>

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 2025. Certain operating leases provide for renewal options for periods from 1 to 10 years. Total lease expenses were \$5.0 million and \$4.9 million for the years ended June 30, 2016 and 2015, respectively. Minimum future lease payments under noncancelable operating leases having remaining terms in excess of one year as of June 30, 2016, are as follows (in thousands):

<u>Years ending June 30,</u>	
2017	\$ 5,703
2018	5,108
2019	4,927
2020	4,332
2021	4,352
Thereafter	18,012
Total minimum lease payments	<u>\$ 42,434</u>

8. BONDS AND NOTES PAYABLE

Bonds and notes payable as of June 30, 2016, 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 medium-term revenue bonds:						
Series 1998A	\$ 12,130	3/1/2030	At maturity, subject to mandatory tender in 2017	March 1, September 1	2-3 years	4.13% to 5.00%
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%
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	34,985	3/1/2034	Varying dates and amounts	March 1, September 1	N/A	3.00% to 5.00%
Taxable bonds:						
Series 2012	<u>30,000</u>	3/1/2027	Varying dates and amounts	March 1, September 1	N/A	2.48% to 3.78%
Total bonds	<u>188,285</u>					
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		<u>1/24/2018</u>	At expiration	Varying dates	Varying dates	LIBOR-based
Total outstanding debt	212,285					
Unamortized premium	4,571					
Unamortized discount	<u>(817)</u>					
Total	<u>\$ 216,039</u>					

8. BONDS AND NOTES PAYABLE (continued)

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

	<u>Principal Amount</u>	<u>Final Maturity or Expiration</u>	<u>Principal Payable</u>	<u>Interest Payment Dates</u>	<u>Interest Reset Period</u>	<u>Coupon Interest Rates at June 30</u>
Bonds:						
Medium/long-term bonds tax exempt:						
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%
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%
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	<u>30,000</u>	3/1/2027	Varying dates and amounts	March 1, September 1	N/A	2.48% to 3.78%
Total bonds	<u>201,980</u>					
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		<u>1/24/2016</u>	At expiration	Varying dates	Varying dates	LIBOR-based
Total outstanding debt	225,980					
Unamortized premium	4,980					
Unamortized discount	<u>(820)</u>					
Total	<u>\$ 230,140</u>					

8. BONDS AND NOTES PAYABLE (continued)

The fair value of bonds payable as of June 30, 2016 and 2015, is \$207.7 million and \$218.3 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):

2017	\$ 1,045
2018	1,130
2019	31,125
2020	25,220
2021	1,325
2022 and thereafter	152,440
Total	<u>\$ 212,285</u>

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, 2016 and 2015. 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, 2016 and 2015 (in thousands):

	<u>2016</u>	<u>2015</u>
Restricted contributions received for acquisition or improvement of long-lived assets	\$ 237,380	\$ 243,336
Contributions receivable for acquisition or improvement of long-lived assets funded wholly or partially by debt	15,099	17,150
Portion of perpetual endowments subject to a timing restriction under UPMIFA consistent with state law, these funds are available upon appropriation by the Board	125,344	148,651
Other temporarily restricted net assets available for debt obligations	<u>18,800</u>	<u>17,057</u>
Total temporarily restricted net assets available for debt obligations	<u>\$ 396,623</u>	<u>\$ 426,194</u>

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, 2016 and 2015 are summarized as follows (in thousands):

	<u>2016</u>	<u>2015</u>
Purchase of art objects	\$ 17,232	\$ 14,676
Purchase of books	214	207
Student aid	3,321	4,309
Museum exhibitions	5,232	4,381
Museum publications	195	188
Gallery maintenance, professorships, and curatorships	8,857	8,258
Restricted contributions received for acquisition or improvement of long-lived assets	9,608	9,875
Education, instruction, and other departmental purposes	17,461	14,890
General purposes *		8,000
Total	<u>\$ 62,120</u>	<u>\$ 64,784</u>

*Fiscal year 2015 amount relates to the restoration of Buckingham Fountain.

Net assets categorized by donor restrictions as of June 30, 2016 are summarized as follows (in thousands):

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Purchase of art objects	\$ 47,132	\$ 60,656
Purchase of books	2,767	2,144
Student aid	38,478	35,193
Museum exhibitions	9,911	26,333
Museum publications	5,360	3,510
Gallery maintenance, professorships, and curatorships	53,571	123,780
Restricted contributions received for acquisition or improvement of long-lived assets	241,060	
Education, instruction, and other departmental purposes	111,888	65,494
Contributions receivable	30,485	40,498
Assets held in trust by others	407	41,137
General purposes	48,985	27,003
Total	<u>\$ 590,044</u>	<u>\$ 425,748</u>

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

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
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	<u>\$ 640,541</u>	<u>\$ 366,518</u>

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.

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, 2016 and 2015 (in thousands):

	<u>2016</u>	<u>2015</u>
Change in benefit obligation		
Benefit obligation—beginning of year	\$ 155,732	\$ 135,936
Service cost	2,899	2,821
Interest cost	6,894	5,854
Actuarial loss	15,588	12,998
Benefits paid	(10,808)	(4,830)
Plan amendments		2,953
Projected benefit obligation—end of year	<u>170,305</u>	<u>155,732</u>
Change in plan assets		
Fair value of plan assets—beginning of year	130,329	127,190
Actual return on plan assets	2,815	2,969
Employer contribution	5,000	5,000
Benefits paid	<u>(10,808)</u>	<u>(4,830)</u>
Fair value of plan assets—end of year	<u>127,336</u>	<u>130,329</u>
Funded status at the end of the year	<u>\$ (42,969)</u>	<u>\$ (25,403)</u>

The pension plan items not yet recognized as a component of periodic pension cost, but included in net assets as of June 30, 2016 and 2015, are as follows (in thousands):

	<u>2016</u>	<u>2015</u>
Net actuarial loss	\$ 71,130	\$ 53,881
Prior-service cost	<u>2,813</u>	<u>3,197</u>
Net amount recognized	<u>\$ 73,943</u>	<u>\$ 57,078</u>

As of June 30, 2016 and 2015, the projected benefit obligation, accumulated benefit obligation, and fair value of plan assets were as follows (in thousands):

	<u>2016</u>	<u>2015</u>
Projected benefit obligation	\$ 170,305	\$ 155,732
Accumulated benefit obligation	151,278	139,156
Fair value of the plan assets	127,336	130,329

10. PENSION BENEFITS (CONTINUED)

As of June 30, 2016 and 2015, components of net periodic benefit cost for the Plan consist of the following (in thousands):

	2016	2015
Service cost	\$ 2,899	\$ 2,821
Interest cost	6,894	5,854
Expected return on plan assets	(8,949)	(9,531)
Amortization of prior service credit	385	40
Amortization of net actuarial loss	4,471	2,687
Net periodic benefit cost	<u>\$ 5,700</u>	<u>\$ 1,871</u>

The estimated net actuarial loss and prior-service credit for the Plan that will be amortized and recognized in net periodic benefit cost for fiscal year 2017 are \$6.4 million and \$385,000, respectively.

Assumptions - Weighted-average assumptions used to determine the pension benefit obligation as of June 30, 2016 and 2015 are as follows:

	2016	2015
Discount rate	3.90 %	4.50 %
Salary growth rate	3.75	3.75

Weighted-average assumptions used to determine pension net periodic cost for the years ended June 30, 2016 and 2015 are as follows:

	2016	2015
Discount rate	4.50 %	4.30 %
Expected return on plan assets	7.00	7.50
Salary growth rate	3.75	4.20

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,	
2017	\$ 12,794
2018	10,223
2019	9,798
2020	10,354
2021	10,679
2022-2026	55,413

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, 2016:

Asset category:	<u>2016</u>	<u>Target Allocation</u>
Equity securities	72 %	75 %
Fixed income securities and cash and cash equivalents	28	25
Total	<u>100 %</u>	<u>100 %</u>

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

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

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). In accordance with ASU No. 2015-07, investments measured at the NAV or equivalent are not categorized within the fair value hierarchy. In restating the Plan assets fair value hierarchy table as of June 30, 2015 to comply with the adoption of ASU 2015-07 as discussed in Note 1, \$32.7 million of equity securities investments and \$58.9 million of fixed income investments were reclassified from Level 2 within the fair value hierarchy to being reported under their NAV as a practical expedient; \$3.1 million of equity securities investments were reclassified from Level 3 within the fair value hierarchy to being reported under their NAV as a practical expedient.

10. PENSION BENEFITS (continued)

The following presents information about the Institute's Plan assets measured at fair value as of June 30, 2016 and 2015, 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. As a result of the implementation of ASU No. 2015-07, the Institute's Plan has no Level 3 investments.

The Plan's investments are classified as follows, based on fair values, as of June 30, 2016 (in thousands):

	Investments Measured at NAV or equivalent	2016			Total
		Level 1	Level 2	Level 3	
Plan assets, at fair value:					
Cash and cash equivalents	\$ -	\$ 4,121	\$ -	\$ -	\$ 4,121
Equity securities	30,704	21,718			52,422
Fixed income securities	62,878	7,915			70,793
Total plan assets, at fair value	<u>\$ 93,582</u>	<u>\$ 33,754</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 127,336</u>

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

	Investments Measured at NAV or equivalent	2015			Total
		Level 1	Level 2	Level 3	
Plan assets, at fair value:					
Cash and cash equivalents	\$ -	\$ 3,119	\$ -	\$ -	\$ 3,119
Equity securities	35,758	24,149			59,907
Fixed income securities	58,942	8,361			67,303
Total plan assets, at fair value	<u>\$ 94,700</u>	<u>\$ 35,629</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 130,329</u>

Employer contributions

Employer contributions to the defined contribution plan totaled \$4.4 million and \$3.9 million, respectively, for the years ended June 30, 2016 and 2015. Employer contributions to the supplemental retirement plan totaled \$232,000 and \$253,000, respectively, for the years ended June 30, 2016 and 2015. The Institute expects to contribute \$5.0 million to its defined benefit pension plan in fiscal year 2017.

11. NATURAL CLASSIFICATION OF EXPENSES

Expenses by natural classification for operating activities for the year ended June 30, 2016, are as follows (in thousands):

	Museum	School	Corporate Financial Services	Total	% of Total
Salaries and wages	\$ 35,446	\$ 59,130	\$ -	\$ 94,576	38.1 %
Fringe benefits	9,132	14,233	4,000	27,365	11.0 %
Contracted services	15,820	12,060		27,880	11.3 %
Equipment, rental, and maintenance	2,803	11,636		14,439	5.8 %
Travel and entertainment	1,790	2,231		4,021	1.6 %
Telephone, copy, fax, and postage	1,728	1,651		3,379	1.4 %
Supplies, books, and subscriptions	2,588	1,885		4,473	1.8 %
Publications and printing	2,730	1,234		3,964	1.6 %
Publicity and promotions	1,939	1,170		3,109	1.3 %
Cost of sales	6,987	359		7,346	3.0 %
Utilities	3,011	1,865		4,876	2.0 %
Bad debt	2	873		875	0.4 %
Interest and debt issuance cost amortization	3,417	3,650	3,122	10,189	4.1 %
Depreciation	17,234	11,257		28,491	11.5 %
Other	7,462	5,143		12,605	5.1 %
Total	<u>\$ 112,089</u>	<u>\$ 128,377</u>	<u>\$ 7,122</u>	<u>\$ 247,588</u>	<u>100.0 %</u>

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, 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	<u>\$ 107,573</u>	<u>\$ 121,742</u>	<u>\$ 2,949</u>	<u>\$ 232,264</u>	<u>100.0 %</u>

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

In August 2016, the Institute issued \$37.3 million aggregate principal amount of the Art Institute of Chicago Series 2016 Revenue Bonds. The proceeds of these bonds were used to refinance a portion of the Art Institute of Chicago Series 2009A Revenue Bonds.

The Institute evaluated activity through October 5, 2016, the date the financial statements were issued, and concluded that no other 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, 2016

(In thousands)

	Museum	School	Corporate Financial Services*	Total
Operating revenue, gains, and other support:				
Tuition and student program fees	\$ -	\$ 149,577	\$ -	\$ 149,577
Student aid		(39,751)		(39,751)
Tuition and student program fees, net	-	109,826	-	109,826
Contributions	13,116	2,231		15,347
Chicago Park District tax	5,733			5,733
Museum admissions	20,007			20,007
Membership dues	8,827			8,827
Special exhibitions, catalogues, and other revenues	676			676
Other program revenues	3,794	5,339		9,133
Investment return designated for current use	10,519	3,325	2,769	16,613
Auxiliary activities	17,188	11,440		28,628
Other	215	441		656
Net assets released from restrictions	35,076	9,374		44,450
Total operating revenue, gains, and other support	115,151	141,976	2,769	259,896
Expenses and losses:				
Programs services:				
Instructional and academic		91,255		91,255
Curatorial, libraries, and collections	37,911			37,911
Special exhibitions	6,634			6,634
Museum education	3,558			3,558
Other programs	6,197	1,835		8,032
Auxiliary activities	15,215	3,703		18,918
Managerial and general:				
General administration	12,858	13,299	4,000	30,157
Depreciation	17,235	11,256		28,491
Interest and debt issuance cost amortization	3,416	3,651	3,122	10,189
Member development	3,434			3,434
Fund raising	5,631	3,378		9,009
Total expenses and losses	112,089	128,377	7,122	247,588
Change in net assets from operations before transfers to quasi-endowment	3,062	13,599	(4,353)	12,308
Transfers to quasi-endowment**	4,271	763		5,034
Change in net assets from operations	\$ 7,333	\$ 14,362	\$ (4,353)	\$ 17,342

*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.

**These amounts represent unrestricted bequests which were received and transferred for long-term investment as quasi-endowment funds.

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	<u>108,924</u>	<u>140,022</u>	<u>3,007</u>	<u>251,953</u>
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	<u>107,573</u>	<u>121,742</u>	<u>2,949</u>	<u>232,264</u>
Change in net assets from operations	<u>\$ 1,351</u>	<u>\$ 18,280</u>	<u>\$ 58</u>	<u>\$ 19,689</u>

*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.