CONSOLIDATED FINANCIAL STATEMENTS AND REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS AND OTHER SUPPLEMENTARY INFORMATION

ROBERT R. MCCORMICK FOUNDATIONS

DECEMBER 31, 2011 AND 2010

CONTENTS

Audit • Tax • Advisory

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Boards of Directors
Robert R. McCormick Foundation
Cantigny Foundation

We have audited the accompanying consolidated statements of financial position of the Robert R. McCormick Foundations (the Foundations) as of December 31, 2011 and 2010, and the related consolidated statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Foundations' management. 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 established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundations' internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Foundations as of December 31, 2011 and 2010, and the changes in their net assets and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The schedule of grant approvals for the year ended December 31, 2011 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. The consolidating statements of financial position and activities as of and for the years ended December 31, 2011 and 2010 are presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and results of operations of the individual foundations and are not a required part of the consolidated financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures. These additional procedures included comparing and reconciling the information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America established by the American Institute of Certified Public Accountants. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole.

Grant Thornton LLP

Chicago, Illinois
May 29, 2012

Robert R. McCormick Foundations
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
December 31,

ASSETS	2011	2010
Cash and cash equivalents	$ 62,256,591	$ 111,716,969
Accounts receivable	3,206,497	3,937,001
Other assets	898,203	918,108
Investment securities (notes C and D)	1,202,847,499	1,224,949,298
Land, buildings, equipment and improvements		
Land (note G)	1,323,205	1,217,744
Buildings and improvements	41,298,978	40,797,779
Machinery, equipment, furniture and fixtures	10,310,472	9,903,483
Land improvements	13,615,957	13,409,872
Other infrastructure	3,478,551	3,490,234
Construction in process	787,465	39,108
	70,814,628	68,858,220
Less accumulated depreciation	(38,744,608)	(35,577,113)
	32,070,020	33,281,107
TOTAL ASSETS	$1,301,278,810	$1,374,802,483

LIABILITIES AND NET ASSETS	2011	2010
LIABILITIES		
Accounts payable and accrued expenses	$ 3,585,675	$ 4,855,857
Grants payable (note E)	36,137,125	29,941,161
Capital lease obligations	607,950	654,000
Total liabilities	40,330,750	35,451,018
NET ASSETS		
Unrestricted (note H)	1,257,649,086	1,336,096,691
Temporarily restricted	496,013	451,813
Permanently restricted (note G)	2,802,961	2,802,961
Total net assets	1,260,948,060	1,339,351,465
TOTAL LIABILITIES AND NET ASSETS	$1,301,278,810	$1,374,802,483

The accompanying notes are an integral part of these statements.

Robert R. McCormick Foundations
CONSOLIDATED STATEMENTS OF ACTIVITIES
Years ended December 31,

	2011	2010
Change in unrestricted net assets		
Revenue		
Dividends and interest	$ 23,453,209	$ 21,946,875
Contributions (note H)	17,740,696	13,543,878
Golf and restaurant operations	6,396,773	6,083,199
Net realized gain (loss) on sales of investments	4,844,378	(2,035,198)
Museum and park operations	441,427	462,366
Other income	130,518	104,847
Total unrestricted revenues and other support	53,007,001	40,105,967
Expenses		
Employees' salaries and benefits (note I)	17,301,091	17,149,244
Professional fees	4,379,650	2,072,094
Depreciation expense	3,196,092	4,452,452
Supplies	1,215,031	1,204,632
Food and retail merchandise	1,163,737	1,130,074
Rent and utilities	1,118,869	939,941
Real estate taxes and insurance	846,508	1,125,419
Fundraising and program expenses	736,286	695,949
Maintenance and repairs	727,103	694,928
Programs and exhibits	711,994	560,594
Other expenses	587,648	775,905
Business meetings and travel	564,222	532,913
Outside services	497,103	455,921
Directors' fees	330,000	330,000
Total expenses	33,375,334	32,120,066
Excess of revenue over expenses	19,631,667	7,985,901
Grants approved	(55,214,336)	(52,323,885)
Deficiency of revenue over expenses and grants approved before change in unrealized net (loss) gain on investments	(35,582,669)	(44,337,984)
Unrealized net (loss) gain on investments	(42,864,936)	121,688,260
(Decrease) increase in unrestricted net assets	(78,447,605)	77,350,276
Change in temporarily restricted net assets		
Unrealized gain on endowment	44,200	229,314
Increase in temporarily restricted net assets	44,200	229,314
Change in net assets	(78,403,405)	77,579,590
Net assets, beginning of year	1,339,351,465	1,261,771,875
Net assets, end of year	$1,260,948,060	$1,339,351,465

The accompanying notes are an integral part of these statements.

Robert R. McCormick Foundations
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended December 31,

	2011	2010
Cash flows from operating activities		
Change in net assets	$ (78,403,405)	$ 77,579,590
Adjustments to reconcile change in net assets to net cash used in operating activities		
Net realized (gain) loss on sales of investments	(4,844,378)	2,035,198
Unrealized net loss (gain) on investments	42,820,736	(121,917,574)
Depreciation expense	3,196,092	4,452,452
Changes in assets and liabilities		
Decrease in accounts receivable and other assets	750,409	133,198
Increase in grants payable	6,195,964	5,289,986
(Decrease) increase in accounts payable and accrued expenses and capital lease obligation	(1,316,232)	2,295,401
Net cash used in operating activities	(31,600,814)	(30,131,749)
Cash flows from investing activities		
Proceeds from sale of investment securities	174,746,861	334,917,713
Purchases of investment securities	(190,620,502)	(480,075,143)
Purchases of equipment and improvements	(1,985,923)	(3,288,771)
Net cash used in investing activities	(17,859,564)	(148,446,201)
Net decrease in cash and cash equivalents	(49,460,378)	(178,577,950)
Cash and cash equivalents, beginning of year	111,716,969	290,294,919
Cash and cash equivalents, end of year	$ 62,256,591	$ 111,716,969

The accompanying notes are an integral part of these statements.

NOTE A - ORGANIZATION

The Robert R. McCormick Foundations (the Foundations) include the following foundations as of December 31, 2011:

- Robert R. McCormick Foundation (McCormick) was established under provisions in the last will and testament of Colonel Robert R. McCormick and is currently organized under the General Not for Profit Corporation Act of Illinois. McCormick's primary mission is to foster communities of educated, informed and engaged citizens. McCormick's operations are supported primarily by investment income and contributions from the general public in support of its fundraising programs (see note H). Grants made by McCormick to further its stated mission have been, to date, limited to organizations operating within the Western Hemisphere.

- Cantigny Foundation (Cantigny) was established under provisions in the last will and testament of Colonel Robert R. McCormick and is currently organized under the General Not for Profit Corporation Act of Illinois. The last will and testament provided that Colonel McCormick's former residence and 500 acres of land (see note G) in Wheaton, Illinois be held in trust in perpetuity as a museum and public park. Cantigny's operations are supported primarily by fees from the general public for use of its facilities, investment income and grants from McCormick. As of January 1, 2011, Cantigny First Division Foundation and McCormick Freedom Project were merged into Cantigny. Cantigny took over operational responsibility for the First Division Museum and Freedom Project as of that date (see note L).

As of December 31, 2010 the Foundations also included the following organizations (see note L):

- Cantigny First Division Foundation (First Division) was an Illinois corporation organized under the General Not for Profit Corporation Act of Illinois. First Division had operational responsibility for the First Division Museum at Cantigny, located on the estate of the late Colonel Robert R. McCormick. The museum facilities are owned by Cantigny and are used primarily for the exhibition of memorabilia of the First Infantry Division of the United States Army. In addition, the First Division Museum maintains affiliations with the Society of the First Division and the United States Army for the mutual benefit of all three organizations. First Division's operations were supported primarily by grants from McCormick.

- McCormick Freedom Project (Freedom Project) was an Illinois corporation organized under the General Not for Profit Corporation Act of Illinois. The Freedom Project operated as an outreach program inspiring middle and high school students to understand, value, and protect their First Amendment rights. The Freedom Project's operations were supported by grants from McCormick.

All members of the McCormick Board of Directors also served on the boards of the other foundations.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Foundations have been prepared on the accrual basis of accounting. The more significant accounting policies used by the Foundations are as follows:

Basis of Presentation

The consolidated financial statements of the Robert R. McCormick Foundations include Robert R. McCormick Foundation and Cantigny Foundation in 2011 and also included Cantigny First Division Foundation and McCormick Freedom Project in 2010. Significant inter-company balances and transactions among these foundations were eliminated upon consolidation.

The Foundations' financial statements have been prepared to focus on the organizations as a whole and to present balances and transactions in accordance with the existence or absence of donor-imposed restrictions. The net assets and related activity of the Foundations are classified as unrestricted if they are not subject to donor-imposed restrictions. Net assets and related activity subject to donor-imposed restrictions are classified as either permanently or temporarily restricted, based on the donors' stipulations. Temporarily restricted contributions expended in the year they are received are presented as unrestricted contributions in the financial statements.

New Accounting Standards

In January 2010, the Financial Accounting Standards Board (FASB) issued ASU 2010-06, *"Improving Disclosures About Fair Value Measurements,"* which also amends ASC 820. This ASU clarifies existing disclosures and requires new disclosures about fair value measurements. The Foundations adopted these new provisions as of December 31, 2010 and have included the required disclosures in the footnotes.

Revenue

Revenue is reported as an increase in unrestricted net assets. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets.

Interest and dividend income and realized gains and losses on sales of investments are reported as investment income or loss, while unrealized gains and losses on unrestricted investments are reported separately in the accompanying consolidated statements of activities as changes in unrestricted net assets. Unrealized gains and losses on permanently restricted investments are reported as changes in temporarily restricted net assets.

Contributions, including unconditional promises to give, are recognized in the period in which they are received.

Revenue from golf and park operations is recognized as earned when the goods and services are provided to customers.

Accounts Receivable

Accounts Receivable consists of earned interest and dividend income on investments and amounts owed to the Foundation for services rendered. The allowance for uncollectible accounts is determined based on past collection experience and an analysis of outstanding balances. There was no allowance for uncollectable accounts at December 31, 2011 and 2010 as the amounts are considered fully collectible.

Land, Buildings, Equipment, and Improvements

Expenditures for additions to land, buildings, equipment, and improvements equal to or greater than $10,000 with an estimated useful life of three years or more are capitalized. Such assets are depreciated using the straight-line method over their estimated useful lives, which range from 3 - 40 years.

Long-lived assets, such as property, plant and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of would be separately presented in the balance sheet and reported at the lower of the carrying amount or fair value less costs to sell, and are no longer depreciated. The assets and liabilities of a disposed group classified as held for sale would be presented separately in the appropriate asset and liability sections of the balance sheet. There were no impairments to land, buildings, and equipment for the fiscal years 2011 or 2010.

Grants

Unconditional grants are expensed when approved by the Board of Directors and designated for specific grantees.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Tax Positions

The Internal Revenue Service (IRS) has determined that the Foundations have met the conditions described in section 509(a)(1) or 509(a)(2) (publicly supported charity) of the Internal Revenue Code (the Code). The Foundations are exempt from income tax under the Code section 501(c)(3), though they are subject to tax on income unrelated to their exempt purposes, unless that income is otherwise excluded by the Code. The tax years ending 2008, 2009, and 2010 are still open to audit for both federal and state purposes.

Cash and Cash Equivalents

The Foundations consider all highly liquid investments with an original maturity of three months or less at the time of purchase to be cash equivalents.

Cash and cash equivalents include $30,000,000 in 2010 of funds transferred to investment managers prior to year end for the purchase of alternative investments. These investments were funded in January 2011. There were no year-end transfers of cash to investment managers in 2011.

Concentration of Credit Risk

The Foundations maintain certain cash accounts, the balances of which, at times, may exceed federally insured limits. The Foundations have not experienced any losses in such accounts. Management believes that the Foundations are not exposed to any significant credit risk on cash.

Collections

The Foundations' permanent collections, which were acquired through purchases and contributions from benefactors since the Foundations' inception, are not recognized as assets on the statements of financial position. Purchases of collection items are recorded as decreases in unrestricted net assets in the year in which the items are acquired.

The Foundations' collections are made up of artifacts of historical significance and art objects that are held for educational, research, and curatorial purposes. Each of the items is cataloged, preserved and cared for, and activities verifying their existence and assessing their condition are performed continuously. The collections are subject to the Foundations' policy that allows proceeds from their sales or insurance recoveries to be used to acquire other items for collections or to be recorded as increases in net assets.

Reclassifications

Certain 2010 amounts have been reclassified in order to provide the financial information on a basis consistent with the 2011 presentation.

NOTE C - INVESTMENT SECURITIES

The following is a summary of approximate fair values of the investment securities as of December 31, 2011 and 2010:

	2011 Fair value	2010 Fair value
Investments		
Marketable securities		
Equities	$ 94,696,701	$ 97,573,489
Fixed income	104,880,888	170,048,080
Mutual fund	67,851,267	51,022,766
Domestic equity index fund	186,465,725	184,438,322
International equity index fund	121,960,828	141,315,841
Alternative investments		
International equity funds	144,285,845	102,855,444
High-yield credit	64,492,937	63,654,140
Hedge funds	287,597,409	281,470,928
Private equity	130,615,899	132,570,288
Total	$1,202,847,499	$1,224,949,298

Equities include permanently restricted assets of $1,929,896 and $1,930,009 as of December 31, 2011 and 2010, respectively (see note G). Investment manager fees totaled $1,800,535 and $1,547,870 as of December 31, 2011 and 2010, respectively.

Investments valued at Net Asset Value (NAV) or its equivalent as of December 31, 2011, consisted of the following:

	Fair value	Unfunded commitments	Redemption frequency	Redemption notice period
Domestic equity index fund (a)	$186,465,725	$ -	Semi-monthly	7 days
International equity index fund (b)	121,960,828	-	Semi-monthly	7 days
International equity funds (b)	144,285,845	-	Monthly - Unlimited	4 - 30 days
High-yield credit (c)	64,492,937	-	Monthly - Quarterly	10 - 90 days
Hedge funds (d)	287,597,409	20,000,000	Monthly - Annual	45 - 90 days
Private equity (e)	130,615,899	91,918,613	None until termination of partnership	
Total investments recorded at NAV	$935,418,643			

(a) This category includes investments in an equity security fund primarily consisting of domestic common stocks. The NAV of the fund is determined by using the market value of the underlying securities. Semi-monthly fund redemptions are permitted but are restricted to 25% of the Foundations' fund balance with 7 days notice. There are no future commitments.

(b) This category includes investments in equity securities funds primarily consisting of non-U.S. common stocks. The NAV of the funds is determined using the market value of the underlying securities. The funds have no future commitments. The redemption frequency of these funds ranges from unlimited to monthly. Redemptions of the funds are permitted with notices ranging from 4 - 30 days.

(c) This category includes investments in limited partnerships with assets consisting primarily of unleveraged bank loans and high-yield debt. The fair value of the investments in this category is based on the NAV per share or its equivalent of the investments. The redemption frequency of these funds ranges from monthly with a 10-day notice to quarterly with a 90-day notice.

(d) This category includes investments in hedge funds that invest both long and short in U.S. and European equities, global fixed income and multi-strategy funds, distressed corporate credit and limited partnerships with assets consisting of U.S. equities and global multi-strategy investments. The fair values of the investments in this category are based on the NAV per share or its equivalent of the investments. Permitted redemption frequencies range from monthly to annually with notice periods ranging from 45 - 90 days.

(e) This category includes investments in limited partnerships with assets consisting of both domestic and international based investments in private companies, real estate, distressed credit securities, leveraged bank loans, and mortgage backed securities. The fair values of the investments are based on the NAV per share or its equivalent of the investments. The private equity investments cannot be redeemed until the termination of the partnerships.

The Foundations invest in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the value of investment securities will occur in the near term and that such changes could materially affect amounts reported in the consolidated statements of financial position.

NOTE D - FAIR VALUE MEASUREMENTS

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Foundations use a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The fair value hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). These levels are evaluated on an annual basis and transfers between levels are recognized as of the end of each year. The three levels of the fair value hierarchy are described below:

Level 1 - Quoted prices in active markets for identical assets or liabilities. Level 1 assets and liabilities include debt and equity securities that are traded in an active exchange market, as well as U.S. Treasury securities.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 assets and liabilities include debt securities with quoted market prices that are traded less frequently than exchange-traded instruments. This category generally includes certain U.S. government and agency mortgage-backed debt securities and corporate-debt securities. Also included in Level 2 are investments measured using a NAV per share, or its equivalent, that may be redeemed at that NAV at the date of the statement of financial position or in the near term, which is generally considered to be within 90 days.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation. This category generally includes certain private debt and equity instruments and alternative investments. Also included in Level 3 are investments measured using a NAV per share, or its equivalent, that can never be redeemed at the NAV or for which redemption at NAV is uncertain due to lock-up periods or other investment restrictions.

The following discussion describes the valuation methodologies used for financial assets measured at fair value. The techniques utilized in estimating the fair values are affected by the assumptions used, including discount rates and estimates of the amount and timing of future cash flows. Care should be exercised in deriving conclusions about the Foundations' business, its value or financial position based on the fair value information of financial assets presented below.

Fair value estimates are made at a specific point in time, based on available market information and judgments about the financial asset, including estimates of timing, amount of expected future cash flows and the credit standing of the issuer. In some cases, the fair value estimates cannot be substantiated by comparison to independent markets. In addition, the disclosed fair value may not be realized in the immediate settlement of the financial asset. In addition, the disclosed fair values do not reflect any premium or discount that could result from offering for sale at one time an entire holding of a particular financial asset. Potential taxes and other expenses that would be incurred in an actual sale or settlement are not reflected in amounts disclosed.

The carrying value of grants payable and the capital lease obligation approximates the fair value of these financial instruments.

Fair values of equity securities have been determined based on prices provided by the Foundations' investment managers and their custodian bank.

Fair values for the Foundations' fixed income securities are based on prices provided by its investment managers and its custodian bank. Both the investment managers and the custodian bank use a variety of pricing sources to determine market valuations. Each designates specific pricing services or indexes for each sector of the market based upon the provider's expertise.

Fair value of alternative investments is based on valuations provided by external investment managers or on audited financial statements when available; these investments are carried at NAV or its equivalent. Valuations provided by external investment managers include estimates, appraisals, assumptions and methods that are reviewed by the Foundations' independent investment advisor and management.

The following table presents the Foundations' fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of December 31, 2011.

		Fair value measurements At December 31, 2011, using:		
	Fair value	Level I	Level 2	Level 3
Money market funds	$ 60,356,462	$ 60,356,462	$ -	$ -
Investments				
Marketable securities				
Equities	94,696,701	94,696,701	-	-
Fixed income	104,880,888	104,880,888	-	-
Mutual fund	67,851,267	67,851,267	-	-
Domestic equity index fund	186,465,725	-	186,465,725	-
International equity index fund	121,960,828	-	121,960,828	-
Alternative investments				
International equity funds	144,285,845	-	144,285,845	-
High-yield credit	64,492,937	-	37,855,364	26,637,573
Hedge funds	287,597,409	-	104,468,206	183,129,203
Private equity	130,615,899	-	-	130,615,899
Total	$1,263,203,961	$327,785,318	$595,035,968	$340,382,675

The following table presents the Foundations' fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of December 31, 2010.

	Fair value	Fair value measurements At December 31, 2010, using: Level I	Level 2	Level 3
Money market funds	$ 111,497,885	$111,497,885	$ -	$ -
Investments				
Marketable securities				
Equities	97,573,489	97,573,489	-	-
Fixed income	170,048,080	170,048,080	-	-
Mutual fund	51,022,766	51,022,766	-	-
Domestic equity index fund	184,438,322	-	184,438,322	-
International equity index fund	141,315,841	-	141,315,841	-
Alternative investments				
International equity funds	102,855,444	-	102,855,444	-
High-yield credit	63,654,140	-	37,722,083	25,932,057
Hedge funds	281,470,928	-	93,398,674	188,072,254
Private equity	132,570,288	-	-	132,570,288
Total	$1,336,447,183	$430,142,220	$559,730,364	$346,574,599

The table below presents a reconciliation for all Level 3 assets measured at fair value on a recurring basis for the period January 1, 2011 to December 31, 2011.

	High-yield credit	Hedge funds	Private equity	Total
Beginning balance, January 1, 2011	$25,932,057	$188,072,254	$132,570,288	$346,574,599
Total unrealized net gains (losses)	705,516	(4,949,545)	(6,573,628)	(10,817,657)
Realized gains	-	10,665	5,160,014	5,170,679
Purchases	-	25,180	38,269,852	38,295,032
Sales	-	(29,351)	(38,810,627)	(38,839,978)
Ending balance, December 31, 2011	$26,637,573	$183,129,203	$130,615,899	$340,382,675

The table below presents a reconciliation for all Level 3 assets measured at fair value on a recurring basis for the period January 1, 2010 to December 31, 2010.

	High-yield credit	Hedge funds	Private equity	Total
Beginning balance, January 1, 2010	$20,964,999	$137,076,421	$93,644,209	$251,685,629
Total unrealized net gains	1,967,058	16,093,023	19,652,523	37,712,604
Realized gains	-	-	6,474,702	6,474,702
Purchases	3,000,000	35,534,856	52,601,201	91,136,057
Sales	-	(632,046)	(39,802,347)	(40,434,393)
Ending balance, December 31, 2010	$25,932,057	$188,072,254	$132,570,288	$346,574,599

For the periods January 1, 2010 to December 31, 2010 and January 1, 2011 to December 31, 2011, there were no realized gains or losses included in earnings that were attributable to Level 3 assets still held at year-end.

NOTE E - GRANTS PAYABLE

The Board of Directors of McCormick has approved various unconditional grants, which are payable in annual installments. The commitments outstanding at December 31, 2011 are scheduled for payment as follows:

Year ending December 31,	Gross amount	Discounted amount
2012	$21,318,662	$21,143,803
2013	9,155,818	9,006,239
2014	3,834,000	3,740,430
2015	1,826,000	1,766,825
2016	500,000	479,828
Total	$36,634,480	$36,137,125

NOTE F - LEASES

Operating Lease Commitments

McCormick signed a 10-year operating lease with Michigan Plaza LLC for general office space at 205 North Michigan Avenue, Chicago, Illinois. Rent expense pertaining to this lease was $560,414 and $413,350 in 2011 and 2010, respectively. Annual lease commitments are as follows:

Year ending December 31,	
2012	$ 542,933
2013	558,084
2014	573,441
2015	589,011
2016	604,799
Thereafter	2,298,310
Total	$5,166,578

Capital Lease Obligation

Cantigny leases golf carts under the terms of a capital lease dated December 17, 2009, requiring annual payments of $101,325 through December 2017. The golf carts are included in Cantigny's equipment and vehicles with a capitalized cost of $558,075 at December 31, 2011 and 2010. Accumulated depreciation was $139,519 at December 31, 2011. Amortization is included in depreciation expense in the accompanying statements of activities. Future minimum lease payments required under the capital lease are as follows:

Year ending December 31,	
2012	$101,325
2013	101,325
2014	101,325
2015	101,325
2016	101,325
Thereafter	101,325
Total	607,950
Amount representing interest at 1%	(17,216)
Present value of net minimum lease payments	$590,734

NOTE G - PERMANENTLY AND TEMPORARILY RESTRICTED ASSETS

The last will and testament of Colonel Robert R. McCormick provided that Colonel McCormick's former residence and 500 acres of land in Wheaton, Illinois be held in trust in perpetuity as a museum and public park, thus establishing what is now the Cantigny Foundation. The original cost basis of $839,000 for the 500 acres of land has been recorded and is reflected in the financial statements in permanently restricted net assets.

In 2006, McCormick received a permanently restricted endowment from the Frances Bioff Trust in the amount of $2,003,776. This amount is maintained by the Foundations as a donor-restricted endowment fund, the principal of which may not be expended. Income from the endowment is to be used for the sole benefit of abandoned and impoverished children and is included in unrestricted net assets in the consolidated financial statements. McCormick meets the endowment's spending requirement annually through its Communities Program grant making activity, which includes contributions to organizations serving abandoned and impoverished children. Unrealized gains and losses on the endowment are included in temporarily restricted net assets. Total professional service fees and back taxes pertaining to the final settlement of the estate have reduced the total permanently restricted endowment by $39,815, leaving a total restricted endowment of $1,963,961.

The table below presents a reconciliation of the Foundations' endowment balances for the period January 1, 2011 to December 31, 2011:

	Unrestricted net assets	Temporarily restricted net assets	Permanently restricted net assets	Total
Beginning balance, January 1, 2011	$ 15,162	$451,813	$1,963,961	$2,430,936
Dividends and interest	57,126	-	-	57,126
Unrealized gain (loss)	-	44,200	-	44,200
Amounts appropriated for expenditures	(57,012)	-	-	(57,012)
Ending balance, December 31, 2011	$ 15,276	$496,013	$1,963,961	$2,475,250

The table below presents a reconciliation of the Foundations' endowment balances for the period January 1, 2010 to December 31, 2010:

	Unrestricted net assets	Temporarily restricted net assets	Permanently restricted net assets	Total
Beginning balance, January 1, 2010	$ 14,681	$222,499	$1,963,961	$2,201,141
Dividends and interest	57,304	-	-	57,304
Unrealized gain (loss)	-	229,314	-	229,314
Amounts appropriated for expenditures	(56,823)	-	-	(56,823)
Ending balance, December 31, 2010	$ 15,162	$451,813	$1,963,961	$2,430,936

NOTE H - FUNDRAISING PROGRAMS

During 2011 and 2010, various fundraising programs were conducted by McCormick. Current programs are designed to combine the charitable efforts of McCormick and various corporate entities. The purpose of each program is to increase philanthropy and attract contributions from the general public. In 2011 and 2010, the programs primarily focused on charitable activities in local communities and aid to U.S. military veterans and their families. As an incentive to maximize contributions to the programs, challenges are issued by McCormick to the general public. Matching amounts are transferred to the various programs from McCormick's general funds based upon the attainment of predetermined goals within a specified period of time. There are no donor restrictions on amounts raised by contributions for these programs.

McCormick retains complete discretion in determining specific third-party beneficiaries. Undistributed contributions received, including matching amounts transferred to the programs, total approximately $20,572,000 and $19,507,000, and are included as a component of unrestricted net assets in the consolidated statements of financial position at December 31, 2011 and 2010, respectively.

NOTE I - EMPLOYEE BENEFITS

All eligible employees and their dependents, as defined, of the Foundations are provided medical benefits under one plan. The plan is partially self-funded and the administration is provided through a third-party claims administrator. Claims expenses on the self-funded portion for the Foundations' employees totaled approximately $266,000 and $270,000 for 2011 and 2010, respectively.

The Foundations have established a defined contribution pension plan. Annual employer contributions are equal to 8% of each participant's quarterly compensation plus an additional 4.3% of such compensation in excess of $74,760 for both 2011 and 2010. All eligible employees at the date of plan inception became 100% vested. All future participants become vested in equal percentages over a 3-year period. Permanent forfeitures, as defined, are used to reduce future employer contributions.

All eligible employees are also offered retirement benefits under a 403(b)(7) matching plan. Employer contributions calculated and funded quarterly are based on a specified percentage of amounts invested by employees. Employer contributions under the matching plan will not exceed 6% of any employee's annual salary in any plan year. All participants become vested in equal percentages over a 3-year period.

Beginning in 2003, eligible highly compensated employees were offered quarterly retirement benefits under a 457(b) deferred compensation plan. Quarterly employer contributions to the plan match, on a dollar-for-dollar basis, employee investments up to 35% of the applicable 403(b) limit ($5,775 in 2011 and 2010). Participants are fully vested in employer contributions that have been paid.

Employer contributions for employees of the Foundations under the defined contribution plan, the 403(b)(7) matching plan and the 457(b) deferred compensation plan were approximately $954,000, $491,000 and $88,000, respectively, in 2011 and $961,000, $504,000 and $90,000, in 2010, respectively.

In 2000, The Foundations established an Executive Mutual Fund Option Plan (Option Plan) for certain employees of the Foundations. Under the terms of the Option Plan, the employees forego salary in return for options on various third-party mutual funds. The Foundations are the writer of these options, which are exercisable at any time between January 1, 2001 and January 9, 2012. The Foundations have hedged the economic risk associated with the written options by purchasing shares of the various mutual funds underlying the outstanding options. The fair value of the option liability was approximately $52,000 as of both December 31, 2011 and 2010, which is included in accounts payable and accrued expenses in the consolidated statements of financial position.

NOTE J - SCHEDULE OF FUNCTIONAL EXPENSES

Expenses by functional category are as follows for the years ended December 31, 2011 and December 31, 2010:

	2011	2010
Program services	$22,714,040	$23,277,091
Management and general administration	8,910,803	6,840,827
Fundraising	1,750,491	2,002,148
Total expenses	33,375,334	32,120,066
Grants approved	55,214,336	52,323,885
Total expenses and grants approved	$88,589,670	$84,443,951

NOTE K - PENDING LITIGATION

In the fourth quarter of 2010, McCormick and Cantigny were named as defendants in a complaint filed by the official Committee of Unsecured Creditors of Tribune Company on matters pertaining to Tribune Company's ongoing bankruptcy proceedings. In 2011, three additional lawsuits were filed; one each by certain Tribune note holders, retired Tribune employees and entities related to Sam Zell, pertaining to the leveraged buyout of the Tribune Company in 2007. All substantive litigation in these actions has been stayed since their inception. The stay is set to be lifted on June 1, 2012. Foundation management believes the claims asserted against the Foundations are without merit, and intends to vigorously defend against them. Foundation management is of the opinion that any potential loss exposure from this pending litigation is indeterminable at this time.

NOTE L - MERGER

On January 1, 2011, First Division Foundation and Freedom Project were merged into Cantigny in order to streamline administrative functions and reporting requirements. The mergers did not have a significant effect on the operations or missions of the Foundations.

NOTE M - SUBSEQUENT EVENTS

The Foundations evaluated their December 31, 2011 financial statements for subsequent events through May 29, 2012, the date the financial statements were available to be issued, and are not aware of any subsequent events that would require recognition or disclosure in the financial statements.

SUPPLEMENTARY INFORMATION

Schedule I

Robert R. McCormick Foundations
SCHEDULE OF GRANT APPROVALS
Year ended December 31, 2011

Program	Number of grants	Total amount of grants approved
Fundraising programs		
Chicago Tribune Charities	2	$ 50,000
Chicago Tribune Holiday Campaign	153	4,550,000
LA Times Family Fund	71	1,803,000
Newsday Charities - Holiday	7	195,000
Newsday Charities - Summer	5	110,000
Orlando Sentinel Family Fund - Holiday	31	729,000
Orlando Sentinel Family Fund - Summer	6	125,000
Post-News Charities	76	759,100
Post-News Season to Share	88	2,996,500
Sun-Sentinel Children's Fund	86	781,000
Washington Post Charities	4	90,000
WGN Radio 720 Neediest Kids Fund	26	510,000
Cavaliers Youth Fund	19	631,074
Chicago Blackhawks Charities	14	610,000
Chicago Bulls Community Assist Fund	1	15,000
Chicago White Sox Community Fund	28	585,000
Colorado Rockies Charity Fund	60	1,320,500
Cubs Care	47	1,018,500
One Summer Chicago	5	500,370
Orlando Magic Youth Fund	21	1,076,000
United Way of Metro Chicago Impact Fund	15	3,502,500
Veterans Midwest Employment Fund	7	1,442,100
Welcome Back Veterans	8	5,450,000
General Fund	160	23,984,703
Total grants approved	940	52,834,347
Adjustment to present value		668,034
Grants approved at present value		53,502,381
Direct charitable giving		580,684
Matching gifts		1,131,271
Total grants approved		$ 55,214,336

See accompanying independent auditors' report.

Schedule II

Robert R. McCormick Foundations

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

Year ended December 31, 2011

ASSETS	Robert R. McCormick Foundation	Cantigny Foundation	Eliminations	Consolidated total
Cash and cash equivalents	$ 58,258,778	$ 3,997,813	$ -	$ 62,256,591
Accounts receivable	2,793,219	413,278	-	3,206,497
Other assets	472,998	425,205	-	898,203
Investment securities	1,042,150,876	160,696,623	-	1,202,847,499
Land, buildings, equipment and improvements				
Land	-	1,323,205	-	1,323,205
Buildings and improvements	377,767	40,921,211	-	41,298,978
Machinery, equipment, furniture and fixtures	319,281	9,991,191	-	10,310,472
Land improvements	-	13,615,957	-	13,615,957
Other infrastructure	-	3,478,551	-	3,478,551
Construction in process	-	787,465	-	787,465
	697,048	70,117,580	-	70,814,628
Less accumulated depreciation	(432,611)	(38,311,997)	-	(38,744,608)
	264,437	31,805,583	-	32,070,020
Due from affiliated organizations	-	6,665,085	(6,665,085)	-
Total assets	$ 1,103,940,308	$ 204,003,587	$ (6,665,085)	$ 1,301,278,810

LIABILITIES AND NET ASSETS	Robert R. McCormick Foundation	Cantigny Foundation	Eliminations	Consolidated total
Liabilities				
Accounts payable and accrued expenses	$ 951,707	$ 2,633,968	$ -	$ 3,585,675
Grants payable	36,137,125	-	-	36,137,125
Capital lease commitment	-	607,950	-	607,950
Due to affiliated organizations	6,665,085	-	(6,665,085)	-
Total liabilities	43,753,917	3,241,918	(6,665,085)	40,330,750
Net assets				
Unrestricted	1,057,726,417	199,922,669	-	1,257,649,086
Temporaily restricted	496,013	-	-	496,013
Permanently restricted	1,963,961	839,000	-	2,802,961
Total net assets	1,060,186,391	200,761,669	-	1,260,948,060
Total liabilities and net assets	$ 1,103,940,308	$ 204,003,587	$ (6,665,085)	$ 1,301,278,810

See accompanying independent auditors' report.

Robert R. McCormick Foundations
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
Year ended December 31, 2010

ASSETS	Robert R. McCormick Foundation	Cantigny Foundation	Cantigny First Division Foundation	McCormick Freedom Project	Eliminations	Consolidated total
Cash and cash equivalents	$ 110,494,772	$ 1,148,495	$ 73,702	$ -	$ -	$ 111,716,969
Accounts receivable	3,598,028	338,973	-	-	-	3,937,001
Other assets	476,508	436,674	4,926	-	-	918,108
Investment securities	1,061,713,594	161,165,985	2,069,719	-	-	1,224,949,298
Land, buildings, equipment and improvements						
Land	-	1,217,744	-	-	-	1,217,744
Buildings and improvements	377,767	39,868,266	250,872	300,874	-	40,797,779
Machinery, equipment, furniture and fixtures	319,281	8,920,799	-	663,403	-	9,903,483
Land improvements	-	13,409,872	-	-	-	13,409,872
Other infrastructure	-	3,478,551	11,683	-	-	3,490,234
Construction in process	-	39,108	-	-	-	39,108
	697,048	66,934,340	262,555	964,277	-	68,858,220
Less accumulated depreciation	(394,835)	(34,606,802)	(262,555)	(312,921)	-	(35,577,113)
	302,213	32,327,538	-	651,356	-	33,281,107
Due from affiliated organizations	-	4,838,780	-	-	(4,838,780)	-
Total assets	$ 1,176,585,115	$ 200,256,445	$ 2,148,347	$ 651,356	$ (4,838,780)	$ 1,374,802,483

LIABILITIES AND NET ASSETS	Robert R. McCormick Foundation	Cantigny Foundation	Cantigny First Division Foundation	McCormick Freedom Project	Eliminations	Consolidated total
Liabilities						
Accounts payable and accrued expenses	$ 2,148,291	$ 2,498,393	$ 143,940	$ 65,233	$ -	$ 4,855,857
Grants payable	29,941,161	-	-	-	-	29,941,161
Capital lease commitment	-	654,000	-	-	-	654,000
Due to affiliated organizations	4,172,269	-	434,054	232,457	(4,838,780)	-
Total liabilities	36,261,721	3,152,393	577,994	297,690	(4,838,780)	35,451,018
Net assets						
Unrestricted	1,137,907,620	196,265,052	1,570,353	353,666	-	1,336,096,691
Temporarily restricted	451,813	-	-	-	-	451,813
Permanently restricted	1,963,961	839,000	-	-	-	2,802,961
Total net assets	1,140,323,394	197,104,052	1,570,353	353,666	-	1,339,351,465
Total liabilities and net assets	$ 1,176,585,115	$ 200,256,445	$ 2,148,347	$ 651,356	$ (4,838,780)	$ 1,374,802,483

See accompanying independent auditors' report.

Schedule IV

Robert R. McCormick Foundations

CONSOLIDATING STATEMENT OF ACTIVITIES

Year ended December 31, 2011

	Robert R. McCormick Foundation	Cantigny Foundation	Eliminations	Consolidated total
Change in unrestricted net assets				
Revenue				
Dividends and interest	$ 19,652,346	$ 3,800,863	$ -	$ 23,453,209
Contributions	17,724,621	16,075	-	17,740,696
Golf and restaurant operations	-	6,396,773	-	6,396,773
Net realized (loss) gain on sales of investments	(1,276,253)	6,120,631	-	4,844,378
Museum and park operations	-	441,427	-	441,427
Other income	59,988	70,530	-	130,518
Total revenue	36,160,702	16,846,299	-	53,007,001
Expenses				
Employees' salaries and benefits	6,648,626	10,652,465	-	17,301,091
Professional fees	4,152,601	227,049	-	4,379,650
Depreciation expense	37,777	3,158,315	-	3,196,092
Supplies	196,452	1,018,579	-	1,215,031
Food and retail merchandise	-	1,163,737	-	1,163,737
Rent and utilities	622,765	496,104	-	1,118,869
Real estate taxes and insurance	102,879	743,629	-	846,508
Fundraising program expenses	736,286	-	-	736,286
Maintenance and repairs	171,636	555,467	-	727,103
Programs and exhibits	359,822	352,172	-	711,994
Other expenses	196,745	390,903	-	587,648
Business meetings and travel	384,516	179,706	-	564,222
Outside services	85,908	411,195	-	497,103
Directors' fees	206,400	123,600	-	330,000
Total expenses	13,902,413	19,472,921	-	33,375,334
Revenue in excess (deficiency) of expenses	22,258,289	(2,626,622)	-	19,631,667
Grants approved	(69,270,414)	-	14,056,078	(55,214,336)
Contributions from the Robert R. McCormick Foundation	-	14,056,078	(14,056,078)	-
Deficiency of revenue over expenses and grants approved				-
before change in unrealized net gain on investments	(47,012,125)	11,429,456	-	(35,582,669)
Unrealized net loss on investments	(33,169,078)	(9,695,858)	-	(42,864,936)
(Decrease) increase in unrestricted net assets	(80,181,203)	1,733,598	-	(78,447,605)
Change in temporarily restricted net assets				
Unrealized gain on endowment	44,200	-	-	44,200
Increase in temporarily restricted net assets	44,200	-	-	44,200
Change in net assets	(80,137,003)	1,733,598	-	(78,403,405)
Net assets, beginning of year	1,140,323,394	199,028,071	-	1,339,351,465
Net assets, end of year	$ 1,060,186,391	$ 200,761,669	$ -	$ 1,260,948,060

See accompanying independent auditors' report.

Schedule V

Robert R. McCormick Foundations

CONSOLIDATING STATEMENT OF ACTIVITIES

Year ended December 31, 2010

	Robert R. McCormick Foundation	Cantigny Foundation	Cantigny First Division Foundation	McCormick Freedom Project	Eliminations	Consolidated total
Change in unrestricted net assets						
Revenue						
Dividends and interest	$ 19,371,515	$ 2,539,399	$ 35,961	$ -	$ -	$ 21,946,875
Contributions	13,534,410	2,812	6,606	50	-	13,543,878
Golf and restaurant operations	-	6,083,199	-	-	-	6,083,199
Net loss on sales of investments	(160,753)	(1,874,445)	-	-	-	(2,035,198)
Museum and park operations	-	458,463	3,903	-	-	462,366
Other income	39,410	62,343	3,094	-	-	104,847
Total revenue	32,784,582	7,271,771	49,564	50	-	40,105,967
Expenses						
Employees' salaries and benefits	6,154,648	8,274,486	1,739,193	980,917	-	17,149,244
Professional fees	1,730,912	276,585	41,657	22,940	-	2,072,094
Depreciation expense	49,774	3,102,883	69,720	1,230,075	-	4,452,452
Supplies	169,607	938,184	82,374	14,467	-	1,204,632
Food and retail merchandise	-	1,119,561	10,513	-	-	1,130,074
Rent and utilities	429,271	387,813	76,260	46,597	-	939,941
Real estate taxes and insurance	85,714	1,017,815	14,654	7,236	-	1,125,419
Fundraising program expenses	695,949	-	-	-	-	695,949
Maintenance and repairs	154,036	440,036	78,297	22,559	-	694,928
Programs and exhibits	121,470	122,102	218,297	98,725	-	560,594
Other expenses	246,842	398,130	45,493	85,440	-	775,905
Business meetings and travel	306,263	106,348	63,132	57,170	-	532,913
Outside services	29,967	299,824	54,607	71,523	-	455,921
Directors' fees	216,700	81,200	21,800	10,300	-	330,000
Total expenses	10,391,153	16,564,967	2,515,997	2,647,949	-	32,120,066
Revenue in excess (deficiency) of expenses	22,393,429	(9,293,196)	(2,466,433)	(2,647,899)	-	7,985,901
Grants approved	(55,415,109)	-	-	-	3,091,224	(52,323,885)
Contributions (to) from the Robert R. McCormick Foundation	-	(1,465,940)	2,404,888	2,152,276	(3,091,224)	-
Deficiency of revenue over expenses before change in unrealized net gain on investments	(33,021,680)	(10,759,136)	(61,545)	(495,623)	-	(44,337,984)
Unrealized net gain on investments	98,339,796	23,112,936	235,528	-		121,688,260
Increase (decrease) in unrestricted net assets	65,318,116	12,353,800	173,983	(495,623)	-	77,350,276
Change in temporarily restricted net assets						
Unrealized gain on endowment	229,314	-	-	-	-	229,314
Increase in temporarily restricted net assets	229,314	-	-	-	-	229,314
Change in net assets	65,547,430	12,353,800	173,983	(495,623)	-	77,579,590
Net assets, beginning of year	1,074,775,964	184,750,252	1,396,370	849,289	-	1,261,771,875
Net assets, end of year	$ 1,140,323,394	$ 197,104,052	$ 1,570,353	$ 353,666	$ -	$ 1,339,351,465

See accompanying independent auditors' report.